AXA BELGIUM FINANCE (NL) B.V.

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

Issuer

AXA BANK BELGIUM SA

(Incorporated with limited liability under the laws of Belgium)

Issuer and Guarantor

NOTES ISSUANCE PROGRAMME

EUR 2,000,000,000

Under the Notes Issuance Programme (the "Programme") described in this Base Prospectus, AXA BANK BELGIUM SA (formerly known as AXA BANK EUROPE SA) (also named AXA BANK SA/AXA BANK NV, or "AXA BANK") (LEI: LSGM84136ACA92XCN876) and AXA BELGIUM FINANCE (NL) B.V. ("ABF(NL)") (LEI: 549300N5I1SRK4BPCN40) , together with AXA BANK the "Issuers" and each, individually, an "Issuer") may from time to time issue notes (in the case of notes issued by AXA BANK referred to as the "AXA BANK Notes", in the case of notes issued by ABF(NL) as the "ABF(NL) Notes", together referred to as the "Notes" and individually as a "Note"), which may be linked to various underlyings (the "Underlying"), that rank as senior obligations of the Issuer (the "Senior Notes"). Senior Notes issued by ABF(NL) will be guaranteed by AXA BANK (the "Guarantor") pursuant to a senior guarantee (the "Senior Guarantee").

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

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

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

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

This Base Prospectus is dated 25 September 2018 and is valid for one year from that date, provided that the Base Prospectus may be updated by any supplements in accordance with articles 34 and 35 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market. This Base Prospectus replaces and supersedes the Base Prospectus dated 26 September 2017.

The Base Prospectus, including the summary, and the Final Terms of each Tranche are available on the internet site www.axabank.be (under the heading 'About AXA BANK - Financial Information') and a copy can be obtained free of charge in the offices of AXA BANK.

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

Market. The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

This Base Prospectus was approved by the Financial Services and Markets Authority (FSMA) on 25 September 2018 in accordance with article 23 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market. This approval does not entail any appraisal of the appropriateness or the merits of any issue under the Programme nor of the situation of the Issuers or the Guarantor.

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

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Base Prospectus, setting out certain risks in relation to Senior Notes. In particular, holders of Senior Notes may lose their investment if the Issuer were to become non-viable or the Notes were to be written down and/or converted or (in the case of the Senior Notes) bailed-in. See pages 24 and 26 of this Base Prospectus. See page 21 to 38 for a description of the risk factors.

The Notes may not be a suitable investment for all investors. Accordingly, prospective investors in Notes should decide for themselves whether they want to invest in the Notes and obtain advice from a financial intermediary in that respect, in which case the relevant intermediary will have to determine whether or not the Notes are a suitable investment for them.

BANQUE INTERNATIONALE à LUXEMBOURG SA

Fiscal Agent and Principal Paying Agent

AXA BANK BELGIUM SA

Paying Agent and Calculation Agent

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2 CHOICES MADE BY THE ISSUER

The Issuers have chosen according to article 5(4) of Directive 2003/71/EC (the "Prospectus Directive")[1] to issue notes under a base prospectus. The specific terms of each Tranche will be set forth in the applicable Final Terms. In addition, the Issuers choose as their home Member State the Kingdom of Belgium.

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

3 RESPONSIBILITY STATEMENT

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

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

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

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

(a) such consent is given only for the use of this Base Prospectus, as supplemented from time to time, in relation to Public Offers of Notes occurring within 12 months from the date of this Base Prospectus;
(b) such consent relates only to the offer period of the applicable Public Offer (the "Offer Period");
(c) such consent only relates to Public Offers made in Belgium;
(d) the relevant Authorised Offeror is authorised to make Public Offers under Directive 2014/65/EC of the European Parliament and of the Council on markets in financial instruments (the "MiFID Directive") provided, however, that, if any Authorised Offeror ceases to be so authorised, then the consent of the Issuer shall be given only for so long as each Authorised Offeror is so authorised to make Public Offers under the MiFID Directives;

[1] The Prospectus Directive will be repealed as from 21 July 2019 by Regulation (EU) 2017/1129 of the European Parliament and of the Council EU 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, except for:
(a) points (a) and (g) of Article 4(2) of Directive 2003/71/EC, which are repealed with effect from 20 July 2017; and
(b) point (h) of Article 1(2) and point (e) of the first subparagraph of Article 3(2) of Directive 2003/71/EC, which are repealed with effect from 21 July 2018.

(e) any other conditions relating to the relevant Public Offer (as specified in the relevant Final Terms) are complied with.

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

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

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

The Issuers have not authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this Base Prospectus in connection with its offer of any Notes unless (i) the offer is made by an Authorised Offeror as described above or (ii) the offer is otherwise made in circumstances falling within an exemption from the requirement to publish a prospectus under the Prospectus Directive. Any such unauthorized offers are not made on behalf of the Issuers and the Issuers have no responsibility or liability for the actions of any person making such offers.

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

4 SUMMARY

Summary of the

AXA BELGIUM FINANCE (NL) B.V.

and

AXA BANK BELGIUM SA

NOTES ISSUANCE PROGRAMME

EUR 2,000,000,000

Introduction and warnings

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

A.2 The Issuer authorises that this Base Prospectus, as supplemented from time to time, may be used for the purposes of a public offer within 12 months from the date of this Base Prospectus in Belgium, by any credit

institution authorised pursuant to Directive 2013/36/EU or any investment firm authorised pursuant to Directive 2014/65/EU to conduct such offers (an Authorised Offeror).

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

Issuers and guarantor

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

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

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

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

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

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

ABF(NL) was incorporated as a "besloten vennootschap" for an unlimited duration under the laws of the Netherlands on 30 October 1990 under the name of Ippa Finance Company B.V. On 21 March 2000 the name was changed to AXA Belgium Finance (NL) B.V. Its registered office is in Amsterdam and its business address is at 1082 PR Amsterdam, Beethovenstraat 518 (previously 4835 NA Breda, Ginnekenweg 213), The Netherlands.

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

See B.4b for AXA BANK BELGIUM NV.

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

Beran: real estate company
Mofico: self-service units hired to bank agents
Royal Street: SPV for securitization mortgage loans and issues of RMBS
AXA Bank Europe SCF: French 'Société de Crédit Foncier' for issues of Covered Bonds.

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

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

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

B.9 **Profit forecast or estimate**

ABF(NL) does not disclose forecasts or estimations of its future results.

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

The relevant auditor's report with respect to the audited annual accounts of ABF(NL) for the years ended 31 December 2016 and 31 December 2017 were delivered without any reservations.

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

AXA BELGIUM FINANCE (NL) BV Summary per 31/12/2016 (in '000 EUR)		
	31/12/2017	***31/12/2016***
Assets	1,356,671	1,491,508
Shareholders' Equity	2,515	5,891
Liabilities	1,354,156	1,485,617
Profit	424	606

Interim key figures for the six months ended on June 30th, 2018 (unaudited):

Financial Position (in '000 EUR)	**30/6/2018**	**31/12/2017**
Assets	1,289,215	1,356,671
Equity	2,722	2,515
Liabilities	1,286,493	1,354,156

Profit	**30/6/2018**	**30/6/2017**
Profit	206	215

Material adverse change in the prospects

There has been no material adverse change in the prospects of ABF(NL) since 31 December 2017.

Significant changes in the financial or trading position

There has been no material adverse change in the financial or trading position of ABF(NL) since 31 December 2017.

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

ABF(NL) has made no investments since the date of the last published financial statements, and no principal future investments are planned. In addition, there has been no material adverse change in the prospects of ABF (NL) since 31 December 2017.

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

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

See B.5

B.15 **Principal activities**

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

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

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

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

Not applicable.

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

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

The guarantee is 'Senior' (for 'Senior Notes'):

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

B.19 **Information about the guarantor**

See below information about AXA BANK BELGIUM SA.

[Issuer] Applicable if the Notes are issued by AXA BANK BELGIUM SA

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

AXA BANK BELGIUM SA

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

Legal name: AXA BANK BELGIUM SA

Commercial name: AXA BANK or AXA BANQUE

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

AXA BANK BELGIUM SA ("AXA BANK") is a "naamloze vennootschap/société anonyme" of unlimited duration incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under business identification number 0404.476.835. Its registered office is at 1000 Brussels, Place du Trône 1, Belgium.

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

1. *Uncertain economic conditions*

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

2. *Global financial situation*

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

3. *Increased and changing regulation*

   Recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in Europe have already provided additional capital and funding requirements and or may in the future be introducing a significantly more restrictive regulatory environment including new accounting and capital adequacy rules, restrictions on termination payments for key personnel and new regulation of derivative instruments.

Current regulation together with future regulatory developments could have an adverse effect on how AXA BANK conducts its business and on the result of the operations.

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

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Beran: real estate company
Mofico: self-service units hired to bank agents
Royal Street: SPV for securitization mortgage loans and issues of RMBS
AXA Bank Europe SCF: French 'Société de Crédit Foncier' for issues of Covered Bonds.

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

B.9 **Profit forecast or estimate**

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

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

The relevant auditor's report with respect to the audited annual accounts of AXA BANK for the years ended 31 December 2017 and 31 December 2016 were delivered without any reservations.

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

AXA BANK BELGIUM NV Summary per 31/12/2017 (in '000 EUR)		
	31/12/2017	***31/12/2016***
Assets	27,316,107	28,006,217
Equity	1,163,192	1,202,313
Liabilities	26,152,915	26,803,904
Profit/Loss	41,437	100,598

Material adverse change in the prospects

There has been no material adverse change in the prospects of AXA BANK since 31 December 2017.

Significant changes in the financial or trading position

There has been no material adverse change in the financial or trading position of AXA BANK since 31 December 2017.

B.13 **Recent events relevant to the evaluation of [Issuer] or [Guarantor]'s solvency**

AXA BANK has made no investments since the date of the last published financial statements, and no principal future investments are planned. In addition, there has been no material adverse change in the prospects of AXA BANK since 31 December 2017.

In 2013, AXA BANK EUROPE (now AXA BANK BELGIUM) has been indicted in connection with credits marketed to French property professionals in the 1980's by Anhyp. AXA BANK is contesting the legitimacy of the claim and is currently contesting the referral to the criminal court. At the date of this prospectus, the procedure is ongoing. A hearing date for the Versailles Court of Appeal is set for October 4th 2018.

There have been no other governmental, legal and arbitration proceedings (during a period covering the last 12 months) which may have, or have had in the recent past, significant effects on AXA BANK's financial position or profitability. At this time, AXA BANK is not aware of any other governmental, legal or arbitration proceedings which may have significant effects on AXA BANK's financial position or profitability.

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

See B.5

B.15 **Principal activities**

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

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

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

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

The current ratings of AXA BANK are:

- S&P rating : 'A+/A-1+' with 'Stable' outlook (10 July 2018)
- Moody's rating: 'A2/P-1 with 'Negative' outlook (3 April 2018)

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

Not applicable (AXA BANK as Issuer).

B.19 **Information about the Guarantor**

Not applicable (AXA BANK as Issuer).

Securities

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

[●]

C.2 **Currency**

[●]

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

[●]

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

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

The Notes are direct, unconditional and unsecured obligations of the Issuer and rank without any preference among themselves, with all other obligations of the Issuer of the same category, only to the extent permitted by laws relating to creditor's rights. This category can be seen as the "preferred senior unsecured creditors" and has a lower priority than the "privileged creditors" (ONSS, State, Employees, etc.). AXA BANK does not intend to issue "non-preferred senior unsecured" debt (article 389/1, 2° Belgian Banking Law of 25 April 2014) under the present Programme.

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

[●]

Date from which interest becomes payable and due dates for interest

[●]

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

[●]

Issue date, maturity date and arrangements for the amortization of the loan, including the repayment procedures

[●]

Yield

[●]

Name of representative of debt security holders

[●]

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

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

C.11 **Admission to trading**

[●]

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

[●]

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

[●]

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

[●]

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

[●]

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

[●]

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

[●]] *Applicable for derivative securities*

Risk factors

D.2 **Key risk specific to the Issuer [and to the Guarantor]**

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

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

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

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

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

In the event that the Resolution Authority would exercise its write-down or conversion powers (i) the amount outstanding of the Notes may be reduced, including to zero, (ii) the Notes may be converted into ordinary shares or instruments of ownership, and (iii) the terms may be varied (e.g. the variation of the maturity of the Notes). Financial public support will only be used as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool.

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

Without prejudice to the provisions of the Terms and Conditions, no assurance can be given as to the impact of any possible judicial decision or change to Belgian law or administrative practice after the date of issue of the relevant Notes.

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

The Terms and Conditions of the Notes may enable the Issuer and/or the Calculation Agent to make a unilateral modification to the essential features of the Notes or to redeem the Notes before maturity.

In certain circumstances, such as force majeure, adjustment events, market disruption events or some other extraordinary events, the Issuer and/or the Calculation Agent may modify certain features of the Notes or may have the right to monetize or to early redeem the Notes. In order to comply with Book VI of the Belgian Code of Economic Law the following rules will apply for Tranches offered to investors which are consumers in the meaning of the Belgian Code of Economic Law:

(i) Alteration of the essential characteristics of the Notes

The following are authorized:

- alteration of the essential characteristics with the consent of the Noteholders (upon a majority vote), such as the offer of an amended agreement as an alternative for the (authorized) early termination in the case of force majeure;

- alteration of the essential characteristics based on a majority vote by the Noteholders, as provided for in section 9.18 hereafter.

Unilateral alteration of essential characteristics is in principle not authorized except (cumulative conditions):

- as a result of force majeure or of other occurrences (see description of “Extraordinary Events”, “Adjustment Events” and “Market Disruption Events” in section 9.7) insofar as they substantially alter the economics of the contract as initially agreed between the parties and which are not attributable to the Issuer; and

- the alteration is not substantial, and therefore does not create a significant imbalance in the rights and obligations of the parties to the detriment of the Noteholder; and

- with no retention of costs.

(ii) Unilateral early termination (repayment) of the fixed-term Notes (as well for Variable Linked Notes as for Fixed Rate and Floating Rate Notes)

In case of force majeure

- possible at market value;

- with no retention of additional costs.

In other cases than force majeure

- in principle not authorized except (on the cumulative conditions):

  . as a result of an occurrence which substantially alters the economics of the Notes as initially agreed between the Issuer and the Noteholders and which is not attributable to the issuer; and

  . provided that the Noteholder is compensated and under terms that ensure that no significant imbalance is created in the rights and obligations of the parties to the detriment of the Noteholder:

  . structured Notes with capital protection: either (i) the highest of the face value and the market value (“best of”); or (ii) at least the monetization with the market value as an alternative.

  . structured Notes with no capital protection: the market value;

  . unstructured Notes (a.o. Fixed Rate and Floating Rate Notes) which offer the right to payment of the face value at maturity: the market value or the face value, whichever is the highest (“best of”); and

- with no retention of costs; and
- provided that the costs paid are refunded pro rata (for the remaining term to maturity).

[Potential investors of Index Linked Notes, other variable-linked Notes or Dual Currency Notes should be aware that:

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

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

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

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

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

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

[Notes that are listed, traded or publicly quoted on an exchange can cease to be listed, traded or publicly quoted on the exchange.]

[For Notes for which an application for listing and/or admission to trading has been requested, such application for listing and/or admission to trading could not be granted on or after the issue date or later]

[Notes are subject to optional redemption by the Issuer]

[Notes may be subject to conversion or write-off associated to a regulatory bail-in under the European Union's Bank Recovery and Resolution Directive (2014/59/EU)]

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

[The Notes bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate]

[The Notes bear interest at a rate that the Issuer may elect to convert from a floating rate to a fixed rate]

[The Notes are exposing investors to foreign exchange risk]

[ZeroCoupon Notes and Notes issued at a substantial discount or premium are subject to higher price fluctuations than non-discounted notes]

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

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

[Benchmark reforms (e.g. Euribor rate) and licensing reforms could have a material adverse effect on the value of and return on any Notes.]

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

Warning:

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

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

Without prejudice to the provisions of the Terms and Conditions, no assurance can be given as to the impact of any possible judicial decision or change to the law or administrative practice after the date of issue of the relevant Notes.

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

The Terms and Conditions of the Notes may enable the Issuer and/or the Calculation Agent to make a unilateral modification to the essential features of the Notes or to redeem the Notes before maturity.

In certain circumstances, such as force majeure, adjustment events, market disruption events or some other extraordinary events, the Issuer and/or the Calculation Agent may modify certain features of the Notes or may have the right to monetize or to early redeem the Notes. In order to comply with Book VI of the Belgian Code of Economic Law the following rules will apply for Tranches offered to investors which are consumers in the meaning of the Belgian Code of Economic Law:

(i) Alteration of the essential characteristics of the Notes

The following are authorized:

- alteration of the essential characteristics with the consent of the Noteholders (upon a majority vote), such as the offer of an amended agreement as an alternative for the (authorized) early termination in the case of force majeure;

- alteration of the essential characteristics based on a majority vote by the Noteholders, as provided for in section 9.18 hereafter.

Unilateral alteration of essential characteristics is in principle not authorized except (cumulative conditions):

- as a result of force majeure or of other occurrences (see description of "Extraordinary Events", "Adjustment Events" and "Market Disruption Events" in section 9.7) insofar as they substantially alter the economics of the contract as initially agreed between the parties and which are not attributable to the Issuer; and

- the alteration is not substantial, and therefore does not create a significant imbalance in the rights and obligations of the parties to the detriment of the Noteholder; and

- with no retention of costs.

(ii) Unilateral early termination (repayment) of the fixed-term Notes (as well for Variable Linked Notes as for Fixed Rate and Floating Rate Notes)

In case of force majeure

- possible at market value;
- with no retention of additional costs.

In other cases than force majeure

- in principle not authorized except (on the cumulative conditions):
  - as a result of an occurrence which substantially alters the economics of the Notes as initially agreed between the Issuer and the Noteholders and which is not attributable to the issuer; and
  - provided that the Noteholder is compensated and under terms that ensure that no significant imbalance is created in the rights and obligations of the parties to the detriment of the Noteholder:
  - structured Notes with capital protection: either (i) the highest of the face value and the market value ("best of"); or (ii) at least the monetization with the market value as an alternative.
  - structured Notes with no capital protection: the market value;
  - unstructured Notes (a.o. Fixed Rate and Floating Rate Notes) which offer the right to payment of the face value at maturity: the market value or the face value, whichever is the highest ("best of"); and
- with no retention of costs; and
- provided that the costs paid are refunded pro rata (for the remaining term to maturity).

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

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

[Potential investors should be aware that:

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

ix. the risks of investing in a Variable Linked Note encompass both risks relating to the underlying indexed securities and risks that are linked to the Note itself;

x. any Variable Linked Note that is indexed to more than one type of underlying asset, or on formulas that encompass the risks associated with more than one type of asset, may carry levels of risk that are greater than Notes that are indexed to one type of asset only;

xi. it may not be possible for investors to hedge their exposure to these various risks relating to Variable Linked Notes;

xii. a significant market disruption could mean that the index on which the Index Linked Notes are based ceases to exist; and

xiii. the index may cease to be published, in which case it may be replaced by an index which does not reflect the exact Relevant Factor, or, in the case where no replacement index exists, the cessation of publication of the index may lead to the early redemption of the Notes.]

xiv. investors will not have any rights of ownership of the underlying assets

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

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

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

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

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

[Notes are subject to optional redemption by the Issuer]

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

[The Notes are exposing investors to foreign exchange risk]

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

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

[Benchmark reforms (e.g. Euribor rate) and licensing reforms could have a material adverse effect on the value of and return on any Notes.]

[Notes that are listed, traded or publicly quoted on an exchange can cease to be listed, traded or publicly quoted on the exchange.]

[For Notes for which an application for listing and/or admission to trading has been requested, such application for listing and/or admission to trading could not be granted on or after the issue date or later]

Warning:

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

Offer

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

[●]

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

[●]

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

[●]

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

[●]

5 RISK FACTORS

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

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

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

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

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

On the date of this Base Prospectus, the legal framework implementing the European recovery and resolution regime and bail-in scenarios (as described below) is still evolving and does not allow to assess the full impact on AXA BANK and ABF(NL) and its relevance for the choice of ABF(NL) and AXA BANK as Issuer under the Programme.

Factors that may affect AXA BANK's ability to fulfill its obligations under the Notes

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

Uncertain economic conditions

AXA BANK's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence. There can be no assurance that negative events in Europe or elsewhere would not cause market volatility or that such volatility would not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect.

Business conditions and the general economy

AXA BANK's profitability could be adversely affected by a worsening of general economic conditions. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and their level and volatility could significantly affect the customers' activity. This could in turn negatively affect the Notes.

Market conditions and recent developments

Sustained actions by the monetary authorities have created the conditions necessary to achieve stability in the financial system and to permit the start of an economic recovery. The creation of a banking union in the European Union and the subsequent requirements imposed upon financial institutions by that banking union is expected to further strengthen the confidence in the stability of the financial systems. However, financial institutions can still be forced to seek additional capital, reorganize and, in some cases, be resolved in an organized manner.

Furthermore, market disruptions can also be triggered by current tendencies challenging the stability or even the existence of the European Union (EU) in its current form, such as the decision of the United Kingdom the government to withdraw from the European Union (Brexit), which, in addition to increasing economic volatility and market uncertainty globally, could have an direct or indirect negative impact on the economic development of EU member countries and could negatively impact the value of the Notes. At the date of this Base Prospectus, the direct risk for AXA BANK or ABF(NL) as a consequence of the Brexit scenario is considered non material.

Credit risk

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

Market risk

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

Operational risk

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

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

Liquidity risk

The objective of liquidity management is to ensure that, at all times, AXA BANK holds sufficient funds to meet its contracted and contingent commitments to customers and counterparties, at an economic price. All the main issues regarding liquidity risk are managed by AXA BANK's Asset and Liability Management teams, which carefully

manage resources of the different entities and their use, in particular, the adequacy of expected new lending production with the available resources and AXA BANK's liquidity needs.

Regulatory risk – increased and changing regulation

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

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

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

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

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

Regulatory risk – European recovery and resolution regime

Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") provides for the establishment of a European wide framework for the recovery and resolution of credit institutions and investment firms. The aim of the BRRD is to provide supervisory authorities, including the NBB or other regulatory entity to which the Issuer is subject ("**Relevant Regulator**") with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses

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

[2] A bank's capital consists of tier 1 capital and tier 2 capital, and the two types of capital are different. Tier 1 capital is a bank's core capital, whereas tier 2 capital is a bank's supplementary capital. A bank's total capital is calculated by adding its tier 1 and tier 2 capital together. Additional Tier 1 or AT1 consists of capital instruments that are continuous, in that there is no fixed maturity including. Contingent convertible securities (often referred to as CoCos) are a major component of AT1 and their structure is shaped by their primary purpose as a readily available source of capital for a firm in times of crisis. CoCos can absorb losses either by converting into common equity; or suffering a principal write-down.

the point at which the Relevant Regulator decides that the institution ceases to be viable, if those capital instruments are not written down.

Beside a 'bail-in' power, the resolution powers include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without the consent of the shareholders or complying with procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a 'bridge institution' (an entity created for the purpose that is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to a bridge institution or one or more asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down.

In order to ensure the effectiveness of the bail-in and other resolution tools, the BRRD requires that all institutions must meet an individual Minimum Requirement for own funds and Eligible Labilities (**"MREL"**) calculated (i) as a percentage of total liabilities and own funds or (ii) as a percentage of risk weighted assets, and set by the relevant authorities. Items eligible for inclusion in MREL will include an institution's own funds along with "eligible liabilities". The European Banking Authority ("EBA") and the European Commission are required to develop the criteria for determining MREL, the calculation methodologies and related measures.

Recently the EU Council agreed on a package of proposals aimed at further reducing risk in the banking industry and comprising two regulations and two directives amending the bank capital requirements (amendments to regulation 575/2013 and directive 2013/36/EU) and to the recovery and resolution of banks in difficulty (amendments to directive 2014/59/EU and regulation 806/2014). These proposals integrate the Total Loss-Absorbing Capacity ("TLAC") requirement into the EU's minimum requirement for own funds and eligible liabilities ("MREL") rules. Whereas the TLAC standard sets out requirements for Global-Systemically Important Institutions ("G-SIIs") only, the MREL covers the entire EU banking industry; the proposals address this and other differences between the two. A compromise was agreed between EU-ministers on a number of issues but is subject to a further trilogue between the EU Council, the Commission and the Parliament. The proposals include a.o. the necessary level and quality of subordination of liabilities in the event of G-SIIs, or other banks that could pose a systemic risk to financial stability, having to be resolved. Eligibility criteria for MREL are further detailed in the proposals, and liabilities that arise from debt instruments with derivative features, such as structured notes, will be included in the amount of own funds and eligible liabilities to the extent that they meet a series of conditions, among which:

. the principal amount is known in advance at the time of the issue, is fixed or increasing and not affected by a derivative feature or the contractual terms specify the amount of the claim in an event of resolution;

. the position of the liability arising from the debt instrument or of the embedded derivative can be valued daily by reference to an active, liquid two-way market for an equivalent instrument without credit risk or the debt instrument includes a contractual clause which specifies the amount of the claim in an event of resolution.

The liabilities that arise from debt instruments with a derivative feature shall only be included in the amount of own funds and eligible liabilities for the part that corresponds with the amount referred to in the first aforementioned bullet point.

As the regulatory framework is still in evolution, it is not yet possible to assess the full impact of the BRRD or the Banking Law on AXA BANK and on holders of its securities Furthermore, the Relevant Regulator has not yet established the minimum requirement of own funds and eligible liabilities (MREL) for AXA BANK (first indication expected end of 2018).

As the bail-in approach is considered to be determined on consolidated basis the BRRD requirements may have a direct and/or indirect (through the on-lending between ABF(NL) and AXA BANK and AXA BANK's Guarantee) impact on ABF(NL). According to the recommendations published in the Statement of the EBA and ESMA on the treatment of retail holdings of debt financial instruments subject to the Bank Recovery and Resolution Directive and taking into account that (i) Notes issued under the present Programme were offered and possibly will be offered to retail investors, (ii) BRRD does not provide for a different treatment of eligible liabilities based on the nature of the Noteholder, and (iii) Resolution Authorities are required to apply the bail-in tool according to the waterfall of liabilities established regardless of the nature of the holders of the debt, therefore retail Noteholders should be

aware that the debt owned by them is subject to loss in resolution together with that owned by holders of other *pari passu* liabilities[3].

Considering however AXA BANK's comfortable capital ratio (which is higher than the regulatory limit) and the nature of AXA BANK's business model, the probability of the risk of conversion or write-off under the European Union's Bank Recovery and Resolution Directive (2014/59/EEU) can considered to be mitigated.

On July 31, 2017, Belgium adopted legislation establishing a new category of debt securities available to credit institutions. The law provides for a new Article 389/1 into the Law of April 25, 2014 on the status and supervision of credit institutions (the "Belgian Banking Law"). In particular, Article 389/1 aims at increasing the effectiveness of the bail-in tool and introduces a new category of claims in the statutory creditor hierarchy in the case of a liquidation procedure (*procédure de liquidation/liquidatieprocedure*) of a credit institution. Article 389/1, 2° of the Belgian Banking Law now divides senior notes into: (i) senior preferred notes, retaining the same ranking as the previous senior notes; and (ii) senior non-preferred notes. Senior non-preferred notes are direct, unconditional, senior, and unsecured (*chirographaires/chirografair*) obligations. In the case of liquidation, they will rank senior to subordinated notes but junior to both ordinary senior preferred notes and to claims benefiting from legal or statutory preferences. Furthermore, senior non-preferred notes must have the following characteristics: their principal amount and interest may not be contingent on the occurrence of an event that is uncertain at the time of the issue, except, with respect to interest only, if it can be calculated at any time in accordance with a formula established in the notes' terms (such as an index or a floating rate); their maturity may not be less than one year; and their terms must expressly provide that the claim is unsecured (*chirographaire/chirografair*) and that their ranking is as set forth in Article 389/1, 2° of the Belgian Banking Law.

Under BRRD the following overview represents the resolution creditor hierarchy[4] for AXA BANK:

Common Equity Tier 1
Additional Tier 1
Tier 2 + other Subordinated Liabilities
Non Preferred Senior Unsecured Instruments *(art. 389/1, 2° Belgian Banking Law 25 April 2014)*
Other Preferred Senior Unsecured Liabilities
Derivatives
Deposits Large Enterprises (>100,000 EUR)
Deposits SME and Physical Persons (>100,000 EUR)
Covered Deposits (<100,000 EUR)
Secured Liabilities

pari passu

Regulatory risk – Banking Law

[3] Pari-passu means that the liabilities have the same ranking in credit hierarchy

[4] The bail-in is a tool by which liabilities are written down or liabilities are converted to equity according to a pre-defined hierarchy: the idea is that creditors should bear the institution's losses, as they do in bankruptcy. The hierarchy of creditors must be observed, and no category of creditors must end up receiving less than they would in the event of bankruptcy.

The Belgian banking law of 25 April 2014 ("*Wet op het statuut van en het toezicht op kredietinstellingen"/"Loi relative au statut et contrôle des établissements de crédit"*) (the "**Banking Law**") is based on the pre-existing regulatory framework and implements into Belgian law (i) the CRD, as defined and explained in the paragraph '*Effective capital management and capital adequacy and liquidity requirements* ', and (ii) the BRRD, as defined and explained in the paragraph '*European Resolution Regime*'. The Banking Law also introduces a number of specific provisions broadly in line with developments at the European level, such as certain limitations on trading activities, restrictions on proprietary trading, certain specific requirements (such as the obligation to maintain a minimum ratio of unencumbered assets) or general liens for the benefit of depositors on the movable assets of the Issuer (subject to certain limitations). The Banking Law further contains powers to allow the government to conform the Banking Law to developments at a European level in certain areas, including through the adoption of royal decrees.

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

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

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

Effective capital management and capital adequacy and liquidity requirements

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

The Basel III framework, which was agreed in December 2010, is intended to raise the resilience of the banking sector by increasing both the quality and quantity of the regulatory capital base and enhancing the risk coverage of the capital framework. Among other things, Basel III introduced new eligibility criteria for Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments that are intended to raise the quality of regulatory capital, and increases the amount of regulatory capital that institutions are required to hold. Basel III also requires institutions to maintain a capital conservation buffer[5] of 2.5 % above the minimum capital ratios which, if not maintained, will result in certain capital distribution constraints being imposed on AXA BANK. The capital conservation buffer, to be comprised of Common Equity Tier 1 capital, will result in an effective Common Equity Tier 1 capital requirement of 7 per cent. of risk-weighted assets[6]. In addition, Basel III directs national regulators to require certain institutions to maintain a counter-cyclical capital buffer[7] during periods of excessive credit growth. Basel III introduces a leverage ratio[8] for institutions as a backstop measure, to be applied from 2018 alongside current risk-based regulatory capital requirements. The changes in Basel III are intended to be phased in until January 2022. The implementation of Basel III in the European Union is being performed through the CRD IV (as defined below).

[5] The capital conservation buffer is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. The requirement is based on simple capital conservation rules designed to avoid breaches of minimum capital requirements.

[6] Risk-weighted asset is a bank's assets or off-balance-sheet exposures, weighted according to risk. This sort of asset calculation is used in determining the capital requirement for a financial institution.

[7] A capital buffer is mandatory capital that financial institutions are required to hold in addition to other minimum capital requirements. Regulations targeting the creation of adequate capital buffers are designed to reduce the procyclical nature of lending by promoting the creation of countercyclical buffers as set forth in the Basel III regulatory reforms created by the Basel Committee on Banking Supervision.

[8] Basel III introduced a minimum "leverage ratio". This is a non-risk-based leverage ratio and is calculated by dividing Tier 1 capital by the bank's average total consolidated assets (sum of the exposures of all assets and non-balance sheet items).

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

The Basel III and CRD IV change and other future changes to capital adequacy and liquidity requirements in Belgium and in other jurisdictions, including any application of increasingly stringent stress case scenarios by the Competent Authority, may require the Issuer to raise additional Tier 1 (including Core Tier 1[9]) and Tier 2 capital by way of further issuances of securities, and will result in existing Tier 1 and Tier 2 securities issued by the Issuer ceasing to count towards the Issuer's regulatory capital, either at the same level as present or at all. The requirement to raise additional Core Tier 1 capital could have a number of negative consequences for the Issuer and its shareholders, including impairing the Issuer's ability to pay dividends. If the Issuer is unable to raise the requisite Tier 1 and Tier 2 capital, it may be required to further reduce the amount of its weighted risks.

As mentioned before, a package of recent proposals agreed by the Council comprises two regulations and two directives amending the bank capital requirements (amendments to regulation 575/2013 and directive 2013/36/EU) and to the recovery and resolution of banks in difficulty (amendments to directive 2014/59/EU and regulation 806/2014). Those proposals on bank capital requirements include a binding leverage ratio to prevent banks from excessively increasing leverage, and a binding net stable funding ratio. They strengthen risk-sensitive capital requirements for banks that largely trade in securities and derivatives. And they require global-systemically important institutions (G-SIIs) to have more loss-absorbing and recapitalisation capacity in case of resolution.

Any change that limits AXA BANK's ability to manage effectively its balance sheet and capital resources going forward (including, for example, reductions in profits and retained earnings as a result of impairments and increases in weighted risks) or to access funding sources could have a material adverse impact on its financial condition and regulatory capital position and could negatively impact or result in a loss of value of the Notes.

The financial transactions tax ("FTT")

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

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

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

[9] Core Tier 1 capital consists primarily of common stock and disclosed reserves (or retained earnings), but may also include non-redeemable non-cumulative preferred stock.

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

Notwithstanding the European Commission proposals, a statement made by the participation Member States indicates that a progressive implementation of the FTT is being considered, and that the FTT may initially apply only to transactions involving shares and certain derivatives. However, full details are not available. The proposed FTT remains subject to negotiation between the participation Member States and the timing remains unclear.

Changes in accounting principles relating to financial instruments

As from 1 January 2018, the International Financial Reporting Standard 9 ("IFRS 9") "Financial Instruments" replaces IAS 3. The standard amends and complements the rules on the classification and measurement of financial instruments. The new approach is not expected to have a substantial impact for the accounts of AXA BANK.

A substantial part of AXA BANK's assets may be collateralized

Like every credit institution, a non-negligible part of AXA BANK's assets are collateralized[10] (by means of an outright pledge, repo transaction or otherwise[11]). The amount of assets pledged is linked to the funding granted by external parties who demand collateral to mitigate the potential risk on AXA BANK.

Furthermore it should be noted that the new Banking Law introduced (i) a general lien on movable assets ('algemeen voorrecht op roerende goederen'/'privilège general sur biens meubles') for the benefit of the deposit guarantee fund ('garantiefonds voor financiële diensten'/'fonds de garantie pour les service financiers') as well as (ii) a general lien on moveable assets for the benefit of natural persons and SME's for deposits exceeding EUR 100.000. The general liens could have an impact on their course that the Special Estate (or any noteholder) would have on the general estate of AXA BANK in the case of an insolvency as the claims which benefit from a general lien will rank ahead of the claim of the Special Estate (or any noteholder) against the general estate. For the avoidance of doubt, the general liens for the benefit of the deposit guarantee fund and the depositors only relate to the General Estate of AXA BANK. The deposit guarantee fund and the depositors do not benefit from a similar general lien on the Special Estate.

Downgrade in the credit rating

The rating agencies use ratings to assess whether a potential borrower will be able in the future to meets its credit commitments as agreed. A major element in the rating for this purpose is an appraisal of the company's net assets, financial position, earnings performance and ownership structures. In addition, AXA BANK is wholly owned by AXA SA and it is possible that, if the ratings assigned to AXA SA were to be downgraded, that could result in the ratings assigned to AXA BANK being negatively affected. A bank's rating is an important comparative element in its competition with other banks. A downgrading or the mere possibility of a downgrading of AXA BANK might have adverse effects on the relationship with customers and would also have adverse effects on the costs for AXA BANK of raising equity and borrowed funds.

Catastrophic events, terrorist attacks and other acts of war

Catastrophic events, terrorist attacks, other acts of war or hostility, and response to those acts may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which AXA BANK operates and on the business and results of operations of AXA BANK in ways that cannot be predicted.

Risk related to derivatives transactions

AXA BANK often acts as a party to derivative transactions, including credit derivatives. Individually negotiated and non-standardized derivative instruments can make it difficult to transfer or settle the position. This may lead to AXA

[10] In capital and money markets, collateralization arrangements may be used to secure trade transactions, often in the shape of bilateral obligations secured by liquid assets such as cash or securities.

[11] Outright Monetary Transactions is a program of the European Central Bank under which the bank makes purchases ("outright transactions") in secondary, sovereign bond markets, under certain conditions, of bonds issued by Eurozone member-states. A repo is an agreement between two parties under which the cash borrower sells or pledges a security (usually a fixed income security) to the cash lender, with the collateral bought back or released from the pledge at a later date.

BANK forfeiting the payments due under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs.

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

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

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

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

Competition

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

Risk Management

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

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

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

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

Business Conditions and the General Economy

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

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

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

Market Volatility and Market Developments

The capital and credit markets can experience important levels of volatility and disruption.

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

Risks related to the structure of a particular issue of Notes

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

The Maturity Date of Notes may be automatically extended

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

Notes subject to optional redemption by the Issuer

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

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

Index Linked Notes and variable-linked Notes and Dual Currency Notes

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

i. the market price of such Notes may be volatile;
ii. an index, indices or underlying assets may be subject to significant changes, whether due to the composition of the index or underlying asset itself, or because of fluctuations in value of the indexed assets or underlying assets;
iii. the resulting interest rate may be less (or may be more) than that payable on a conventional debt security issued by each Issuer at the same time;
iv. payment of principal or interest may occur at a different time or in a different currency than expected;
v. the holder of a non capital guaranteed variable-linked Note could lose all or a substantial portion of the principal of such Note (whether payable at maturity or upon redemption or repayment), and, if the principal is lost, interest may cease to be payable on the variable-linked Note;
vi. a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

vii. if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified;

viii. the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield;

ix. the risks of investing in a variable-linked Note encompass both risks relating to the underlying indexed securities and risks that are unique to the Note itself;

x. any variable-linked Note that is indexed to more than one type of underlying asset, or on formulas that encompass the risks associated with more than one type of asset, may carry levels of risk that are greater than Notes that are indexed to one type of asset only;

xi. it may not be possible for investors to hedge their exposure to these various risks relating to variable-linked Note;

xii. a significant market disruption could mean that a Relevant Factor on which the variable-linked Note are based ceases to exist and that the Notes are redeemed at a value below par; and

xiii. and index or underlying asset may cease to be published, in which case it may be replaced by an index or underlying asset which does not reflect the exact Relevant Factor, or, in the case where no replacement index or underlying asset exists, the cessation of publication of the index or underlying asset may lead to the early redemption of the Notes.

xiv. Investors will not have any rights of ownership of the underlying assets

xv. Notes that are listed, traded or publicly quoted on an exchange can cease to be listed, traded or publicly quoted on the exchange.

xvi. For Notes for which an application for listing and/or admission to trading has been requested, such application for listing and/or admission to trading could not be granted on or after the issue date or later

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

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

Various transactions by the Issuers could impact the performance of any variable-linked Note, which could lead to conflicts of interest between each of the Issuers and holders of variable-linked Note.

The Issuers or affiliates thereof are currently active or may be active in the future in the international securities and currency markets on a daily basis. They may thus, for their own account or for the account of customers, engage in transactions directly or indirectly involving assets that are “reference assets” under variable-linked Note and may make decisions regarding these transactions in the same manner as it would if the variable-linked Note had not been issued.

Notes with a multiplier or other leverage factor

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

Fixed/Floating Rate Notes

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

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

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

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

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

Notes issued at a substantial discount or premium

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

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

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

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

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

Risks related to Notes generally

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

Modification, waivers and substitution

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

The Terms and Conditions of the Notes enable each Issuer to substitute itself as principal debtor under the Notes another company of the group to which the Issuer belongs. Such a substitution is subject to certain conditions, including that (i), in case of substitution of ABF (NL), the Guarantee must remain in place and that (ii), in case of

substitution of AXA BANK, the substitute must have a long term credit rating of at least the same level as AXA BANK and AXA BANK must guarantee the payment of the amounts due by the substitute in respect of the then outstanding AXA BANK Notes. This substitution aims to enable intragroup reorganizations, such as mergers or reallocation of financing activities within the group (which may be driven by a variety of reasons, such as structural optimization, regulatory changes). A substitution will result in the Noteholders not having the same issuer as the initial issuer, albeit the substitute issuer will be part of the same group and AXA BANK will be a guarantor. In case of substitution, a new base prospectus will need to be published if the substitute issuer wants to issue notes under the Programme after that the substitution has become effective.

Market conditions

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

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

European Monetary Union

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

Change of law

The Terms and Conditions of the Notes are based on Belgian law in effect as at the date of issue of the relevant Notes. Without prejudice to the provisions of the Terms and Conditions, no assurance can be given as to the impact of any possible judicial decision or change to Belgian law or administrative practice after the date of issue of the relevant Notes.

Benchmark reforms and licensing

The Euro Interbank Offered Rate ("EURIBOR"), and other types of indices, including (but not limited to) indices comprised of interest rates, equities, commodities, commodity indices, exchange traded products, foreign exchange rates, funds and combinations of any of the preceding types of indices, may be deemed to be "benchmarks", which have been the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Key international regulatory initiatives relating to the reform of benchmarks include IOSCO's Principles for Financial Benchmarks[12] (the "IOSCO Principles") and Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directive 2008/48/EC and 2014/17/EC and Regulation (EU) No 596/2014 (the "Benchmarks Regulation"). The IOSCO Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering (among other things) governance and accountability as well as the quality, integrity and transparency of benchmark design, determination and methodologies. A review published by IOSCO in February 2015 of the status of the voluntary market adoption of the IOSCO Principles noted that there has been significant but mixed progress on implementation of IOSCO Principles but that as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future.

[12] Principles for Financial Benchmarks – Final Report - FR07/13, July 2013, as recently supplemented by IOSCO's Report on Guidance on the IOSCO Principles for Financial Benchmarks FR 13/2016 providing guidance on the statement of compliance.

The Benchmarks Regulation was published in the official journal on 29 June 2016. Most of provisions of the Benchmarks Regulation apply as from 1 January 2018 with the exception of certain provisions (mainly on critical benchmarks) that applied already from 30 June 2016. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union and will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised/registered (or, if non-EU based, deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices, such as EURIBOR, applies to many other indices (including "proprietary" indices or, potentially, baskets, portfolios or strategies) where used to determine the amount payable under or the value or performance of certain financial instruments for which a request for admission to trading on a trading venue has been made, or which are traded on a trading venue (EU regulated market, EU multilateral trading facility ("MTF"), EU organised trading facility ("OTF")) or via a systematic internaliser.

Different types of benchmark (critical benchmarks, significant benchmarks, non-significant benchmarks and interest rate benchmarks, commodity benchmarks, regulated data benchmarks) are subject to some variations to take into account their characterisation.

The Benchmarks Regulation could have a material impact on any Notes linked to a "benchmark" index, including in any of the following circumstances:

. subject to any applicable transitional provisions, an index which is a "benchmark" could not be used by a supervised entity in certain ways if its administrator, or the benchmark, is not entered in or is removed from ESMA's register of Benchmarks Regulation approved benchmarks (for example if the administrator does not obtain or retain authorisation or registration under the Benchmarks Regulation, or, if based in a non-EU jurisdiction, the administrator does not obtain or retain recognition or endorsement and the administrator/benchmark does not benefit from equivalence); or

. the methodology or other terms of the "benchmark" could be changed in order to comply with the terms of the Benchmarks Regulation.

Any of the above changes or any other consequential changes to any benchmark as a result of international, national or other reforms or investigations, could potentially:

. lead to the Notes or underlying assets being de-listed, adjusted, redeemed early, subject to the valuation by the Calculation Agent or otherwise impacted depending on the particular "benchmark" and the applicable terms of the Notes;

. affect the level of the published rate or the level of the benchmark, including causing it to be lower or more volatile than in the past;

. increase the costs of administering or otherwise participating in the setting of a "benchmark" and complying with such regulations or requirements;

. discourage market participants from continuing to administer or contribute to certain "benchmarks";

. trigger changes in the rules or methodologies used in certain "benchmarks";

. lead to the disappearance of certain "benchmarks" (or certain currencies or tenors of benchmarks); or

. have other adverse effects or unforeseen consequences.

Any such consequences could have a material adverse effect on the value of and return on any Notes.

A benchmark license may also be required for the issuance or calculation of amounts payable under any Notes referencing a benchmark. To the extent any such license is not obtained or retained, it may not be possible for the Notes to reference the benchmark and the Notes may be adjusted or redeemed early or otherwise impacted depending on the particular "benchmark" and the applicable terms of the Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by benchmark reforms, and licensing issues in making any investment decision with respect to the Notes.

Risks related to the market generally

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

The secondary market generally

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

Exchange rate risks and exchange controls

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

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

Interest rate risks

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

Credit ratings may not reflect all risks

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

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

Legal investment considerations may restrict certain investments

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

Warnings

Notes may not be a suitable investment for all investors

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

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

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

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

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

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

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

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

Non capital guaranteed derivative securities

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

Warnings and considerations regarding Tax

Mandatory automatic exchange of information in the field of taxation

In accordance with Directive 2011/16/EU, as amended by Directive 2014/107/EU, as regards Administrative Cooperation in the field of Taxation (the "**ACTD**"), member States have to comply with a certain number of

obligations regarding mandatory automatic exchange of information in the field of taxation since 1 January 2016. This Directive is meant to bring European law in line with the standards set by the Organization for Economic Co-operation and Development ("**OECD**") and then standardize automatic exchange of financial account information.

As a reminder, Directive 2003/48/EC on taxation of savings income in the form of interest payment (the "**Savings Directive**") was repealed with effect as of 1 January 2016 by Directive 2015/2060/EU (known as Repeal Directive). The aforementioned Savings Directive required automatic exchange of information between member States on private savings income but only as far as interests were concerned. The Directive's repeal can actually be explained by a growing concern to make reporting obligations clearer and prevent member States' tax authorities from complying twice with formalities which have the same purpose, as a result of a cumulative application of both the Savings Directive and the ACTD.

U.S. Foreign Account Tax Compliance Withholding

With respect to (i) Notes issued after the date that is six months after the date the term " foreign passthru payment" is defined in regulations filed with the U.S. Federal Register (the "**Grandfather Date**") or (ii) Notes issued on or before the Grandfather Date that are materially modified after the Grandfather Date, the Issuer may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**") to withhold U.S. tax at a rate of 30% on all or a portion of payments of principal and interest which are treated as "foreign passthru payments" made on or after January 1, 2019, at the earliest, to (i) an investor that does not provide information sufficient to determine whether it is a United States person or should otherwise be treated as holding a "United States Account" of the Issuer or (ii) any non-U.S. financial institution through which payment on the Notes is made that is not in compliance with FATCA. As of the date of this Base Prospectus, regulations defining the term "foreign passthru payment" have not yet been published. If the Issuer issues further Notes on or after the Grandfather Date pursuant to a reopening of a Series of Notes that was created on or before the Grandfather Date (the "**original Notes**") and such further Notes are not fungible with the original Notes for U.S. federal income tax purposes, payments on such further Notes may be subject to withholding under FATCA. Moreover, should the original Notes and the further Notes be indistinguishable for non-tax purposes, payments on the original Notes may also become subject to withholding under the above rules. The FATCA withholding tax generally may be triggered if: (i) the Issuer is a foreign financial institution (an "**FFI**," as defined in FATCA), and (ii) the Issuer, or any paying agent through which payments on the Notes are made, has agreed, or is required, to provide the U.S. Internal Revenue Service (the "**IRS**") or other applicable authority with certain information on its account holders (making the Issuer or such paying agent a "**Participating FFI**," as defined in FATCA) and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI that is making the payment to determine whether the investor is a U.S. person or should otherwise be treated as holding a "**United States Account**" of such FFI, or (b) any FFI through or to which payments on the Notes are made is not a Participating FFI. The United States has concluded many intergovernmental agreements with other jurisdictions in respect of FATCA. On April 23, 2014, the governments of Belgium and the United States signed an Agreement to Improve International Tax Compliance and to Implement FATCA (the "**Belgium IGA**"). Under the Belgium IGA, an entity classified as an FFI that is treated as resident in Belgium is required to provide the Belgian tax authorities with certain information on its U.S. accountholders, which may include holders of certain of its securities. Information on U.S. holders will be automatically exchanged with the IRS. The Issuer will be treated as an FFI and, provided it complies with the requirements of the Belgium IGA and the Belgian legislation implementing the Belgium IGA, it should not be subject to FATCA withholding on any payments it receives. It is also not expected to be required to withhold tax on any foreign passthru payments" (explained above) that it makes. Although the Issuer may not be required to withhold FATCA taxes in respect of any foreign passthru payments it makes under the Belgium IGA, FATCA withholding may still apply in respect of any payments made on the Notes by any paying agent. If any amount of deduction or withholding from principal or other payments on the Notes were required under FATCA, laws enacted pursuant to the Belgium IGA or laws enacted pursuant to an IGA entered into with another jurisdiction, the Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction by the Issuer, a paying agent or any other party. As a result, investors may receive less principal or other payments on the Notes than expected. Investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them.

As a result, investors may receive less interest or principal than expected. Holders of the Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

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

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

6 DOCUMENTS REGARDING ANNUAL ACCOUNTS IN ANNEX

This Base Prospectus should be read and construed in conjunction with the audited annual accounts of ABF(NL) for the years ended 31 December 2017 and 31 December 2016, and the consolidated audited accounts of AXA BANK for the years ended 31 December 2017 and 31 December 2016, including the reports of the statutory auditors in respect thereof, which are in annex to this Base Prospectus. Copies of all documents regarding the annual accounts in annex will be available free of charge at the offices of AXA BANK. Additionally, the annual reports of AXA BANK are available on the internet site of AXA BANK (www.axabank.be)

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

	AXA BELGIUM FINANCE (NL) B.V.	
	Annual Report 2017	**Annual Report 2016**
Non-consolidated Balance Sheet	11	13
Non-consolidated Profit and Loss Account	12	14
Audit Report	39	36
Notes to the Accounts	15	15

	AXA BANK BELGIUM SA	
	Annual Report 2017	**Annual Report 2016**
Consolidated Balance Sheet	11	10

Consolidated Statement of Income	7	6
Audit Report	Annex	Annex
Notes to the Consolidated Financial Statements	19	17

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

7 AXA BELGIUM FINANCE (NL) B.V.

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

7.1 General Information

AXA BELGIUM FINANCE (NL) B.V. was incorporated as a "besloten vennootschap" for an unlimited duration under the laws of the Netherlands on 30 October 1990 under the name of Ippa Finance Company B.V. On 21 March 2000, the name was changed to AXA Belgium Finance (NL) B.V. Its registered office is in Amsterdam and its business address is at 1082 PR Amsterdam, Beethovenstraat 518 (previously 4835 NA Breda, Ginnekenweg 213). Telephone +32 2 678 69 78.

According to Article 2 of its Articles of Association, its objects are:

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

Principal activity: ABF(NL) will lend the proceeds to AXA BANK or other entities of the AXA Group.

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

The issued share capital of ABF(NL) amounts to EUR 1,768,458.60 divided into 3,897 ordinary shares of EUR 453.80 each on December 31, 2017.

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

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

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

ABF(NL) has made no investments since the date of the last published financial statements, and no principal future investments are planned. In addition, there has been no material adverse change in the prospects of ABF (NL) since 31 December 2017.

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

The auditors of ABF(NL) are Mazars Paardekooper Hoffman Accountants N.V., Watermanweg 80 – P.O. Box 23123 – 3001 K Rotterdam, The Netherlands.

The relevant auditor's report with respect to the audited annual accounts of ABF(NL) for the years ended 31 December 2017 and 31 December 2016, as in annex 3 to this Base Prospectus, were delivered without any reservations.

7.2 Management and Supervision

ABF (NL) is managed by a Management Board consisting of two managing directors. It has no staff and its Management Board members work on a part-time basis for ABF (NL). There are no potential conflicts of interests between any duties to the Company of any of the Management Board members and their private interests and/or other duties.

The managing directors of ABF (NL) are Mr. Aernout Veerman, Chairman, and Mrs. Grete Schaekers, Head of Financial Accounting of AXA BANK BELGIUM. The main external positions of Mr. Aernout Veerman are: Director VINCI B.V., Breda.

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

7.3 Financial Information

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

This financial information has been extracted without material adjustment from the annual audited financial statements of ABF(NL) for the years ended 31 December 2017 and 31 December 2016 and is prepared according to financial reporting standards ("IFRS"). The most recent year's historical financial information is prepared in a form consistent with that which will be adopted in ABF(NL)'s next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.

The notes to the annual audited financial statements, including a description of the accounting policies, are set out on pages15 to 37 of ABF(NL)'s 2017 annual report, which is in annex 3 to this Base Prospectus.

Statement of financial position as at 31 December 2017

	Note	2017	2016
		EUR000	EUR000
Assets			
Financial assets at fair value through profit or loss	4	1,354,375	1,485,916
Taxes receivable	5	137	22
Cash and cash equivalents	6	2,159	5,570
Total assets		1,356,671	1,491,508
Shareholder's equity			
Issued share capital	7	1,768	1,768
Retained earnings	8	747	4,123
Total shareholder's equity		2,515	5,891
Liabilities			
Financial liabilities at fair value through profit or loss	9	1,354,009	1,485,461
Other liabilities and accruals	10	147	156
Total liabilities		1,354,156	1,485,617
Total liabilities and shareholder's equity		1,356,671	1,491,508

Statement of comprehensive income for the year ended 31 December 2017

	Note	2017	2016
		EUR000	EUR000
Interest income	11	33,448	39,419
Interest expense	11	(32,557)	(38,267)
Net interest income		891	1,152
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	12	–	–
Foreign exchange gains/(losses)	13	(33)	15
Other income	14	–	12
Net operating income		858	1,179
Operating expenses	15	(324)	(389)
Net operating expenses		(324)	(389)
Profit before tax		534	790
Income tax expense	5	(110)	(184)
Profit for the year		424	606
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		424	606

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

Statement of changes in equity for the year ended 31 December 2017

	Share capital	Retained earnings	Total
	EUR000	EUR000	EUR000
As at 1 January 2016	1,768	3,517	5,285
Profit for the year	–	606	606
Other comprehensive income	–	–	–
Total comprehensive income	–	606	606
Transactions with owners	–	–	–
	–	606	606
As at 31 December 2016	1,768	4,123	5,891
Profit for the year	–	424	424
Other comprehensive income	–	–	–
Total comprehensive income	–	424	424
Transactions with owners	–	–	–
Dividends	–	(3,800)	(3,800)
	–	(3,376)	(3,376)
As at 31 December 2017	1,768	747	2,515

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

Audited Cash Flow Statement of ABF(NL) as at 31 December 2017 and 31 December 2016

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

Statement of cash flows for the year ended 31 December 2017

	2017	2016
	EUR000	EUR000
Profit before tax for the year	534	790
Adjustments to reconcile profit before tax to net cash flows:		
Interest income	(33,448)	(39,419)
Interest expense	32,557	38,267
Effect of exchange rate changes	33	(15)
Other movements	(32)	54
	(356)	(323)
Working capital adjustment:		
Changes in interest receivables, deferred tax assets and other receivables	3,064	1,390
Changes in interest liabilities, taxes payable and other liabilities and accruals	(3,038)	(1,383)
	26	7
Operating activities:		
Loans granted to group companies	-	(94,534)
Bonds granted to group companies	(154,415)	(46,137)
Repayment on loans to group companies	102,419	303,947
Repayments on bonds to group companies	169,496	–
Transfers from loans	(1,302,741)	–
Transfers into bonds	1,302,741	–
Proceeds from issued medium term notes	154,415	140,671
Repayments on issued medium term notes	(271,915)	(303,947)
Interest received	24,147	30,903
Interest paid	(23,202)	(29,654)
Income tax paid	(226)	(215)
	719	1,034
Cash flow from operating activities	389	718
Financing activities:		
Dividend paid	(3,800)	–
Cash flow from financing activities	(3,800)	–
Net increase/(decrease) of cash and cash equivalents	(3,411)	718
Cash and cash equivalents as at 1 January	5,570	4,852
Cash and cash equivalents as at 31 December	2,159	5,570

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

7.3.3 Recent Evolutions

Interim key figures for the six months ended on June 30th, 2018 (unaudited):

Financial Position (in '000 EUR)	30/6/2018	31/12/2017
Assets	1,289,215	1,356,671
Equity	2,722	2,515
Liabilities	1,286,493	1,354,156
Profit	**30/6/2018**	**30/6/2017**
Profit	206	215

8 AXA BANK BELGIUM SA

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

8.1 General Information

8.1.1 AXA GROUP

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

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

Leveraging the resources of AXA Group, and in accordance with AXA's values and commitments, about 160,000 people are working daily to execute this strategy and to serve more than 105 million clients.

8.1.2 AXA BANK BELGIUM

AXA BANK BELGIUM SA ("AXA BANK"), formerly known as AXA BANK EUROPE SA, is a "naamloze vennootschap/société anonyme" of unlimited duration incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under business identification number 0404.476.835. Its registered office is at 1000 Brussels, Place du Trône 1, Belgium, telephone +32 2 678 61 11. The administrative office is at 2600 Berchem, Grotesteenweg 214, Belgium.

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

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

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

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

The share capital of AXA BANK amounts to EUR 636.318.241,47 divided into 461.133.591 shares.

In June 2007, AXA's Management Board has defined a common European banking strategy. AXA Group's current banking activities cover three countries: Belgium, France and Germany. This European strategy of AXA BANK was abandoned during the period 2012/2013 and since the sale of the Hungarian banking activities in 2016, AXA BANK focuses on the domestic Belgian market.

A little history of AXA BANK BELGIUM

2017 AXA BANK EUROPE changes its name to AXA BANK BELGIUM

2016 AXA BANK sells Hungarian banking activities

2014 AXA BANK is fully owned directly by AXA SA

2013 Closing of proper activities in Czech Republic and Slovakia

2012 Closing of proper activities in Switzerland

2011 Launch of commercial activities in Slovakia

2010 Launch of commercial activity of AXA Bank in Czech Republic

2009 Launch of commercial activity of AXA Bank in Switzerland

2009 Ella Bank in Hungary, acquired in 2007, becomes a branch of AXA BANK EUROPE (now AXA BANK BELGIUM)

2008 AXA Life Europe Hedging Services joined AXA BANK EUROPE to provide financial engineering competencies to insurance companies of the Group and AXA BANK EUROPE

2007 Creation of the European bank platform AXA BANK EUROPE on December 3rd.

2002 AXA Royale Belge becomes AXA Belgium on 1 March. The bank remains AXA Bank Belgium, abbreviated AXA Bank.

2000 Creation of AXA Bank Belgium (resulting from the merger between Ippa and Anhyp) on 1 January.

1999 AXA takes over Anhyp.

1999 Merger between Royale Belge and AXA Belgium.

1990 AXA Belgium is created.

1986 Royale Belge takes over Ippa.

1903 Foundation of "Société hypothécaire belge et Caisse d'épargne" (later renamed « Ippa »).

1881 Foundation of "Caisse Hypothécaire Anversoise" (becoming "Anhyp" later on).

Key financial information

- S&P rating : 'A+/A-1+' with 'Stable' outlook (10 July 2018)
- Moody's rating: 'A2/P-1 with 'Negative' outlook (3 April 2018)

General Risk Profile

AXA BANK BELGIUM's core business is retail banking based on simple product offers.

Governance and control

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

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

The relevant auditor's report with respect to the audited accounts of AXA BANK for the years ended 31 December 2017 and 31 December 2016, as in annex to this Base Prospectus (See Condition 6. Documents regarding annual accounts in annex), were issued without any reservations.

8.2 Business Overview

(Sections 8.2 to 8.4 included are extracts from AXA Bank's 2017 annual report and Risk Disclosure Report)

8.2.1 Key Events in 2017

2017 was another challenging year for the banking sector in Belgium. Historically low interest rates put interest income under pressure. In addition, the wave of mortgage loan re-financings during the years 2015 and 2016 continued to weigh on financial results in 2017.

These difficult market conditions explain why AXA Bank Belgium's operating result decreased by 17 million euro to 53 million euro. The consolidated net income amounts to 41 million euros, or 59 million less than in 2016.

However, AXA Bank Belgium pursued its transformation efforts, launching a growth strategy, based on personalized advice in the area of personal investments and backed by digital tools.

AXA Bank Belgium can present excellent commercial results in its key business areas:

- With regards to **Credits**, AXA Bank Belgium matched the record production of 2016: 2,9 billion euros in new mortgage loans. In other words: in 2017, 18.000 Belgian families could count on the support of AXA Bank Belgium when purchasing their new home. Moreover, Professional loan production also increased significantly (+ 13% compared to 2016).
- We continue to grow in terms of **investments**. In 2017, investments in AXA funds were137 million euro higher compared to the previous year (+ 32%). Continued low interest rates are encouraging an increasing number of customers to invest in funds in order to potentially generate higher returns. The number of customers that executed transactions on a securities account increased by 26% for example. Also, interest in recurring investments increased again in 2017: the number of investment plans more than tripled in a single year.

The bank also continues to invest in customer advice, in order to further support and accelerate its growth strategy over the coming years.

- In order to support this evolution in favour of advice and proximity, we are moving towards fewer yet larger agencies, where customers can invariably turn to fully-fledged investments or loan specialists. In 2017, the number of physical sales points decreased from 676 to 620. At the same time, the number of employees employed by independent banking agents slightly increased. This decrease will be continued in 2018.

- The chosen model of personal advice, supported by high-performance digital tools, is acknowledged by our customers: following a Spaargids opinion survey, AXA Bank Belgium won two Bank Awards: the award for the best branch network and the award for best online platform.

The combination of our strong network of agents and quality online tools can be considered the number one success factor in our high customer satisfaction: AXA Bank Belgium obtains in 2017 an NPS score (Net Promoter Score) of 23, a solid result in the financial sector.

Finally, the de-risking strategy that has been in operation for several years, coupled with our prudent credit approval policy, resulted in credit risk costs further decreasing by 6 million euro in 2017. General expenses remained stable thanks to our ongoing aim to increase efficiency by automating processes and our strict cost-conscious culture. Bank taxes fell by 7 million euro yet remained high at 48 million euros (21% of operating costs).

A reduction of capital of EUR 45 million was realised during the year. This capital reduction - partially - reflects the reduction of the exposures of commercial activities of AXA Bank abroad.

8.2.2 **Activity Indicators** (reproduced from AXA Bank's Annual Report)

- Customer Journey Credits

Mortgage loans – In 2017, the production of new loans were at the same high level as the 2 previous years, i.e. 2,9 billion euro. As a result, last year we granted home loans to 18.000 families, and we once again succeeded in increasing our market share by 20 basis points to 8,2% in 2017. The portfolio of outstanding mortgage loans grew by 5,8% and totals 16,8 billion euro. As interest rates started to increase slightly since the end of 2016, early repayments and refinancing volumes evolved back to their natural level since the beginning of 2017.

Professional loans - As a result of our strategy to focus on self-employed and micro-enterprises, within strict risk limitations, the production volume in professional loans increased to 485 million euro, or + 14% compared to 2016. This production is concentrated mainly on the following products: Immo4Pro (237 million euro), Equipement4Pro (80 million euro) and Car4Pro (75 million euro). The improved commercial activities on this segment and the renewal of the offer in professional loans started in April 2015, have resulted in a strong and successful increase in production and growth of the outstanding portfolio, now reaching 1.6 billion euro.

Consumer loans - Due to a marked increase in competition at the Autosalon, the production of car loans decreased from 180 million euro to 155 million euro. As car loans represent by far the most important part of the allocated consumer credit, the total volume of consumer loans also dropped by the same order of magnitude, to 292 million euro.

- Customer Journey Invest

The net growth in sale of investments products reached 540 million euro, a growth of nearly 30% compared to 2016. This growth is mainly explained by increased sale of AXA funds (+ 570 million euro), a confirmation of the quality of the range of funds offered by AXA IM, a global player in fund management.

- Customer Journey Daily Banking & Deposits

All our day-to-day banking indicators improved in 2017 compared to 2016: number of accounts (+ 15 k), number of active accounts (+ 16 k), number of on-line customers (+ 24 k), number of credit cards (+ 9 k), number of customers that use AXA Bank Belgium as main bank (+ 16 k).

Deposits and saving accounts however reflected a net reduction of - 305 million euro. This was made up by a rise in current accounts (+ 237 million euro), but a decrease in deposits (- 542 million euro). The drop in deposits is largely explained by low interest rates impacting the appetite of clients notably for term accounts. For some of this, we see a logical shift to investment products. The buy-back of the Crest portfolio by AXA Belgium[13], which caused a rise in deposits at the end of 2016, is an important difference compared to last year.

- Asset & Liability management

AXA Bank Belgium's Asset and Liability Management (ALM) is an essential component of balance sheet management. Its main purpose is to manage AXA Bank Belgium's exposure to risks related to interest rates, liquidity and exchange rates. These risks are managed as part of a risk appetite framework, set by AXA Bank Belgium's Board of Directors and within the applicable regulatory constraints.

In 2017, ALM systematically hedged the net interest rate position, arising from the new monthly production of retail assets and liabilities, including loan pipeline risk, curve movement risk and the Eonia/Euribor basis risk.

Managed within strict limits, the investment portfolio is made up exclusively of high-quality European sovereign debts, guaranteed supranational bonds and secured bonds, without any foreign exchange risk. In order to improve AXA Bank Belgium's leverage ratio and given the decline in credit spreads on the bonds market, the size of the portfolio was reduced by 1,21 billion euros (book value) in 2017 and stood at 2,94 billion euros at the end of 2017. This bond portfolio also constitutes a hedge against the basis risk coming from floating rate mortgages (indexed on the Belgium government bonds) and some capital gains were realized to partially offset the impact of such basis risk.

ABE SCF (Société de Crédit Foncier), AXA Bank Belgium's vehicle for issuing covered bonds, complied during 2017 with the new French legislation relating to SCF by replacing Residential Mortgage Back Securities (RMBS) backing the bonds directly by mortgages, thereby also keeping intact the protection offered to investors. AXA Bank Belgium continues to diversify its long-term structural financing. 5- and 15-year covered bonds were placed with external investors during 2017 for a total amount of 1,25 billion euros.

- Treasury and intermediation

Note issuance yields are internally structured and hedged on the market by AXA Bank Belgium's derivatives specialists, who also provide execution and processing services, exclusively for selected entities of AXA Group. Services provided include execution, clearing, valuation and 'European Market

[13] Redemption of life insurance savings products issued by AXA BELGIUM; the redemption amounts have been largely reinvested in bank savings and investments products.

Infrastructure Regulation' (EMIR) reporting obligations. Besides the mandatory derivative volume compressions analyses, AXA Bank Belgium has reduced its operational risk through a compression of 2.4 billion euro in interest rate derivatives. Although the volume of new derivatives traded with customers in 2017 stands at 5,8 billion euro, the off-balance sheet inventory of AXA Bank Belgium's treasury and intermediation derivatives notional has only moderately increased in 2017 by 2,6 billion euro to 78,8 billion euro, compared to 76,2 billion euro in 2016.

Back loading derivatives to a central clearing platform organised by EMIR and active management of counterparty credit exposure allowed for a reduction of the counterparty credit exposure to AXA Bank Belgium's main derivative counterparts. Such remaining exposure is systematically collateralised by cash or high quality bonds.

8.2.3 Risk Management

The following sections are extracts from AXA Bank's Risk Disclosure report, which is available on its website www.axabank.be.

GENERAL

In 2017, AXA Bank Belgium has continued to build towards coherent and prudent risk management. The bank has broadly implemented robust strategies, policies, processes and systems for identifying, measuring, managing and monitoring its risks.

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

The European Central Bank (ECB) is the competent authority for prudential supervision of AXA Bank Belgium. This supervision was effectively carried out by the Joint Supervisory Team (JST) that consists of members of the ECB and the national enforcement body. Regular consultation took place with the relevant supervisors by means of on-site inspections, workshops, interviews and reports.

In 2017, AXA Bank Belgium also took part in a 'Supervisory Review and Evaluation Process' (SREP), led by the JST. During this process, the supervisor assessed the bank's risks and decided on minimum capital requirements for the bank in 2018, as well as a number of qualitative recommendations with which the bank will have to comply in the future.

In 2018, AXA Bank will perform the ECB stress test exercise where the resilience of the bank to economic shocks will be assessed. The result of this exercise will serve as input to the Supervisory Review Evaluation Process where the additional 'capital guidance' for the bank will be set.

In 2017, the degree of refinancing of Belgian mortgages returned to a more moderate level after 2 years of high volumes of refinancing. AXA Bank Belgium managed to reduce the pressure on profitability by achieving a significant new production of good quality mortgage loans.

In addition to retail business, AXA Bank Belgium acted as an intermediary in providing financial services, mainly derivatives to various entities in the AXA Group. Although a large volume of derivatives was traded in 2017 with entities in the AXA Group, the balance on AXA Bank Belgium off-balance remained relatively stable due to the usual practice of compression in derivatives, mostly to LCH (central counterparty)[14].

The liquidity position of AXA Bank Belgium remained at a comfortable level in 2017.

The bank's solvency position remains high, benefiting from a prudent investment and credit underwriting strategy. The balance sheet total remained stable, resulting in a small impact on our leverage ratio.

AXA BANK EUROPE SCF(ABE SCF) , subsidiary of AXA BANK BELGIUM created for the purpose of issuing covered bonds for the benefit of the bank, was transformed in December 2017. The new structure is more efficient and allows SCF to issue covered bonds by directly buying mortgages from AXA BANK BELGIUM, without Royal Street as an intermediary anymore.

Risk Appetite

The permanent identification and quantification of the bank's material risks are at the heart of the AXA Bank Belgium's risk policy. These risks are measured, limited and constantly tracked using an internal Risk Appetite Framework (RAF).

In 2017, AXA Bank Belgium updated the RAF so that it became a real strategic tool. A strategic risk appetite is determined for the main areas (capital, profitability, economic values and liquidity), taking the stress sensitivity of these domains into account and in line with the guidelines of the AXA Group. This strategic risk appetite is translated into functional risk limits and forms a guide for the daily activities in the various risks and product lines. This risk appetite model was approved by the Board of Directors and is used by this management body and the Management Committee as a central tool for managing the risks in the bank.

All material risks are translated into relevant indicators, summarised in the 'risk dashboard'. This includes both regulatory and internal indicators. Different levels of severity are defined for each indicator, so management is warned early enough if an indicator approaches its maximum risk appetite. This 'risk dashboard' forms an integral part of the general risk monitoring process and is reported to the Management Board and AXA Group monthly, and

[14] Portfolio compression is a risk reduction service in which two or more counterparties wholly or partially terminate some or all of the derivatives submitted by those counterparties for inclusion in the portfolio compression and replace the terminated derivatives with another derivative whose combined notional value is less than the combined notional value of the terminated derivatives (Article 2(1)(47) of Regulation (EU) No 600/2014). The economic meaning of portfolio compression lies in that it reduces notional outstanding by eliminating matched trades or trades that do not contribute risk to a dealer's portfolio.

quarterly to the Board of Directors. These risks are also followed up in more detail by the relevant AXA Bank Belgium risk committees.

The prospects in the strategic plan and the budget are checked against the RAF limits. The strategic plan undergoes multiple iterations until equilibrium is reached between both profitability and risks. The strategic plan was designed so that all risks fall within the risk appetite and the regulatory limits, while taking new and existing regulations into account to meet the regulatory requirements.

The risks are also subject to an economic capital model that generates forecasts covering different horizons. The economic capital is then distributed to all activities of the bank, and this based on the AXA Bank Belgium risk objectives. The management of AXA Bank Belgium imposes a limit on the total economic capital applied so as to ensure the bank has sufficient financial resources at all times.

SREP Stress testing

AXA BANK BELGIUM participated in the "Sensitivity analysis of IRRBB – Stress test 2017" conducted by the ECB. The results were taken into account in the SREP (Supervisory Review and Evaluation Process).

In 2018 we are invited to participate in the ECB Stress testing. The results will be part of the yearly SREP (Supervisory Review and Evaluation Process) executed by the JST (Joined Supervisory Team).

OWN FUNDS AND CAPITAL REQUIREMENTS

Capital Management

Under the EU Capital Requirements Regulation and Directive (CRR/CRD IV) as well as the Basel accords, AXA BANK BELGIUM must maintain a minimum level of own funds to cover their credit, market and operational risks. This obligation is known as the "Pillar 1 Minimum Regulatory Capital Requirement". Banks must also have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed to. This obligation is known as the "Pillar 2 Economic Capital Requirement" and is assessed in the context of the supervisory review. The Internal Capital Adequacy Assessment Process also known as "the ICAAP" (which also quantifies the economic capital requirement) participates to the Pillar 2 requirements.

The capital risk is the risk that the bank has or may have insufficient capital to cover the risks to which the bank is exposed. In practice, this is translated into a cross-check of the capital base

against the minimum regulatory capital requirements (Pillar 1) and the economic capital requirements (Pillar 2).

The calculations for regulatory capital are reported to the supervisor (COREP (Common Reporting framework, the standardised regulatory reporting framework initiated by the European Banking Authority (EBA))) on a quarterly basis.

The bank reports the required economic capital to the supervisor in an annual ICAAP file. The ICAAP is the internal review process of the institution itself, which allows it to assess the adequacy of its capital in light of its risk profile and its organization.

Regulatory Environment

The EU introduced stricter rules around capital requirements for banks in the aftermath of the financial crisis that are based on the Basel III accords. The requirements for banks are set out in the 'Capital Requirements Regulation' (CRR) and the 'Capital Requirements Directive' (CRD IV). The CRR/CRD IV was gradually introduced since 1 January 2014 and will be fully in force by 1 January 2022.

The minimum capital ratios (Pillar 1 requirements) which are to be met according to CRR/CRD IV are 4.5% for the common equity tier 1 ratio (CET1), 6.0% for the tier 1 capital ratio and 8.0% for the total capital ratio.

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

Following the SREP of 2017, the ECB formally notified AXA BANK BELGIUM of its decision to set a pillar 2 requirement (P2R) of 3% CET1.

Besides the minimum own funds requirements of the CRR, AXA Bank Belgium should also comply with the various buffers that can be imposed in accordance with CRD IV.

The CRD IV provides for a capital conservation buffer. The premise is to reserve additional capital in times of financial prosperity. In times of financial stress, the institution will be able to use this capital. The condition is then that the institution may not pay out a dividend to shareholders. This buffer is subject to a phase-in, 1.25% in 2017, and is to increase yearly with 0.625% to end up with 2.50% in 2019. This buffer applied to the bank in 2017.

AXA Bank Belgium may also be obliged to build a counter-cyclical capital buffer representing an additional core Tier 1 capital requirement. This buffer's aim is to protect the bank against risks arising from the financial cycle and can be up to 2.5%, possibly higher. This requirement came into effect in 2016. As far as Belgium is concerned, the national bank (NBB) kept the countercyclical buffer rate at 0%. As the largest part of the relevant portfolios is in Belgium, AXA BANK BELGIUM is not impacted by this buffer.

The Belgian regulator has appointed AXA Bank Belgium as O-SII or 'Other Systemically Important Institution' and therefore subject to an additional core Tier 1 capital requirement (O-SII buffer) of 0.75%. The introduction of this buffer is phased in over a period from 1 January 2016 until 1 January 2018. This means that an additional capital requirement of 0.50% was imposed on AXA Bank Belgium in 2017, which will be increased by 0.25% in 2018.

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

Taking into account the phased-in basis, the CET1 requirement for 2017 amounts to 9.25% (4.5% (pillar 1) + 3% (P2R) + 1.25% (capital conservation buffer) + 0.5% (O-SII buffer)).

The fully loaded CET1 requirement for 2017 amounts to 10.75% (4.5% (pillar 1) + 3% (P2R) + 2.5% (capital conservation buffer) + 0.75% (O-SII buffer)).

The regulatory minimum solvency targets were exceeded throughout the entire financial year.

Own Funds

The own funds for solvency requirements are different from the equity in the financial statements. Equity as reported in the Annual Accounts of AXA BANK BELGIUM is determined on the basis of IFRS.

AXA Bank Belgium is allowed to include the consolidated net profit for 2017 (EUR 41,437 thousand) in the core Tier 1 capital. This result strengthens the equity of the Bank compensating the reduction of capital of EUR 45,000 thousand realised during the year. This capital reduction - partially - reflects the reduction of the exposures of commercial activities of AXA Bank abroad. The core Tier 1 figures of December 2017 increased also due to the correction of deferred tax liabilities, as referred to in chapter 42 of the Annual Accounts 2017. The evolution of CET1 is further determined by the movements in accumulated other comprehensive income, the deferred tax assets and the value adjustments.

The accounting capital will be adjusted with prudential filters, deductions and transitional adjustments.

The CET1 amounts to EUR 1,041,808 thousand in 2017 versus EUR 993,695 thousand in 2016.

The total own funds for solvency requirements include:

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

TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	31/12/2017	31/12/2016
Common Equity Tier 1 Capital	1,041,808	993,695
Additional Tier 1 Capital	90,000	90,000
Tier 1 Capital	**1,131,808**	**1,083,695**
Subordinated debt	5,829	11,636
Perpetuals grandfathered	15,943	*15,943*
Perpetuals phase out	-7,972	*-6,377*
Eligible Perpetual Subordinated debt	7,972	9,566
Tier 2 Capital	**13,801**	**21,202**
TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	**1,145,609**	**1,104,897**

Table 1: Total Capital

The total own funds evolve from EUR 1,104,897 thousand in 2016 to EUR 1,145,609 thousand in 2017, despite a capital upstream of EUR 45,000 thousand.

Capital Requirements

Regulatory capital requirements

The regulatory requirements are based on the concept of Risk Weighted Assets (RWA) as described in CRD IV.

AXA BANK BELGIUM measures its regulatory capital requirements using the following methods:

Risk Category		Regulatory Capital Method
Credit risk	Retail Credit Risk (Mortgages, Consumer & Professional loans)	Internal Rating Based Approach
	Retail Credit Risk (Other loans)	Standardised Approach
	Non-Retail Credit Risk	Standardised Approach
	Counterparty Credit Risk (Derivatives)	Mark-to-market Method
	Counterparty Credit Risk (SFT)	Financial Collateral Comprehensive Method
Market risk	Market Risk Traded debt instruments	Standardised Approach
	Market Risk Foreign exchange	Standardised Approach
Operational risk		Basic Indicator Approach

Figure 1: Regulatory capital methods

The regulatory requirements are based on the concept of Risk Weighted Assets (RWA).

The Pillar 1 minimum regulatory capital requirements foresee in different calculation methods, which are defined specifically in the regulation. The risk weighted assets are calculated

according to the specific Basel calculation rules for weighted risks for which AXA BANK BELGIUM has received approval.

In most cases the Standardised Approach (SA) or Basic Indicator Approach (BIA) for operational risk, is used by the bank. The Internal Rating Based Approach (IRB) is applied to the retail loan book.

AXA BANK BELGIUM doesn't hold any securitisation exposure anymore except its own securitisations (Retained RMBS) where the look through approach is used, meaning that the bank considers the underlying mortgages instead of the Residential Mortgage Backed Securities for determining the risk weight.

The RWA for AXA BANK BELGIUM under the Basel III rules amounted to EUR 5,288,672 thousand on December 2017.

Economic capital requirements

Under Basel III principles, the measurement of economic capital requirements must take into account all identified material risks (hedged through capital).

It must also take into account planned (expected) business growth. In order to assess capital requirements on a forward looking basis, AXA BANK BELGIUM's strategic plan is tested versus the risk appetite framework. Therefore, capital requirements are forecasted over the full horizon of the plan for every business line/activity by using the assumptions embedded in the strategic plan.

As some risks are correlated to others, the measurement of economic capital requirements may also be adjusted (and reduced) for diversification benefits between risks. AXA BANK BELGIUM's correlation matrix aims at estimating correlations between business lines as well as correlations between risk types.

AXA BANK BELGIUM may also adjust (i.e. increase when relevant) its capital requirements based on its analysis of stress testing exercises. From an economic perspective, AXA BANK BELGIUM's excess capital can be measured by subtracting from AXA BANK BELGIUM's available internal capital its total economic capital requirement as defined above. The available capital must always exceed AXA BANK BELGIUM's total economic capital requirements.

AXA BANK BELGIUM measures its economic capital requirements by using the methods described in the table below:

Risk Category		Economic Capital Method
Credit risk	Retail Credit Risk (Mortgages, Consumer & Professional loans)	Asymptotic Single Risk Factor model
	Retail Credit Risk (Other loans)	Standardised Approach
	Non-Retail Credit Risk	CreditRisk + model adjusted
Market risk	Market Risk Trading Book (Non-structural interest rate and FX risks, credit spread risk)	Monte Carlo VAR
	Market Risk Banking Book (Structural interest rate and basis risk	Monte Carlo VAR
Operational risk		Monte Carlo VAR
Business risk		Scenario Approach

Figure 2: Economic capital methods

Capital Adequacy

AXA BANK BELGIUM's capital objective is to respect the following minimal capital requirements at any time under current and stressed market conditions:

- Minimum Regulatory Capital Requirement (regulatory capital vs. own funds)

  Maintain sufficient own funds to exceed minimum regulatory capital requirements.

- Economic Capital Requirement (economic capital vs. internal capital)

  AXA BANK BELGIUM's main Pillar 2 objective is to remain sufficiently capitalised to be able to cover at all times all of its material risks hedged through economic capital calculated with a 99.9% confidence interval over a defined time horizon[15]. This obligation is above AXA SA's Head Office requirement (99.5%).

The regulatory solvency ratios compare the own funds of the Bank to its Risk weighted assets. AXA Bank Belgium shows high solvency during 2017 thanks to its prudent investment and credit underwriting strategy.

The Common Equity T1, T1 and total capital ratio consider the transitional provisions of Basel III.

All solvency ratios declined over the year. This is largely explained by the significant increase in weighted assets in 2017. As per 31 December 2017, AXA Bank Belgium's Tier 1 ratio stands at 21.40% (23.10% in 2016) and total capital ratio at 21.66% (23.55% in 2016).

These same ratios fully loaded, i.e. calculated as if Basel III is already in full force, amounted to 21.58% and 21.69% respectively (23.80% and 24.00% in 2016), very well above requirements, demonstrating that the bank has anticipated the implementation of Basel III.

[15] Important to note: The standard time horizon that AXA BANK BELGIUM uses to measure its risks is one year. Some risks are evaluated on a shorter horizon since their exposures are easier to hedge or sell in time of stress.

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

Regulatory capital (in '000 EUR)	31/12/2017	31/12/2016
CET1	1,041,808	993,695
TIER 1	1,131,808	1,083,695
TOTAL CAPITAL	1,145,609	1,104,897
RISK WEIGHTED ASSETS	5,288,672	4,692,204
CET1 ratio	19.70%	21.18%
T1 ratio	21.40%	23.10%
Capital ratio	21.66%	23.55%
Fully loaded CET1 ratio	19.88%	21.90%
Fully loaded T1 ratio	21.58%	23.80%
Fully loaded total capital ratio	21.69%	24.00%

Table 2: AXA BANK BELGIUM's regulatory capital ratio at consolidated level

As stated in the Basel III text, the required capital is subject to the Basel I floor[16]. AXA BANK BELGIUM's assets, mainly mortgage loans, have a low risk profile that is recognised in the Basel III risk weighted assets (Basel III RWA) but not reflected in the Basel I RWA. As a consequence, the Basel I floor imposes an additional buffer on top of the Basel III RWA. With a CRD ratio (incl. BI floor) of 12.4% in Dec 2017 AXA BANK BELGIUM is well above the minimum requirement of 8%.

Regulatory capital (in '000 EUR)	31/12/2017	31/12/2016
Required capital (BI floor)	749,590	709,347
CRD ratio (BI floor)	12.4%	12.7%

Table 3: AXA BANK BELGIUM's Basel I floor at consolidated level

Countercyclical Capital buffer

As of 1 January 2016, the countercyclical capital buffer (CCyB)[17] came into effect.

Almost 98% of total relevant exposure (all exposures excluded the ones treated as governments and exposures to institutions) is related to Belgium. The NBB has set the countercyclical buffer percentage for credit risk exposures to counterparties established on Belgian territory at 0 % for each quarter of 2017.

[16] Basel I floor is defined as : 80% * Basel I Risk weighted assets.

[17] The countercyclical capital buffer is intended to protect the banking sector against losses that could be caused by cyclical systemic risks. Countercyclical capital buffer requirement requires banks to add capital at times when credit is growing rapidly so that the buffer can be reduced when the financial cycle turns.

Only 3 countries in which AXA BANK BELGIUM has relevant exposures, have a countercyclical buffer rate above the 0% (Hong Kong, Sweden, Norway). AXA BANK BELGIUM's exposures to these countries represent only 0.02% of the total exposures and this impact is negligible in the CCyB calculation.

Economic Capital Adequacy[18]

AXA BANK BELGIUM's risk appetite statement as defined by the Board of Directors limits the total economic capital consumption in order to ensure that AXA BANK BELGIUM is sufficiently capitalised to resist a major unexpected loss (calibrated at a confidence level of 99.9% over a 1-year horizon).

Economic capital (in '000 EUR)	31/12/2017	31/12/2016
Total Economic Capital Consumption	351,823	331,574
Available Capital	1,145,609	1,104,897
Capital excess	793,786	773,323

Table 4: Economic Capital Consumption

The available capital in 2017 largely exceeds the consumed economic capital after diversification.

The evolution in economic capital consumption in 2017 is mainly driven by a lower Interest Rate Risk, compensated by the addition of economic capital for business risk in 2017.

The figure below illustrates the different components of AXA BANK BELGIUM's economic capital buffer.

[18] Economic capital (EC) is the amount of risk capital that a bank estimates in order to remain solvent at a given confidence level and time horizon. Regulatory capital (RC), on the other hand, reflects the amount of capital that a bank needs, given regulatory guidance and rules

Figure 3: AXA BANK BELGIUM's Capital Consumption

As from 2017, AXA BANK BELGIUM's economic capital covers 6 types of risks.

The most important one is the economic capital for Retail Credits (37%). This relatively low consumption for a portfolio of around EUR 20 billion of loans underlines the good quality of the portfolio.

The Interest Rate Risk of the Banking book consumes 25% of the Bank's total economic capital. It covers the interest rate risk which is inherent in the Bank's retail activities. The interest rate risk position in 2017 remained low due to the continued period of very low (or even negative) interest rates in 2017 and the hedging of new production of fixed rate mortgages.

Wholesale credit risk accounts for 16% of the economic capital. As the Bank applies a conservative investment strategy which is incorporated in a strict limit framework, the bank decreased its investment portfolio and reduced its positions in GIIPS-countries[19] significantly over the last years. Furthermore, derivatives and money market transactions are mitigated through a strict collateral policy, both for transactions with AXA Insurance entities and external counterparties.

Operational Risk represents 12% of the economical capital consumptions. The economic capital model for Operational Risk incorporates the mitigation actions already implemented at the different departments of the Bank.

Market Risk in the Trading Book (1%) reflects the very conservative approach of AXA BANK BELGIUM towards this risk.

Finally Business Risk accounts for 9% of the economic capital. Economic capital for Business risk was calculated for the first time in 2016.

[19] Greece, Italy, Ireland, Portugal, and Spain

LEVERAGE RATIO

The leverage ratio is a supplementary measure to the Basel framework. It is defined as Tier 1 capital over the bank's total leverage exposure measure, which consists of both on- and off-balance sheet items. The aim is to constrain excessive leverage and to bring institutions' assets more in line with their capital.

The ratio will become binding in the coming years as it is in the process of being adopted into European legislation. The BCBS (Basel Committee on Banking Supervision) guidelines provide for disclosure of the leverage ratio and its components starting from 1 January 2015.

In connection with the contemplated implementation of the non-risk based leverage ratio, the bank has further decreased its balance sheet essentially through a reduction of the investment portfolio. As a consequence, the bank's leverage ratio according to current CRR legislation ('Delegated Act') has improved in 2017 to 4.31% at the end of December 2017 (4.10% in 2016) or 4.34% (4.20% in 2016) when fully loaded.

In light of the low risky assets of AXA Bank, this level offers a comfortable buffer.

Indeed our assets essentially include loans with mortgage guarantees, bonds issued by governments and supra-national bodies and to a lesser extent, financial instruments fully collateralised by cash or high quality bonds.

A comparison of the different Leverage ratio components with the previous year at consolidated level can be found in the table below.

Leverage Ratio Components (in '000 EUR)	31/12/2017	31/12/2016
Total SFTs	1,042,770	977,537
Total Derivatives	476,676	661,808
Total Other assets	24,463,563	24,557,662
Total On-balance	25,983,009	26,197,007
Total Off-balance	340,842	334,226
Deducted from T1 fully loaded	-29,867	-43,783
Deducted from T1 transitional	-39,425	-71,919
Total leverage exposure fully loaded	**26,293,984**	**26,487,449**
Total leverage exposure transitional	**26,284,425**	**26,459,313**
T1 capital fully loaded	1,141,366	1,111,831
T1 capital transitional	1,131,808	1,083,695
Leverage Ratio fully loaded	**4.34%**	**4.20%**
Leverage Ratio transitional	**4.31%**	**4.10%**

Table 5: Leverage ratio components at consolidated level

CREDIT RISK

AXA BANK BELGIUM defines credit risk as the negative consequences associated with the default[20] or deterioration in credit quality[21] of counterparties in lending operations.

The goal of credit risk management is to ensure that a (set of) credit event(s) would not significantly threaten the bank's solvency nor profitability. In order to reach this objective, credit risk exposures are maintained within strict boundaries. The effective management of credit risk is a critical component of a comprehensive approach to risk management and is essential to the long term success of any banking organization.

Credit Risk Management

Within AXA BANK BELGIUM, credit risks are categorised as either retail credit risks or non-retail credit risks and managed accordingly. Non-retail risks comprise credit risk other than retail and counterparty credit risk.

Retail credit risk

AXA BANK BELGIUM's main business is to provide credit facilities to private individuals, professionals and small businesses. These facilities are offered in Belgium only.

The management of AXA BANK BELGIUM's retail credit risk is formalised by a Retail Risk Management Charter. It sets the organisation, risk appetite framework, product approval processes and modelling requirements that must be followed internally to mitigate AXA BANK BELGIUM's retail credit risk exposures. It is completed by business & credit policies which provide the procedures for the day to day management of retail credit risks.

The Belgian loan portfolio consists mainly of mortgages, consumer loans and professional loans, with mortgage loans representing the most important share.

Given the good collateral coverage and the low probability of default of this loan portfolio, the risk profile of the total retail credit portfolio is low.

[20] Counterparty not able to fulfil contractually agreed financial obligations.

[21] Potential loss due to changes in the fair value of credit exposures as a result of rating transitions of counterparties.

The mortgage portfolio has once more grown strongly in 2017 thanks to the high new production of mortgages which was of good quality. After the years 2015 and 2016 with a high volume of refinancing, 2017 was characterised by a more moderate level of refinancing.

For the consumer loan portfolio we noticed a slight decrease in 2017. The production was not sufficient to compensate for the natural erosion of the portfolio.

As from 2016, the professional loans portfolio of AXA BANK BELGIUM is increasing. Also in 2017 the portfolio significantly increased. This is in line with AXA BANK BELGIUM's strategic initiatives to intensify the relationship in the professional segment.

Non-retail credit risk

Besides retail related credit risk, AXA BANK BELGIUM incurs credit exposure to high quality counterparties and issuers through its treasury, intermediation and asset & liability management activities. The first area where credit risk is incurred is the investment portfolio under management of the ALM department.

Secondly, AXA BANK BELGIUM is designated by AXA Group to act as a centralised platform which provides AXA insurance entities access to financial markets. Various insurance entities within AXA Group use this platform, which provides two services. First and foremost, AXA BANK BELGIUM acts as an intermediary for derivatives such as interest rate swaps, used by the insurance entities to cover the market risk of their life insurance policies. Secondly, AXA BANK BELGIUM provides the insurance entity in Belgium with liquidity via standardised money market transactions (reverse repos). These activities are described in the Counterparty credit risk (section 0).

It is AXA BANK BELGIUM's strategy to optimise the risk/return relationship in its non-retail activities, as well as making sure it fits within AXA Group's risk appetite. We explain how this translates into the 2 axes of the non-retail credit risk: investment portfolio and derivatives/repo activities.

The investment portfolio of AXA Bank Belgium serves as a buffer for liquid assets as well as a way to capture the interest rate and credit risk premium to generate profits. To make sure this remains within AXA BANK BELGIUM's risk appetite, risk management monitors its investment portfolio in terms of:

1) Adequacy of securities for calculation of the liquidity coverage ratio (see chapter: Liquidity Risk), where AXA BANK BELGIUM limits itself exclusively to assets of the highest liquidity class as defined by Basel III.

2) Adequacy of securities for calculation of the solvency ratio, where AXA BANK BELGIUM limits itself almost exclusively to assets of 0% risk weight as defined by Basel III.

3) Adherence to AXA Group limits and AXA BANK BELGIUM's own concentration limits

In 2017 the Wholesale credit risk framework and the Wholesale credit risk charter were fully reviewed and approved.

Investment portfolio

The Board of Directors defines the Risk Appetite by allocating available Capital@Risk.

Risk Appetite Statements drive investment portfolio limit framework:

- OCI[22] impact caused by shocks within a confidence interval of 95% should not exceed Capital@Risk allocated to the portfolio.
- Unexpected Credit Losses within a confidence interval of 95% should not exceed Capital@Risk allocated to the portfolio.

Management Board imposes a limit per issuer relative to AXA BANK BELGIUM's total capital depending on the issuer's rating. They also impose a maximum of 25% of total portfolio for one issuer (for new investments only). There is an exception for OLO's, as they may be needed to avoid basis risk in mortgage hedges.

Credit quality

Acceptance policy

The credit losses of the performing retail portfolio amounted to a total of only EUR 430 thousand in 2017, compared to EUR 3,630 thousand in 2016. Whereas 2016 was already a year with a relatively low level of credit loss, the credit loss in 2017 was even lower than the one of 2016. The credit loss in 2017 is low mainly for the following reasons:

- Since the credit restrictions in 2013 the quality of the credit portfolio improved significantly. Furthermore, the Belgian macro-economic environment, where AXA BANK BELGIUM is operating, showed a positive evolution also contributing to a low level of credit losses.
- The sale of already written off credits keeps playing an additional source of income. There is an appropriate appetite within the Belgian market for this type of debts resulting in a good sales price.

The 12Month default rate for mortgage loans slightly decreased from 0.5% in December 2016 to 0.45% observed in December 2017. The vintage curves (default rates within the first 12/24 months after realisation on the new production) are still decreasing and therefore it is expected

[22] Other Comprehensive Income: revenues, expenses, gains, and losses under both Generally Accepted Accounting Principles and International Financial Reporting Standards that are excluded from net income on the income statement.

that this decreasing trend continues at a more moderate speed when economic conditions remain unchanged.

The 12Month default rate for loans to professionals and small businesses dropped from 1.7% observed in December 2016 to 1.5% in December 2017.This decrease shows that the growth in professional loans is done in a sustainable way where special care is taken for maintaining the quality of the total credit portfolio..

For consumer loans the 12Month default rate is more stable (from 1.2% in December 2016 to 1.21 % in December 2017) thanks to a good risk selection.

Definition of default

AXA Bank Belgium considers a client/facility to be in default if and only if one or more of the following conditions is fulfilled:

- The client / facility is “unlikely to pay”: The client will probably not be able to fully satisfy its credit payment without possible claim on guarantees.
- The client / facility is “>90 days past due”: The client has more than 90 days payment arrears.
- The client / facility is in pre-litigation: The client has more than 90 days payment arrears and is subjected to a recovery plan.
- The client / facility is in litigation: The client is in pre-litigation for more than 9 months or the credit has been closed.

In case a client/facility is categorised under one of the first two categories in the above list, but is not doubtful, it is also referred to as “possible loss”.

When a client/facility becomes defaulted, it is considered to be impaired and thus a specific (collectively or individually assessed) provision has to be accounted for. At that moment an evaluation should always be made if this default has an impact on the estimated future cash flows of the financial asset, and if accordingly an impairment loss should be recognised.

Furthermore, the default status is fully aligned with the ‘non-performing’ and ‘impaired’ statuses.

Credit Risk Mitigation (CRM)

AXA BANK BELGIUM defines in its credit policies the need to establish collaterals to mitigate the credit risk (Article 453 of the Capital Requirement Regulation (EU) 575/2013).

Policies and processes for collateral valuation and management

At the moment of establishing a mortgage inscription/mandate, a valuation of the underlying real estate is done.

Two types of valuations are allowed. On the one hand, the valuation of the real estate is done by means of an independent external assessment. On the other hand, the valuation can be done by relying on official sales agreements. The latter method is only allowed for financing projects where the risk for an incorrect valuation is mitigated. Once the collateral is established, a yearly revaluation of the underlying real estate is done based on the statistics how Belgian's real estate market is evolving.

This valuation technique is applied on residential as well as commercial real estate, yet the valuation of commercial real estate is done in a more prudent way given the higher volatility.

For non-retail credit risk only high quality sovereign securities or cash are accepted as collateral. For the non-retail side a daily valuation takes place combined with daily margin calls to and from counterparties.

Main types of collateral received

Based on the product there are different types of collaterals given.

(i) Collateral for mortgage loans
The credit must be secured by a mortgage (registration or mandate) on immovable property (full ownership). The property should be normally marketable.

The mortgage that must be provided can be reused in the context of potential subsequent mortgage loans.

All collaterals complementing mortgage must be provided before the official registration of the loan (this also, therefore applies to additional movable guarantees).

(ii) Collateral for professional loans
These collaterals are the following:

- Tangible collaterals 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 collaterals regularly used for professional credits at AXA Bank Belgium appears below:

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

(iii) Collateral for consumer loans
For consumer credits only one type of collateral is used:

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

- Collateral for promissory notes
  ABE SCF lends in the form of promissory notes to AXA Banque France, a French sister company of AXA BANK BELGIUM. Besides relying on AXA Banque's overall creditworthiness to pay back principal and interest, ABE SCF can also claim a specific pool of residential loans on AXA Banque's balance sheet. In addition to this collateral, AXA Banque France pledges collateral to ABE SCF in the form of French government securities with a credit quality step of 1. In accordance with article 224 of the CRR, a volatility adjustment is applied.

Standardised approach (STA)

Portfolios under the standardised approach

AXA Bank Belgium uses the standardised approach for determining credit risk for a small part of its retail credit risk and for its non-retail credit risk. The standardised approach measures credit risk either pursuant to fixed risk weights, which are predefined by the regulator, or through the application of external ratings.

STA scope exists of:

Investment portfolio
Exposures to AXA Group entities
Exposures in equity not included in the trading book
Other small portfolios

Use of ratings from external credit assessment institutions (ECAI)

Retail credit risk weights are determined based on Articles 123 to 127 of the CRR.

Risk weights for non-retail credit risk exposures are determined based on external ratings. In order to apply the Standardised Approach, AXA BANK BELGIUM uses the external ratings assigned by the following rating agencies: Fitch, Moody's and Standard & Poor's. The lower of the available ratings is used to determine the risk weight. If no external rating is available, the STA provides specific risk weights. External ratings are applied to the exposure classes "Institutions" and "Corporate (financial)".

Exposures to institutions for which there is no rating available shall be assigned the risk weight according to the quality step to which exposures to the central government of the jurisdiction in which the institution is incorporated are assigned in accordance with Article 121. For exposures to unrated institutions with an original effective maturity of three months or less, the risk weight shall be 20%.

The ratings of all listed securities are systematically monitored by Risk Management as part of the tracking of credit risk. Exposure classes involved are: "Central governments or central banks", "Public sector entities" "Multilateral Development Banks", "International organisations", "Institutions" and "Covered bonds". The non-retail risk charter and the RAF set minimum limits for the ratings. If the ratings fall below the limits, this is systematically reported and, where necessary, a decision is taken whether or not to continue to hold the security.

In terms of use of the ECAIs, AXA BANK BELGIUM follows the standard classifications published by the EBA.

AXA BANK BELGIUM also uses ratings from ECAIs in setting its wholesale credit risk framework. In terms of eligibility for investments, one of the criteria is that the rating should be minimum BBB. The higher the rating, the higher the amount that can be invested. Besides the investment policy, AXA BANK BELGIUM uses ratings from ECAIs as an eligibility criterion for derivatives or repo transactions, where a minimum of A- is required. It is important to note that AXA BANK BELGIUM does not rely solely on ECAIs: it also follows the market news and market indicators such as CDS spreads to follow up on its investments and counterparties.

Exposures under the standardised approach

Investment portfolio

The investment portfolio of AXA Bank Belgium serves as a buffer for liquid assets as well as a way to capture the interest rate and credit risk premium to generate profits. To make sure this remains within AXA BANK BELGIUM's risk appetite, risk management monitors its investment portfolio in terms of:

1) Adequacy of securities for calculation of the liquidity coverage ratio (see chapter: Liquidity Risk), where AXA BANK BELGIUM limits itself exclusively to assets of the highest liquidity class as defined by Basel III.

2) Adequacy of securities for calculation of the solvency ratio, where AXA BANK BELGIUM limits itself exclusively to assets of 0% risk weight as defined by Basel III.

3) Adherence to AXA Group limits and AXA BANK BELGIUM's own concentration limits

The market value of the investment portfolio dropped further, from EUR 4,297,309 thousand at end 2016 to EUR 2,944,634 thousand in Dec 2017 mainly due to the sale and maturing of government bonds.

This further decrease of the portfolio is initiated to improve AXA Bank's leverage ratio and to partially offset (through capital gains) hedge accounting inefficiencies on the retail mortgages book (due to the severe prepayment wave).

The investment portfolio of AXA BANK BELGIUM mainly consists of high quality sovereign and sovereign alike bonds (55%) and supra-national bonds (39%).

The next graph illustrates the exposures in AXA BANK BELGIUM's investment portfolio.

Figure 4: Composition of the Investment portfolio

Moreover, the credit ratings and market price changes of positions of AXA BANK BELGIUM are being carefully monitored to examine the vulnerability of the credit portfolio for a number of adverse developments. There is no single position with a rating below investment grade.

Figure 5: Investment portfolio – Breakdown by rating

Geographically, the investment portfolio credit risk is limited to countries that are members of the European Union.

Figure 6: Investment portfolio – Geographical breakdown

AXA BANK BELGIUM maintained the close monitoring of its exposure to GIIPS countries. The total exposure to these GIIPS countries remains quite stable and is now limited to government bonds of Spain and Italy.

The table below compares the exposure to GIIPS countries (in '000 EUR) at the year-end of 2017 with the year-end of 2016.

Country	Instrument type	Market Value		
		31/12/2017	31/12/2016	% Change
Italy	Sovereign bonds	329,034	331,585	-0.77%
Spain	Sovereign bonds	150,616	151,378	-0.50%

Table 6: GIIPS

Exposures to AXA Group entities

AXA BANK BELGIUM runs an exposure on its French "sister" company AXA Banque France via so-called promissory notes ("*Billets à Ordre Hypthécaire"*). These are loans granted by AXA BANK BELGIUM's subsidiary SCF to AXA Banque France, with recourse to a pool of residential loans on AXA Banque France's balance sheet. These loans amounted to EUR 975,517 thousand at end 2017 (before CRM).

Some small exposures to AXA BANK BELGIUM-owned but non-consolidated entities remain on the balance sheet. They are treated under the Standardised Approach.

Internal ratings based approach (IRB)

AXA Bank Belgium (AXA BANK BELGIUM) received the approval from the NBB to apply the (F)IRB (Foundation IRB)[23] approach to the retail positions as from 2008[24]. However, for retail exposures this corresponds with the (A)IRB (Advanced IRB) approach. This is the most sophisticated approach available under the regulatory framework for credit risk and allows

[23] Internal Ratings Based (IRB) methodology is an approach for measuring and managing credit risk in order to calculate the regulatory capital requirements for credit risks.

[24] AXA BANK BELGIUM receives a Permanent Partial Use (PPU) of the IRB approach. Indeed, exposures to corporates, central governments, central banks and institutions are excluded from the scope. In the same way, some specific retail products are also in PPU approach. Those products are the Biznes Fisc and the Budget +. They are capitalised in the standardised approach. For a view on the materiality of the scope of application of the IRB approach see template **CRB-B**. .

AXA BANK BELGIUM to make use of internal credit rating models and subsequent internal estimates of risk parameters. These methods and parameters represent key components of AXA BANK BELGIUM internal risk management and process supporting the credit approval process, the economic capital, provisions and expected loss calculation and the internal monitoring and reporting of credit risk.

Counterparty credit risk

General

AXA BANK BELGIUM is designated by AXA Group to act as a centralised platform which provides AXA insurance entities access to financial markets.

Risk weighted assets of derivatives are calculated according to Chapter 6 of the CRR, using the mark-to-market method. Securities Financing Transactions are risk-weighted following the Chapter 4 of the CRR using the Financial Collateral Comprehensive method.

Risk policy, limit framework and reporting

Strategies and processes

It is AXA BANK BELGIUM's strategy to optimise the risk/return relationship in its non-retail activities, as well as making sure it fits within AXA Group's risk appetite.

As for the derivatives and repo activities, it is AXA BANK BELGIUM's strategy to minimise credit risk by collateralising as well as possible exposure to reduce the loss given default, which is the potential negative market evolution of positions in case of a counterparty default. At the same time, only well rated counterparties are used in order to reduce the probability of default. The increasing use of a qualifying central counterparty (QCCP) fits in this strategy as well. Counterparties need to be approved by AXA Group as well.

Limit framework

The basis is the Risk Appetite Statement (RAS) set by the Board of Directors. Further concentration limits and minimum quality requirements are set by the Management Board. A regular follow up and management is done by the WRC.

The Board of Directors defines the Risk Appetite by allocating available Capital@Risk.

Risk Appetite Statements drive wholesale credit risk framework:

- Increase in CVA (Credit Valuation Adjustment: see definition below) caused by shocks (within 95% confidence interval) should not exceed Capital@Risk allocated to it.
- Unexpected Credit Losses (within95% confidence interval) should not exceed Capital@Risk allocated to wholesale credit exposure.

RAS only would allow for unwanted concentration and sub-par counterparties. Therefore additional conditions and limits are set. The MB (with CRO veto right) sets AXA BANK BELGIUM's credit risk framework.

The WRC approves individual counterparties and decides on the maximum time to maturity per product/counterparty. They set limits per issuer and product and ensure compliance with AXA GRM and regulatory large exposure framework.

Reporting and measurement systems

AXA BANK BELGIUM maintains two complementary reporting and measurement systems: regulatory and internal management.

(i) Regulatory measurement and reporting

AXA BANK BELGIUM is subject to the large exposures limit framework described in part IV of the CRD/CRR regulation. On a quarterly basis, a large exposure report is submitted to AXA BANK BELGIUM's regulator. AXA BANK BELGIUM measures its minimum regulatory requirements for non-retail credit risk in the Standardised Approach (SA) on a quarterly basis.

(ii) Internal measurement and reporting

Besides the regulatory measures, AXA BANK BELGIUM measures its counterparty credit risk exposures with a method developed by AXA Group. In particular for derivatives and repos, this method represents a different view on the exposure as it is based on measuring the sensitivity of all positions per counterparty to market shocks rather than the simple use of add-on per position as done in the regulatory stream. The exposure under this method is measured twice per day across all instrument classes and is reported to the Wholesale Risk Committee on a monthly basis and to the Board of Directors on a quarterly basis.

Besides being followed locally, credit and concentration risks are also supervised at the AXA Group level. AXA Bank Belgium 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.

Policies for hedging and risk mitigation

AXA BANK BELGIUM applies a two-step approach to achieve maximum mitigation of counterparty credit risk: firstly implementing the legal framework to net opposite exposures, secondly collateralising the remaining net exposure.

Netting

In the contractual documentation with all of its counterparties, AXA BANK BELGIUM has ensured it is allowed to reduce positions with positive market value by deducting those with negative value and only exchange the net amount. This goes beyond the scope of "accounting netting" under IAS 39, which requires more conditions to be met and which can only apply on the derivative transactions with the largest client from AXA group and the central counterparty. However, the netting that AXA BANK BELGIUM applies, is recognised from a regulatory perspective and we consider it to be sufficient as a risk mitigant on all counterparties.

Collateral

Policies and processes for collateral valuation and management

In order to further mitigate the counterparty credit risk exposure on the derivatives and repo activity, AXA BANK BELGIUM has foreseen in the exchange of collateral in the contracts with its counterparties. It is AXA BANK BELGIUM's policy (respecting also AXA Group's policy) to implement collateral agreements with the following properties:

- Cash collateral (EUR, GBP, USD, JPY, CHF) or high investment grade rated government paper (with application of haircuts[25]). This ensures AXA BANK BELGIUM's ability to quickly realise the collateral with a minimum of loss upon counterparty's default.
- Daily measurement of exposure and exchange of collateral.
- No threshold and a minimum transfer amount of maximum EUR 1 million.
- Re-use of collateral is allowed, which greatly reduces the burden on AXA BANK BELGIUM's liquidity.

AXA BANK BELGIUM does have a limited number of cases which divert from the above principles: one in terms of threshold and one in terms of collateral exchange frequency. At the end of 2017, AXA BANK BELGIUM had one agreement with a threshold. However this threshold has been negotiated with the counterparty and removed from the legal documentation beginning of 2018. Two collateral agreements (AXA Life Europe and AXA Bank AG) have a daily exposure monitoring but only weekly exchange of collateral as long as the exposure remains below a certain level and one collateral agreement allows for a threshold.

[25] A haircut refers to the reduction applied to the value of an asset for the purpose of calculating the collateral level. It is the difference between the market value of an asset used as collateral and the amount of loan given against it.

On 16th of January 2018, the Board of Directors of the NBB decided to grant partially exemptions to AXA Bank Belgium. AXA BANK BELGIUM asked for a partial exemption concerning collateral requirement for intragroup derivative contracts (OTC) not compensated by a central counterparty introduced by the "EMIR" regulation. This question only concerns the exemption of initial margins and an exemption related to certain operational modalities concerning variation margins. In the specific cases of AXA Life Europe and AXA Bank AG Koln, NBB required AXA BANK BELGIUM to take the necessary measures in order to have a daily exchange of variation margin instead of a weekly one which is operational on the date of this Prospectus.

AXA BANK BELGIUM's back office manages the collateral valuation and margin call process using the integrated front-to-back IT application. It issues margin calls, reviews margin calls received by counterparties and involves middle office and risk management in case of more complex valuation discussions. Front, middle and back office meet together with risk management on a biweekly basis to discuss any issues around the collateralisation process and decide on an action plan. The WRC is informed on a monthly basis on the most significant points.

- Main types of collateral
  AXA BANK BELGIUM receives mostly cash collateral under derivative contracts, avoiding any concentration issues on that side. For repo/reverse repo transactions the bond leg of the transactions are restricted to high quality government bonds in EUR. This strict policy in terms of eligible collateral may result in some concentration risk but AXA BANK BELGIUM believes this is acceptable given the quality of the issuers. We also note that all collateral is "eligible financial collateral" as defined by the Basel committee.

- Impact given a credit rating downgrade
  The impact in terms of the amount of collateral that AXA Bank Belgium would be required to provide given a credit rating down grade, amounts to EUR 638,964 thousand. The full amount is linked to collateral AXA BANK BELGIUM would have to pay to its subsidiary SCF upon AXA BANK BELGIUM's downgrade by three notches.

Policies establishing credit reserves

Since end of 2017, the Impairment Committee has been integrated in the Wholesale Risk Committee (WRC). With the replacement of the current "incurred loss" model under IAS39 by IFRS9 as from 1st January 2018, the amount of expected credit loss calculated on the non-retail portfolio is presented to the WRC. This committee is responsible for the model of expected credit losses of the non-retail portfolio including the management overlay. This committee discusses model design documents and model validation documents and takes model decisions (including staging logic). More information related to IFRS9 can be found in the Annual Accounts 2017 section 3.3.

Exposures to counterparty credit risk

AXA Bank Belgium offers a centralised platform for the entities of AXA Group to access financial markets. Several insurance entities within AXA Group use this platform, which offers two services.

First of all, AXA Bank Belgium is an intermediary for pure derivatives such as interest rate swaps that the AXA Group's insurance entities use to hedge market risk on their life insurance. In order to measure the counterparty credit risk of these derivatives, we take into account the possible future evolution of the derivative value in case of counterparty default. To achieve this, the derivatives are valued after applying market shocks. The losses that are caused by these market shocks should stay under the allowed limit for the counterparty.

Secondly, AXA Bank Belgium provides liquidity to AXA Belgium (insurance company) via standardised money market transactions ('reverse repos') in which AXA Bank Belgium buys high-quality government bonds and commits to sells these bonds again at a specific future date and price. The volume of this activity amounted to EUR 1,015,494 thousand end 2017, with maturities up to maximum 1 year. The value of the bonds should be 10% above the cash value for these transactions. This protects AXA Bank Belgium from a loss due to negative price evolution of the bonds in case of a counterparty default.

Exposure of the Bank to derivatives and money market transactions, including the transactions within the AXA Group, which are described in the previous paragraph, is limited via a very strict policy regarding collateral requirements. Exposures to such transactions are subject to a daily credit risk monitoring and collateralised on a daily basis with both market counterparties and AXA Group counterparties. Guarantees exchanged are limited to cash and high quality securities in order to ensure adequate limitation of credit exposures.

Exposure at default

In this section, we give an overview of our exposure at default of a counterparty related to the dealing room activity for both derivatives and (reverse) repos. The regulatory definition is used, that takes into account the nature of the instruments and simulates the exposure amount in case of counterparty default. This exposure is used to calculate the risk weighted assets and the capital requirements.

Repo & reverse repo[26]

On 31/12/2017 AXA Bank Belgium traded with two counterparties for its (reverse) repo activity: AXA Belgium and LCH Clearnet Ltd (a clearing house, acting as a central counterparty (CCP), as a buyer to every seller and a seller to every buyer), the ideal central counterparty for these transactions. On the AXA Belgium side (reverse repo) there is no exposure at default as AXA Bank Belgium receives sufficient collateral to cover the exposure

[26] In a **repurchase agreement (repo)**, a bank sells securities, or collateral, to a counterparty with the agreement to buy back the securities at a bespoke price at a later date. If the bank borrows money, it is a **repo**. If the bank lends money, it is a **reverse repo**.

on AXA Belgium. On LCH Clearnet side (repo) there is an exposure of EUR 27,276 thousand considering that LCH Clearnet requires additional collateral from all its members.

Derivatives

The regulatory method to determine exposure at default for derivative counterparties includes the following steps:

a) Transactions are grouped in 'netting sets', in which it is legally possible to net positive and negative market values, collateral received and collateral given. The outcome of this calculation is the net replacement cost, capped at zero in case of a negative sum;

b) For each transaction a risk factor is determined, which reflects the possible negative evolution of the transaction value in case of counterparty default;

c) (a) and (b) are added. The outcome of this calculation gives the exposure at default per counterparty.

Furthermore, we split the exposure between exposure on bilateral counterparties and exposure on central clearing platform (CCP) for interest rate swaps which we access via two clearing brokers, i.e. HSBC and Credit Suisse International, given the difference in the nature of exposure.

The aggregated results as at 31 December 2017 are displayed step by step below.

a) The sum of all positive market values amounts to EUR 3,954,475 thousand. These positive market values amounts are neutralised by negative market values of EUR 4,274,934 thousand. AXA Bank Belgium emphasises here that this neutralisation goes beyond purely accounting netting off balance sheet items that is discussed in chapter 33 of the Annual Accounts Report of 2017, based on legally enforceable netting rights. In total, AXA Bank Belgium pledged EUR 1,491,999 thousand of collateral and received EUR 1,122,046 thousand of collateral. This leads to a net replacement cost of EUR 129,765 thousand.

b) The sum of the risk factors amounts to EUR 376,967 thousand. To clarify: this is the regulatory prescribed calculation of a negative evolution of the derivatives portfolio at the simultaneous default by all counterparties in stressed market conditions.

c) We arrive at a total exposure at default of EUR 506,732 thousand in stressed market conditions and at the simultaneous default by all counterparties. Under stable conditions, this exposure still amounts to EUR 129,765 thousand. It is important to note that EUR 100,124 thousand in these figures stems from the high collateral requirements of the central counterparty LCH Clearnet.

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

Concentration risk

AXA Bank Belgium follows the regulatory requirements regarding the limitation of large exposures, where exposure to a group of affiliated counterparties may not exceed 25% of the eligible capital. Due to the diversification of counterparties, the exposure to AXA Group is the only exposure that exceeds 10% of the eligible capital.

As of end of December 2017, this exposure represents 20.56% of our capital. This exposure is actively monitored and some mitigation actions are on-going in order to reach a lower level of concentration risk on AXA Group (a.o. via collateralisation of the existing exposure).

Credit quality step per product

In the table below we show the split per credit quality step as defined in the capital requirement regulation weighted by the notional of the transactions as a proportion of the total notional by product. The credit quality step is a function of the rating assigned to the counterparty.[27] We show transactions with the QCCP separately as they are treated differently in capital regulations as well.

Product	Quality step	Portion of notional amount	
		31/12/2017	31/12/2016
Derivatives	1st step	11.5%	12.6%
	2nd step	48.1%	53.3%
	3rd step	0.2%	0.1%
	QCCP (2% RW)	40.3%	33.9%
SFTs	1st step	69%	47%
	QCCP (2% RW)	31%	53%

Table 7: Credit quality step Counterparty Credit Risk

Wrong way risk exposures

[27] A CQS is a simplified and standardised scale of credit quality, mapped to the credit ratings of the largest credit rating agencies. CQS 1, 2 and 3 correspond to investment grade. CQS 4, 5 and 6 are non-investment grade.

Wrong way risk arises when the exposure on a counterparty is positively correlated with the likelihood of default of that same counterparty, i.e. the exposure on a counterparty will increase when the credit quality of the counterparty decreases.

Two types of wrong way risk can be distinguished:

(i) Specific wrong way risk
(ii) General wrong way risk

Specific wrong way risk arises from a poor transaction structure, for example when the exposure on a counterparty is collateralised by securities issued by the same counterparty. AXA BANK BELGIUM mitigates this risk by only allowing cash collateral or government paper to collateralise its exposures.

General wrong way risk arises when general market factors influence the exposure and creditworthiness of counterparties. AXA BANK BELGIUM limits general wrong way risk by taking into account negative market scenarios in the calculation of exposure amounts and limits. This translates into a risk add-on which covers the potential negative evolution of the transaction under stressed market circumstances. It is a more stringent add-on than the regulatory add-on used in the regulatory exposure calculation (see above). These exposure amounts and limits are governed by the Wholesale Risk Committee.

Use of ratings from external credit assessment institutions (ECAI)

In terms of use of the ECAIs, AXA BANK BELGIUM follows the standard association published by the EBA.

The counterparties for the dealing room activity of treasury and derivatives are selected based on external ratings of three rating agencies (Fitch, Moody's and Standard & Poor's) which results in an internal AXA-rating. In order to qualify as an active partner, counterparties should have an AXA-rating of at least A-.

There are also "passive" counterparties which have a rating of at least BBB+. With these counterparties, there are still open positions from the past, but no new trades are allowed unless new trades actively reduce exposure. These counterparties are monitored closely.

For all derivatives, it is mandatory to enter into an 'ISDA Master Agreement' and a 'Collateral Service Agreement' (CSA). These CSAs should be compliant with the EMIR regulation. New trades are not allowed with counterparties with whom no EMIR compliant CSA was signed. For repo transactions, it is mandatory to enter into a 'Global Master Repurchase Agreement'. Each new counterparty should be presented to and approved by the Wholesale Risk Committee. The exposure classes concerned are "Institutions" and "Corporate".

- Credit valuation adjustments

Credit valuation adjustment or CVA is the risk of loss caused by changes in the credit spread of a counterparty of derivative transactions due to changes in its credit quality.

Since the implementation of Basel III in 2014, the capital requirement for this risk is integrated in the risk volumes.

On the 31 December 2017, AXA BANK BELGIUM measured its own funds requirements for CVA risk according to the Standardised method (article 384 of the CRR).

The majority of the derivative positions that the Bank is taking are related to the derivatives intermediation activities with the AXA Insurance entities. The trades are executed with market counterparties with a minimum rating of A- as defined in AXA BANK BELGIUM's Credit Risk Charter. AXA BANK BELGIUM monitors on a daily basis these ratings and follows a strong and clear limit framework.

In 2017, AXA BANK BELGIUM's exposure under the CVA methodology has slightly increased by 3.6% (from EUR 299,267 thousand in 2016 to EUR 310,040 thousand in 2017).

Default fund contribution (DFC)

The 'risk exposure amounts for contributions to the default fund of a CCP' refers to the own funds requirements for the exposures arising from its trade exposures to a central counterparty and its default fund contribution. The calculation is based on Art 308 of the CCR.

As the exposure with CCP decreased in 2017, RWAs for the DFC decreased as well (see table below).

Default fund contribution in '000 EUR	31/12/2017	31/12/2016
Exposures with CCP	209,909	253,117
RWA DFC	4,198	5,062

Table 8: Default Fund Contribution

Exposure to securitization position

AXA BANK BELGIUM as investor

AXA BANK BELGIUM has no investments in securitisation positions in 2017.

AXA BANK BELGIUM as originator

SPV Royal Street and AXA Bank Europe SCF are two entities that are used by AXA Bank Belgium to attract structural long term funding. Both entities are fully integratedin the AXA Bank Belgium consolidation scope.

Even if governance and risk policies for these activities are integrated in the overall AXA BANK BELGIUM risk framework, ABE SCF has its own risk charter, CRO, committees and risk reporting.

In December 2017, AXA Bank Belgium performed a restructuring of its securitisation entities in order to cope with a change in legislation in France which does not allow ABE SCF to hold Retail Mortgage Backed Securities (RMBS) issued by SPV Royal Street as collateral for the issued covered bonds. Therefore, part of the RMBS Royal Street structure has been dismantled and the underlying mortgage loans have been sold from AXA BANK BELGIUM to ABE SCF where these are directly used as a collateral for the existing covered bonds. As an alternative to buying loans from AXA BANK BELGIUM, ABE SCF can also grant a secured loan to AXA BANK BELGIUM (backed by a pool of mortgages on AXA BANK BELGIUM's balance sheet) and use that asset as collateral to issue covered bonds.

- Securitisation

AXA BANK BELGIUM acts as the originator of a series of securitizations named Royal Street, a Belgian Securitization vehicle.

Since the transformation of ABE SCF only 1 compartment remains in Royal Street, the other two having been dismantled in the SCF transformation.. They will be liquidated in 2018.

Royal Street 1 (RS-1)

RS acting through its Compartment RS-1 has purchased in October 2008 a portfolio of Belgian prime residential mortgage loans from AXA BANK BELGIUM. RS-1 has financed the purchase through the issuance of a series of rated Senior class A notes (EUR 2,850,000 thousand), mezzanine Class B&C notes (EUR 105,000 thousand) and junior notes class D (EUR 45,000 thousand), all due in 2040.

The initial objective of the first securitization was to provide AXA BANK BELGIUM with a liquidity buffer. The senior note issued by RS-1 has a AAA rating. The key purpose for using an ECAIs for this bond is to make the bond eligible with the ECB.

The compartment is amortizing on a monthly basis. Principal reimbursements of the underlying mortgages serve, in a proportional matter, to steadily reimburse the senior class A Notes. The other notes will be reimbursed after class A is totally reimbursed.

Class A notes are pledged at BNB/ECB in order to get short term funding in cash via a tender mechanism while the other notes are retained on AXA BANK BELGIUM assets side.

The underlying assets have been originated by AXA BANK BELGIUM in the regular course of lending business to retail. Only performing assets are included in the securitizations operations.

Assets are held as regular assets on the balance sheet of AXA BANK BELGIUM and treated accordingly for capital adequacy calculation purposes (the 'rating-based approach'). Therefore, the credit risk within RS is fully in line with AXA BANK BELGIUM's credit risk policy.

Before a mortgage loan can become eligible for securitization purposes, the initial pooling analysis as well as the replenishment process is based on strict selection criteria on both individual loan level and compartment level. All these criteria combined ensures that the level of credit risk within RS remains sufficiently low and ensures the SPV to get a triple A notation for class A RMBS.

The current EAD of the underlying mortgages at the AXA BANK BELGIUM consolidated balance sheet amounts to EUR 599,017 thousand.

The amortization profile of the securities issued being equal or longer than the amortization profile of the mortgage loans held, there's no liquidity shortage there either.

- Covered Bonds

AXA BANK BELGIUM created ABE SCF for the purpose of issuing covered bonds. Its principal business activity is to issue covered bonds to refinance residential mortgage loans. The refinancing until Q4 2017 took place mainly via subscription of mortgage backed securities (RMBS), issued by Royal Street as described here above, or covered by promissory notes issued by AXA Banque France and backed by French house loans.

Due to the regulatory change that forbids the use of internal RMBS into French Covered Bonds' pools as from January 1st, 2018, AXA BANK BELGIUM re-structured the asset side of its Covered Bonds issuing vehicle.

In this context, ABE SCF bought a portfolio of Belgian residential mortgage loans directly from AXA BANK BELGIUM (the "Spot Sale"). Given that the balance of a portfolio of residential mortgage loans typically decreases every month because of scheduled redemptions and prepayments, ABE SCF will need to buy on a monthly basis additional residential mortgage loans (the "Forward Sales") in order to keep the balance of the Belgian residential mortgage loans at the required amount.

The required amount is the outstanding balance of the Covered Bonds and Subordinated Over Collateralisation (OC) Loans which it has issued against the assets. Each time a series of Covered Bonds comes at maturity, ABE SCF will sell a part of the residential mortgage loan portfolio back to AXA BANK BELGIUM.

In order for ABE SCF to mitigate the prepayment and interest rate risk arising from the Belgian mortgage pool now directly owned, several Asset Swaps were set up between AXA BANK BELGIUM and ABE the asset side of SCF. There are as many Asset Swaps as there are Covered Bonds Series and Subordinated OC Loans outstanding against the Belgian residential mortgage loans.

Covered bonds are sold on the market to investors or subscribed by AXA BANK BELGIUM (retained on AXA BANK BELGIUM's balance).

The covered bond program amounted to EUR 5,650,000 thousand in 2017 of which EUR 4,150,000 thousand remains on a consolidated level: EUR 3,175,000 thousand are placed in the market, EUR 975,000 thousand are retained by AXA Banque France and EUR 1,500,000 thousand are retained by AXA Bank Belgium and eliminated in the consolidated balance sheet.

The strong underlying quality of AXA BANK BELGIUM's retail mortgage portfolio in Belgium is the ideal collateral for a covered bond program. This program enables the bank to manage its liquidity risk. It provides AXA BANK BELGIUM with diversification in funding sources and minimises funding concentrations in time buckets. The covered bond program gives AXA BANK BELGIUM access to the covered bond market, allowing AXA BANK BELGIUM to reduce the cost of long-term institutional funding. This program offers the bank access to funding markets that remain open in times of market stress.

Disclosures on Royal Street and ABE SCF covered bond issuance can be found on the bank's website[28].

These disclosures detail the structure of the securitisation and covered bonds issuance, the risk factors, AXA BANK BELGIUM's involvement in them and its governance. A quarterly investor report completes the information in the above disclosure, by providing the markets with relevant quantitative information.

All covered bonds are rated by two ECAIs (Moody's and Fitch). These ratings are crucial to ensure keeping a broad investor base and funding costs as low as possible.

MARKET RISK

For market risk, AXA Bank Belgium differentiates between the market risk that is related to the 'trading book' (regulatory classification), and interest rate risk related to the 'banking book'.

The trading book includes all financial instruments that are used in the context of specific trading activities. AXA Bank Belgium does not carry out any trading activities for its own account. The financial instruments falling under the 'trading book', mainly concern the

[28] *https://www.axabank.be/nl/over-axa-bank/investor-relations-financial-information/.*

derivatives activity for AXA entities. The banking book includes all other financial instruments that do not belong to the trading book. These mainly concern the bank's retail business.

Interest Rate Risk Banking Book (IRRBB)

Interest rate risk in the banking book is defined as the risk of a decrease in economic value or net interest income of the banking book as a result of changes in interest rates and spreads.

Interest rate risk at AXA Bank Belgium arises mainly from the following products/activities:

- As a primarily retail bank, AXA Bank Belgium attracts retail deposits (mainly saving and sight accounts) and grants retail loans (mainly mortgage loans); the former typically with shorter maturities than the latter. The mismatch in maturities of those products gives rise to interest rate risk; more specifically yield curve risk.
- The bulk of AXA Bank Belgium's retail deposits are non-maturing with rates, although discretionary by nature, linked indirectly to market rates as a result of a strongly competitive banking environment. Furthermore, saving accounts in Belgium benefit from a legal floored rate of 11 bps. These features are captured in dedicated models which are incorporated in AXA Bank Belgium's overall yield curve risk management but which, in turn, give rise to model risk.
- Belgian mortgage loans, which constitute the bulk of AXA BANK BELGIUM's retail loans, all feature a legal rather inexpensive for the customer prepayment option. Over the last few years, this feature translated into important prepayment waves. This prepayment risk is also captured in dedicated models which are incorporated in AXA Bank Belgium's overall interest rate risk management.
- Another specificity of the Belgian mortgage loans market is the variable rate mortgage loans which are legally capped and indexed on OLO rates. Those features do create both basis risk and option risk.

IRR Management

Risk Policy, limits framework and reporting

Risk framework

Interest Rate Risk in the banking book is extensively covered in AXA BANK BELGIUM's risk appetite framework:

- AXA BANK BELGIUM's most strategic risk appetite statements on solvency, earnings and value defined the buffer to be held above regulatory requirements in function of, amongst others, the sensitivity of AXA BANK BELGIUM's net interest income.
- Dedicated functional risk appetite statements set limits both on the economic value and the net interest income sensitivity of AXA BANK BELGIUM's banking book.

On top of those limits, Treasury activities - included in AXA BANK BELGIUM's banking book - are also subject to sensitivities and VAR limits monitored on a daily basis.

Risk reporting

AXA BANK BELGIUM's main reporting on Interest Rate Risk in the banking book is the monthly ALCO report. This report includes the following risk indicators:

- Sensitivity of the economic value of the banking book to various rate scenarios: parallel shifts from -200bps to +300bps, steepening and flattening scenarios.
- Sensitivity of the net interest income of the banking book to various rate scenarios: parallel shifts from -200bps to +300bps, steepening and flattening scenarios.
- Repricing gaps
- Regulatory economic and net interest income sensitivity indicators.
- 99.9% Monte-Carlo Value at Risk (VAR) analysis
- Dedicated indicators for cap risk, model risk, OLO basis risk and Euribor basis risk.

This set of indicators provides the ALCO with a comprehensive view of all sub-components of IRRBB. They are produced by a dedicated IRRBB management tool (QRM) managed in coordination between Finance, ALM and Risk Management departments.

Policies for hedging and risk mitigation techniques

AXA BANK BELGIUM applies the following hedging policies to mitigate the interest rate risk in its banking book:

- To keep the interest rate sensitivities within the regulatory and internal limits, the bank is actively managing a portfolio of derivatives within its banking book activities Monthly production of retail assets and liabilities (including pipeline) is hedged systematically to keep AXA BANK BELGIUM's exposure levels within the desired range.

- AXA BANK BELGIUM closely monitors the effectiveness of the portfolio fair value hedge of interest rate risk of fixed rate mortgage loans to ensure that there are still sufficient mortgage loans in all interest buckets compared to the interest rate swaps concluded to hedge the interest rate risk on those mortgage loans.
- Cap risk embedded in variable rate mortgage loans is hedged via an active purchasing policy of market caps and swaptions.
- OLO basis risk embedded in variable rate mortgage loans is hedged via the maintenance of an OLO portfolio: declining OLO spreads generating lower revenues on mortgage loans are then compensated by capital gains on OLOs.
- Prepayment risk is managed via a dedicated model including natural and rate-driven prepayments and a permanent adjustment of AXA BANK BELGIUM's overall interest rate risk position to the desired level (delta hedging).

Exposure to IRR in the banking book

The banking book of AXA BANK BELGIUM including its branches mainly consists of retail loans and investments on the asset side, retail savings and deposits and non-retail long term funding including covered bonds and EMTNs on the liability side.

The largest share of retail loans are Belgian mortgage loans, from which 71% have a fixed interest rate and 29% floating interest rate. The interests of the variable rate mortgages are linked to the evolution of the OLO[29] rates. The Belgian law imposes a cap on the variable interest rates of these loans but, given the historical low OLO rates, the embedded value for the client of this cap and the corresponding risk for the Bank are currently small.

The following table lists the values for 2 internal indicators: the Bank SI ('Solvency Indicator') and the Bank NII ('Net Interest Income').

The absolute Bank SI gives the impact of a parallel 1% rise in market interest rates on the economic value of the banking book. The relative Bank SI expresses this impact as a percentage of the regulatory capital.

The Bank NII gives the impact of a parallel 10 basis points upward and downward shift in market interest on the interest result of the banking book.

In the table below a comparison with last year is made of the Interest rate risk indicators:

[29] OLO stands for "Obligation Linéaire/Lineaire Obligatie" which is the abbreviation of Belgian Government Bonds.

Interest Rate Risk Indicators (kEUR)	31/12/2017	31/12/2016
Bank SI (absolute)	-33,138	-240,583
Bank SI (relative)	-3.5%	-21.8%
Bank NII (up 10 bps)	1,316	5,040
Bank NII (down 10 bps)	-5,635	-6,414

Table 9: IRR indicators

To calculate the internal indicators shown above, AXA BANK BELGIUM uses a number of behavioural assumptions. These assumptions change the contractual cash flows of retail loans and deposits based on observed client behaviour and product pricing characteristics. The most important ones are prepayment rates used for retail loans and runoff profiles for non-maturing deposits (current accounts and savings accounts).

Prepayment rates for retail loans differ by product type. For fixed rate mortgages, which account for the largest part of prepayments, the prepayment rates used are rate-driven: they depend on the difference between existing client rates and new client rates in the market. The larger this difference, the larger the incentive for the client to prepay. For other retail loan types, the prepayment rates used are fixed.

The runoff profiles for non-maturing deposits stem from internal replication portfolio models. These models look for a maturity profile that replicates the historical pricing sensitivity of the non-maturing deposits.

Market Risk Trading Book

The market risk in AXA BANK BELGIUM's trading book is the risk of loss arising from adverse movements in interest rates, market prices or exchange rate fluctuations of the trading book.

Description of trading activities and policies of hedging and risk mitigation techniques

Description of trading activities

AXA BANK BELGIUM's dealing desks serve internal or external clients. None of the activities these dealing desks conduct is intended to profit, from short term movement in the markets or from bid-offer spreads. AXA BANK BELGIUM has the following dealing desks:

Intermediation activities EMTN/Performance swaps: AXA BANK BELGIUM issues regularly EMTN for its own retail clients but also for retail clients of some AXA Group entities (e.g. AXA Belgium). Intermediation activities fully hedges the EMTNs payoffs in the market via performance swaps. Some residual positions come after the issuance when clients sell their EMTN to AXA BANK BELGIUM before its maturity. Positions bought back from clients are unwound in the market when the total open position per strategy reaches a tradable amount. Consequently residual positions in performance swaps and EMTN are meant to be resold short term and therefore this client servicing qualifies for trading.

Intermediation activities derivatives: The trading activities of AXA BANK BELGIUM derive mainly from its role as centralised platform for access to the derivatives markets for the insurance entities of AXA Group. Since mid-2009, AXA Bank Belgium's Intermediation activity handles the execution of transactions, as an agent on futures, as a counterparty in Interest Rate Swaps, Swaptions & Equity Derivatives with on one hand the AXA Insurance Companies and on the other hand the market, as a counterparty on Total Return Swaps with on one hand the AXA Insurance Companies and on the other hand a mutual fund. AXA Bank Belgium's strategy is to service AXA Group entities and to hedge itself on the market with very limited residual market risk.

Eurobond sale desk: make primary and secondary Eurobonds emissions available to retail customers via their home banking.

Policies for hedging and risk mitigation techniques

Each trading portfolio has a list of admitted hedging instruments. The hedging strategies need to respect several constraints:

- the scope of the admitted instruments
- the risk limit framework
- a regular compression exercise as defined by EMIR and to be reported twice a year to ALCO in a report jointly made by dealing room and OTFM and controlled by risk management.

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

Furthermore, AXA BANK BELGIUM's risk limit framework ensures that the VaR with a 99% confidence level and a holding period of 1 day does not exceed 0.25% of T1 capital as requested as well by the Belgian banking law**.**

Market Risk Management

Risk Policy, limits framework and reporting

AXA BANK BELGIUM maintains a very conservative approach to market risk of its trading book. The trading activities of AXA BANK BELGIUM derive mainly from its role as centralised platform for access to the derivatives markets for the insurance entities of AXA Group. The market risk is strongly limited because all positions that are taken with entities of AXA Group are mirrored by positions with external counterparties on back-to-back basis.

Market risk exposures are the object of a continuous follow-up. These exposures are compared to an overall economic capital limit covering all of AXA BANK BELGIUM's market risks. This risk appetite limit is completed by different VaR and sensitivity limits. Alert triggering and escalation processes are also used by AXA BANK BELGIUM's Risk Management department to ensure that AXA BANK BELGIUM remains within its conservative risk appetite for market risk.

To meet the Basel III minimum regulatory capital requirements, AXA BANK BELGIUM uses the Standardised Approach defined in Title IV of the CRD IV/CRR regulation to measure, monitor, report and manage its market risks. This approach measures the following components of market risks:

- General interest rate risk
- Specific interest rate risk
- Foreign exchange risk

The standardised approach for foreign exchange risk applies to all bank positions meaning positions from both AXA BANK BELGIUM's trading and banking books.

Exposures to market risk

AXA BANK BELGIUM's market risk consists mainly of interest rate risk. In addition, the equity risk arising from the emission of Euro Medium Term Notes (EMTN) is low, since AXA BANK BELGIUM hedges this exposure in the financial markets. Furthermore, AXA BANK BELGIUM is not involved in any trading activities related to commodities.

The activities mentioned in the previous paragraph are closely monitored by the Risk Management department from AXA BANK BELGIUM within a very strict limit framework. The VaR for all activities related to the trading book is limited to EUR 2,170 thousand. The VaR with a confidence level of 99.5% and a time horizon of 10 days is calculated on a daily basis using 5000 Monte Carlo simulations. The VaR for all trading book activities at the end of 2017 is equal to EUR 691 thousand and therefore well below the predefined limit. Finally, this model is subject to the appropriate yearly back testing and validation by the Risk

Management, assisted by an external party, in order to preserve the accuracy and relevance of the model.

Procedure and methodologies used for the classification of the transaction in the regulatory categories

Risk Management is responsible for the prudential definition of the boundary between trading and banking book.

The Market Risk Charter details the content of the trading book (which meets prudential definition of the boundary (see CRR Article 4 (85), (86)). Any changes to it need to be approved by the ALCO committee via a charter update and a dedicated presentation.

Furthermore, all new products, instruments and services or modifications to existing products, instruments of services are covered by the product approval process, which includes the analysis of the product sponsor, Compliance department as well as Risk Management. Those analyses ensure that all new trading activities, services or instruments launched comply with law, regulation and internal risk framework. Middle office is responsible for the daily valuation (MTM) of all the products in the trading book and must ensure together with OTFM the feasibility of market transactions and of WRC/ALCO decisions.

AXA BANK BELGIUM has no proprietary trading activities, only the following "client servicing" trading activities:

- Intermediation desk Interest rates & Equity Derivatives: this activity is considered as "matched brokering" and qualifies for client servicing trading. Moreover, those positions have an IFRS "held-for-trading" designation and are therefore part of the presumptive list of trading book instruments (Basel committee – Minimum Capital Requirement for Market Risk – January 2016).
- Eurobond: primary and secondary Eurobonds emissions available to retail customers via their home banking. The residual positions are meant to be resold short term (max 6 months). Consequently, this client servicing activity qualifies for trading.
- Intermediation EMTN/Performance swaps activity: residual positions in performance swaps and EMTN bought back from retail clients are meant to be resold short term and therefore this client servicing qualifies for trading.

Furthermore AXA BANK BELGIUM holds also some positions booked in 'held-for-trading' by the accounting. Those positions have a presumption to be part of the trading book due to their 'held-for-trading' accounting classification but were not included in the trading book because they all hedge banking book positions (see Art. 2 § 2, ii of the Royal Decree of April 25, 2014 concerning trading activities for own account by credit institutions).

Trading/Banking Book	ABB's Financial Services activities
Trading Book	- Execution Desk (Derivatives intermediation and EMTN) - Eurobonds sales (Treasury)
Banking Book	Treasury (excl. Eurobonds), ALM activities

Figure 7 Trading Book vs Banking Book

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuates due to changes in exchange rates. AXA Bank Belgium operates a policy to minimise exposure to currency risk. Any material residual positions are hedged systematically. This risk was followed up and hedged on a monthly basis in ALCO in 2017.

If foreign exchange positions capital requirements do not exceed 2% of the bank's total own funds, no own funds requirements for foreign exchange risk need to be calculated (Article 351 of the CRR). During 2017, AXA BANK BELGIUM never exceeded this 2% limit.

LIQUIDITY RISK

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

AXA BANK BELGIUM's Risk Taxonomy considers the following two aspects of liquidity risk which all fall within the scope of liquidity risk management:

- Short Term Liquidity Risk defined as the risk that AXA BANK BELGIUM cannot meet its financial liabilities when they come due (within a month), at a reasonable cost and in a timely manner. It results from short term cash and collateral positions (intra-day, overnight, one day to one month)
- Structural Liquidity Risk defined as the risk that AXA BANK BELGIUM cannot meet its financial liabilities when they come due on a medium and long term horizon (more than one month), at a reasonable cost and in a timely manner.

Liquidity Risk management

Risk policy, limit framework and reporting

In recent years, liquidity management was one of the key priorities of AXA Bank Belgium. It has resulted in a suitable framework for liquidity risk which is based on both regulatory and internal indicators.

In order to evaluate and manage its consolidated liquidity risk, AXA BANK BELGIUM's ALCO monitors 2 kinds of indicators:

1. Internal indicators : Internal Liquidity Stress indicator (ILS)
2. Regulatory indicators : LCR, NSFR and ALMM

All these indicators are underpinned by a common approach: guarantee that AXA BANK BELGIUM's liquidity buffer is sufficient to cope with a range of stress events. More specifically, AXA BANK BELGIUM's own Internal Liquidity Indicator has been designed to ensure that AXA BANK BELGIUM maintains an adequate liquidity cushion to be able to withstand combined idiosyncratic and market stresses over a one year horizon.

Those key liquidity indicators have been used to define AXA BANK BELGIUM's risk appetite statements.

ABB Risk Appetite Statements for Liquidity (in '000 EUR)				
RAS	Indicator	Description	Limit	Alert
L1	ILS	The available liquidity resources for the inter liquidity indicator under all time horizons (1W, 1M, 3M, 6M and 1Y) should always be higher than the stressed requirements + EUR 500 million.	500,000	750,000
L2	LCR	The excess available high quality liquid assets resources for the Basel III Liquidity Coverage Ratio (1M horizon) must be above 500 million and above the supervisory requirement to be communicated by ECB.	500,000	750,000
L3	NSFR	The available amount of stable funding for the Basel III Net Stable Funding Ratio (1Y horizon) should always be higher than the stressed requirements + EUR 1 billion.	1,000,000	1,500,000

Figure 8: Risk appetite statements Liquidity

- Internal Liquidity Stresses (ILS)

AXA BANK BELGIUM has developed two tailor-made stress scenarios in order to assess the adequacy of Bank's liquidity buffer. The stress scenarios are developed in collaboration with AXA Group risk management. The internal scenarios are more restrictive than the LCR scenarios, which results in a lower liquidity excess under the internal scenarios.
The ILS scenarios cover multiple time horizons (overnight, 1 week, 1 month, 3 month, 6 month and 1 year) and the indicators are expressed in term of liquidity excess in euro after the scenario. The stock of liquid assets under the ILS indicators only retains ECB eligible assets. The liquidity excess is the difference between the stock of liquid assets minus the stressed in- and outflows under both scenarios.

Scenario 1 assumes a parallel downshift of interest rates while scenario 2 assumes an upward shift of the interest rates. Both scenarios imply a credit spread increase for the Bank and a downgrade of the Bank's rating.

The Excess Liquidity indicator is defined as the worst liquidity position, over all time horizons and stress scenarios.

in '000 EUR	ILS	Limit	Buffer
End of December 2017	2,735,000	500,000	2,235,000
End of December 2016	1,415,000	500,000	915,000

Table 10: ILS

- Regulatory Indicators

AXA BANK BELGIUM monitors the LCR and NSFR of the Basel III framework.

LCR (Liquidity Coverage Ratio) became binding in October 2015 while NSFR (Net Stable Funding Ratio) will become binding with the introduction of CRD V (postponed and expected in 2019).

- ILAAP (Internal Liquidity Adequacy Assessment Process)

The Joint Supervisory Team (JST) requires credit institutions to produce, at least once per year, a clear and formal statement on their liquidity adequacy named the Internal Liquidity Adequacy Assessment Process (ILAAP) exercise. The ILAAP contains all the qualitative and quantitative information necessary to underpin the risk appetite, including the description of the systems, processes and methodology to measure and manage liquidity and funding risks and is part of the Supervisory Review and Evaluation Process (SREP). The qualitative part mainly consists of a self-assessment template scoring all activities by means of 13 'sound principles of liquidity risk management' as published by the BCBS. Multiple supporting documents (Liquidity Risk Charter, Risk Appetite Statements, etc.) are required to provide the SSM with insight in the management of Liquidity Risk within AXA BANK BELGIUM.

Policies for hedging and risk mitigation techniques

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. This has led to a stronger awareness of liquidity risk at all management levels, as well as a more rigorous follow-up. Regular forward-looking projections of the main liquidity ratios support the active management of the liquidity risk within AXA Bank Belgium.

Liquidity Buffer assessment

AXA BANK BELGIUM enjoys a very robust liquidity position as demonstrated by its strong liquidity buffer that clearly exceeds regulatory and internal limits.

Both BIII indicators are well above the minimum requirements at the end of 2017 (100% limit) thanks to a comfortable stock of liquid assets and a solid financing structure.

Ratio	31/12/2017	31/12/2016	Limit
LCR	175%	169%	100%
NSFR	139%	139%	100%

Table 11: Liquidity ratios

AXA Bank Belgium has successfully adapted its strategy to meet these required indicators. This strategy includes the bank's investment policy that is limited to quite liquid assets and attracting long-term stable funding.

AXA BANK BELGIUM has subscribed to the series of targeted longer-term refinancing operations (TLTROs) of the European Central Bank (ECB)[30] at 31 December 2017, the total TLTRO amounts to EUR 600,000 thousand.

OPERATIONAL RISK

AXA BANK BELGIUM defines operational risk, as the risk of loss resulting from inadequate or failed internal processes, or from employees or systems. The failure or inadequacy may result from both internal and external causes.

For AXA BANK BELGIUM, the definition of Operational Risk also includes Compliance Risk. For AXA BANK BELGIUM, the definition of Operational Risk excludes Reputation Risk and Strategic Risk. However when assessing the impacts of operational risks the potential

[30] One of the ECB's non-standard monetary policy tools. Through TLTROs the ECB provides long-term loans to banks and offers an incentive to increase their lending to businesses and consumers in the euro area.

damages to AXA's reputation[31] are considered by a qualitative indicator while major damages are followed by the Group.

AXA Bank Belgium uses the Basic Indicator Approach for calculating capital requirements for operational risk. Under this approach the 'Relevant Indicator' is calculated for the last three years (based on the details in the operational result). The 3-year average of the RI is than multiplied with an alpha factor of 15%. This requirement is multiplied with 12.5 to get the RWA.

In the table below a comparison is made of the RWAs for operational risk.

Operational risk (in '000 EUR)	31/12/2017	31/12/2016
RWA	675,882	736,386

Table 12: Operational risk

For the requirement in 2017, the Relevant indicator is based on the year-ends 2015 to 2017. For the calculation of 2016, the year-ends 2014 to 2016 were taken into account.

The decrease in RWAs is due to the fact that the results of 2017 were lower than the results of 2014.

ASSETS ENCUMBRANCE

The total amount of encumbrance of assets (median of the last 4 quarters) stays rather stable around EUR 6,724,740 thousand and the 5 sources of encumbrance are:

- Repos mainly covered by debt securities issued by governments, either AXA BANK BELGIUM's own debt securities, either debt securities received from AXA in repo transactions
- Funding from ECB (TLTRO+MRO) covered by debt securities, retained AAA note RMBS Royal Street 1 and retained covered bonds
- Derivatives mainly covered by cash (and small part by debt securities)
- Issuance of Covered bonds sold to the market covered by mortgages or issuance of Covered Banks for AXA Banque France covered by promissory notes
- Royal Street notes: only the small part of Royal street AAA notes sold to AXA Group (± EUR 20,000 thousand) covered by mortgages remains on the consolidated balance sheet

[31] Using the framework of the Group: no impact, impact (not yet assessed), insignificant (minor isolated stakeholder concerns/impacts), minor (serious segmented stakeholder concerns/incidents), moderate (broader and more vocalised concerns within the industry), major (negative public exposure with significant impact), and severe (dramatic loss of stakeholder confidence – extensive negative public exposure).

In 2017 AXA BANK BELGIUM's repo portfolio decreased from EUR 1,031,061 thousand in Dec 2016 to zero in June 2017 and increased again to EUR 486,025 thousand in Dec 2017. An increase of repos does not mean a need for liquidity, but is interesting to monetize the value of the investment portfolio.

In Q1 2017 AXA BANK BELGIUM subscribed to a TLTRO of EUR 600,000 thousand at the ECB, mainly covered by AAA Royal Street 1 notes and retained covered bonds.

In Q2 2017 the covered bonds issued by SCF and sold to the market have increased from EUR 3,000,000 thousand to EUR 3,250,000 thousand In that same quarter SCF issued covered bonds for a total amount of EUR 500,000 thousand for AXA Banque France covered by a promissory note.

2017 was an important year for the restructuration of SCF: the covered bonds are no longer covered by Royal street 2 and 3 notes, but directly by mortgages, sold to SCF by AXA BANK BELGIUM. This transaction does not have significant influence on the encumbrance of mortgages by covered bonds, as the overall collateralisation percentage stays rather stable.

AXA BANK BELGIUM has around 4 billion EUR unencumbered debt securities available to use as collateral and that can be easily encumbered.

The other unencumbered assets mainly consist out of mortgages, which could be encumbered if needed (new RMBS, new Covered bonds...).

Only a small part of other assets is not available for encumbrance: tangible assets (property, plant and equipment), goodwill, tax assets, accounting specific amounts (fair value of the hedged items for interest rate risk.

8.2.4 Recent Developments

Recent Developments in 2018

In mid-2018, AXA Bank recorded a net profit of 53 million euros (compared to 36 million euros in the same period last year). A solid result in view of the continuing negative impact of the low interest rate environment and the refinancing wave of previous years. This net profit is based in part on a good operating result of 51 million euro, which puts AXA Bank in line with the operating result for the first half of 2017.

During the first six months of this year, AXA Bank again posted a very strong credit result, with total net credit production of 1.5 billion euros.

In terms of net production of loans for the professional segment, AXA Bank recorded an increase of 18%: from 226 million euros (first half of 2017) to 266 million euros (first half of 2018).

In the first half of 2018, EUR 320 million was raised for the investment funds, slightly lower than the level in the first half of 2017 (EUR 355 million).

8.3 Management and Supervision

8.3.1 Administration, Management and Audit

Board of Directors	Management Board	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee
Véronique Weill, Chairman (from 10/12/2016 until 31/01/2017)				President (from 10/12/2016 until 31/01/2017)	President (from 10/12/2016 until 31/01/2017)
Jef Van In, Chairman (since 29/03/2017)				President (since 29/03/2017)	President (since 29/03/2017)
Peter Devlies (since 02/03/2017)	Chairman (since 02/03/2017)				
Philippe Rucheton independent director		✓	President		
Michael Jonker independent director (from 29 January 2018)			✓		✓
Patrick Keusters independent director		Chairman	✓ (until 27/03/2018)	✓ (since 27/03/2018)	
Patrick Lemoine		✓	✓		
Marie-Cécile Plessix					
Benoît Claveranne (from 30 May 2017)				✓	✓
Emmanuel Vercoustre	Acting Chairman (until 02/03/2017)				
Françoise Gilles	✓				
Peter Philippaerts (from 29 January 2018)	✓				
Jeroen Ghysel	✓				
Frank Goossens	✓				
Sabine De Rycker *(until 1 December 2017)*	✓				
Marc Bellis *(until 31 December 2017)*				✓	✓

Statutory Auditor

PwC Bedrijfsrevisoren bcvba / PwC Réviseurs d'Entreprises scrl, represented by Gregory Joos (accredited auditor)

Modifications occurring in 2017 and since 1st January 2018

- Board of Directors:

- appointment of Peter Devlies, with effect from 2 March 2017
- appointment of Jef Van In as chairman of the Board of Directors with effect from 29 March 2017
- appointment of Benoît Claveranne, with effect from 30 May 2017
- appointment of Michael Jonker, with effect from 29 January 2018
- appointment of Peter Philippaerts, with effect from 29 January 2018
- *resignation of Véronique Weill, with effect from 31 January 2017*
- resignation of Sabine De Rycker, with effect from 1 December 2017
- resignation of Marc Bellis, with effect from 31 December 2017

- Management Board:

- appointment of Peter Devlies as chairman with effect from 2 March 2017
- appointment of Peter Philippaerts, with effect from 29 January 2018
- resignation of Sabine De Rycker, with effect from 1 December 2017

- Audit Committee:

- none

- Risk Committee:

- appointment of Michael Jonker, with effect from 29 January 2018
- move of Patrick Keusters to Nomination Committee, with effect from 27 March 2018

- Nomination Committee:

- appointment of Jef Van In, with effect from 29 March 2017, and as chairman of the committee
- appointment of Benoît Claveranne, with effect from 30 May 2017
- move of Patrick Keusters from Risk Committee, with effect from 27 March 2018
- *resignation of Véronique Weill, with effect from 31 January 2017*
- resignation of Marc Bellis, with effect from 31 December 2017

- Remuneration Committee:

- appointment of Jef Van In, with effect from 29 March 2017, and as chairman of the committee
- appointment of Benoît Claveranne, with effect from 30 May 2017
- appointment of Michael Jonker, with effect from 29 January 2018
- *resignation of Véronique Weill, with effect from 31 January 2017*
- resignation of Marc Bellis, with effect from 31 December 2017

- Competence of the Management Board

The Management Board is created by decision of the Board of Directors and manages AXA Bank Belgium and all of its branches and subsidiaries.

The management board is a collegially decision-making body. The Management Board's role is to propose the corporate strategy to the Board of Directors and execute that strategy. The Management Board is responsible for managing the bank's operations. It operates its management within the framework of the general policy defined by the Board of Directors. The Management Board operates under the supervision of the Board of Directors, which keeps the exclusive authority to determine the strategy and for all matters that are reserved exclusively to the Board of Directors by law.

Members of the management board (voting):

- CEO (Chairman): Peter Devlies
- Deputy CEO/CFO (Vice Chairman): Emmanuel Vercoustre
- CRO: Françoise Gilles
- Head of Customer Journey Invest: Peter Philippaerts
- Head of Customer Journey Daily Banking & Savings: Jeroen Ghysel
- Head of Customer Journey Credits: Frank Goossens
- Permanent invitees: Corporate Secretary of Management Board (secretary)
- Invitees: as required

Overview of the members of the management Board:

Peter Devlies joined AXA Bank Belgium on December 19th 2016 as Chief Executive Officer. He holds a Master in Business Administration from Chicago University and a Master in Commercial Engineering from KULeuven. Peter held previous positions at McKinsey and Dexia Bank Belgium before joining the Executive Committee of Bank Van Breda, a Belgian bank for entrepreneurs and liberal professions, in 2010.

Emmanuel Vercoustre joined AXA Bank Belgium as Head of Financial Services in December 2011 and became, additionally to his tasks, Deputy CEO in October 2012. Emmanuel holds an Insead MBA and also graduated from Ecole Supérieure de Commerce de Paris with a major in Finance. He joined AXA Group in 1999, as Head of Financing, Treasury and Participations after which he led the Corporate Finance and Treasury of AXA Group (Direction Centrale des Finances du Groupe) to become in 2007 Head of Finance, Control and Strategy of AXA Investment Managers. Before joining AXA, Emmanuel gathered a wide experience in banking during 17 years at Crédit Commercial de France in London and Paris with a strong focus on, first, building and developing a Trade Finance Department and, then, focusing on ALM, funding, product pricing and trading activities. Emmanuel is also a Director of ISDA (International Swaps and Derivatives Association).

Françoise Gilles was appointed as Chief Risk Officer in November 2014. Françoise is a Civil Engineer in Applied Mathematics from Université Catholique de Louvain-la-Neuve (UCL) and holds a Master degree in Actuarial Sciences. She is also a guest lecturer Life Insurance at UCL. Françoise has spent most of her career in the area of Risk Management, ALM and Capital Management at Fortis and ING. She joined AXA Bank Belgium in 2013 as head of European ALM & Capital Management. Thanks to her professional experience, she acquired a thorough knowledge of financial and capital markets.

As of December 1st, Peter Philippaerts has been appointed as Head of Customer Journey Invest and member of the Management Board of AXA Bank Belgium. Peter Philippaerts has a Master's degree in Economics (KU Leuven) and after having held several positions in distribution at Dexia Bank, he was general director of distribution at Dexia Bank, later Belfius Bank between 2006 and 2012. From 2012 to

2013, he was general director of operations at Belfius Bank, before joining Ordina Belgium as their Operations Director. In 2015 he was appointed Chief Operating Officer at CHU Brugmann.

Jeroen Ghysel has been appointed as of 1 January 2014 as Chief Information Officer and more recently (1st of February 2018) as Head of Customer Journey Daily Banking & Deposits. Jeroen Ghysel is a Commercial Engineer in Management Informatics (Leuven) and started his career as Business Process Management Consultant and later as Senior Consultant and Business Architect in various IT consultancy services companies. From 2006 to 2009, Jeroen performed as Program Manager at Fortis, where he was active for Fortis Group, ABN AMRO and Fortis Bank. He joined AXA in 2009 as Head of Business Transformation Services and became later Head of Business Service Line Bank & Retail Life. Since 2012, he is responsible for Business Transformation Planning and IT Service Development for AXA Bank Belgium.

Frank Goossens has been appointed as of September 2016 as Head of Products & Operations and most recently (1st of February 2018) as Chief Credit Officer. Frank obtained a Master's degree in law from the Katholieke Universiteit Leuven (KUL) (Catholic University Leuven) and also has a Bachelor's degree in Business Administration from the same university. Frank started his professional career in the insurance sector at De Vaderlandsche and Boreas Leven. After that, he worked in several positions at retail bank Centea where, in 1999, he was appointed Senior Manager of the department of credit to businesses, liberal professions and self-employed entrepreneurs. Later on, he became Senior Manager at the department of Clients, Transactions and Savings. Between 2003 and 2005, he was Senior Manager at the Inspections department. Between 2005 and 2011 he was Senior Manager Credits. In 2012, he joined AXA Bank as responsible for Operations Credits (acquisition, management, collections), as well as for credit policy and credit review.

- Competence and independence of the Audit Committee and the Risk Committee.

AXA Bank Belgium's Audit Committee consists of Patrick Keusters, who chairs it, Philippe Rucheton and Patrick Lemoine. It is made up of a majority of independent individuals so that it meets the requirements of article 27, paragraph 1 of the law of 25 April 2014 relating to the status and monitoring of credit institutions.

Its members have collective skill in the banking, accounting and audit areas and at least one member has skills in terms of accounting and/or audit.

The Risk Committee has been operational since 1 January 2015 and is composed of Philippe Rucheton(Chairman), Michael Jonker (from 29 January 2018) Patrick Keusters (until 27 March 2018) and Patrick Lemoine, the first three being independent directors. Its members hold the status of non-executive directors.

Each of its members possesses the knowledge, skills and experience required for understanding and identifying the bank's strategy and level of risk tolerance. On these subjects, they are called upon to advise the members of the Management Board and to assist them in their supervisory role for the Management Board's implementation of the strategy.

Philippe Rucheton, Patrick Keusters and Michael Jonker meet each of the independence criteria given in article 526 ter of the company code.

In terms of competence, Philippe Rucheton has been appointed an independent director of AXA Bank Belgium from 24 April 2014. He is a graduate from the *École Polytechnique*, the *Institut Supérieur des Affaires* (Higher Business Institute) and from the Sorbonne. He was director and finance director of Dexia

between December 2008 and March 2014. Before that, he worked at Société Générale as CFO for Newedge Group, a brokerage firm; as Vice-President of its Czech banking subsidiary between 1995 and 2002, as ALM director. He started his career at Louis-Dreyfus Bank and at BERD and was a director for 20 years of Bernard Controls, an industrial company. Philippe Rucheton therefore has very broad experience in the banking and investment fields, in general management and in financial management and control, both in Belgium and abroad.

Patrick Keusters has been appointed as an independent director of AXA Bank Belgium since 1 January 2016. He has a Law degree and a Masters degree in management from the Vlerick School. He started his career in 1985 at Citibank, where he specialised in Corporate Banking. He moved to Banque Degroof in 1992 where, in 2000, he became director and member of the executive committee. In 2002 he assumed the role of managing director, first at Banque Degroof Luxembourg and then, between 2004 and 2015, at Banque Degroof Belgium. His responsibilities there covered Operations, Accounting, Compliance, Loans, Legal and Tax Affairs and Facilities. He was also president of the specialized banks section of Febelfin.

Michael Jonker has been appointed as an independent director of AXA Bank Belgium since 29 January 2018. Michael Eduard Jonker holds an MBA in Finance from the University of Oregon. He started his career in 1978 at ABN Bank, after which he joined Bank of America, before becoming Senior Account Manager at Paribas Netherlands. At ING, he acquired experience in departments related to credits. He carried out the duties of Global Head of Credit Risk Management there. From 2002 to 2016, he held the post of Chief Risk Officer and sat on the Executive Committee of ING Belgium. He has also accumulated experience as Chairman of the Supervisory Board at ING Lease Belgium and as member of the Board of Directors of Record Bank.

Patrick Lemoine has been appointed as an independent director of AXA Bank Belgium since 1 January 2010. He is a Mining Engineer (EMSE), has a degree in Higher Accounting Studies, holds an MBA from INSEAD and is an actuary. He started his career in 1981 at Credit Lyonnais and has since then acquired broad experience as technical director of non-life insurance and as a financial director in the insurance sector, both in France and Canada. He has recently been appointed Head of the AXA Group P&C's operations Department.

Based on the above, the Board of Directors is able to justify the individual and collective competence of the members of the Audit Committee and the Risk Committee.

- Competence and independence of the Nomination Committee and the Remuneration Committee.

The Nomination Committee is made up of Véronique Weill (until 31 January 2017), Jef Van In, Marc Bellis (up to 31 December 2017), Benoît Claveranne and Patrick Keusters (since 27 March 2018).

The Remuneration Committee is made up of Véronique Weill (until 31 January 2017), Jef Van In, Marc Bellis (up to 31 December 2017), Michael Jonker (from 29 January 2018) and Benoît Claveranne.

Both committees are chaired by Véronique Weill (until 31 January 2017) and by Jef Van In (Since 29 March 2017) and are composed uniquely of non-executive directors. Each committee has an independent member who meets each of the independence criteria given in article 526 ter of the company code.

In terms of competence, Marc-Antoine Bellis was appointed independent director of AXA Bank Belgium since the 23rd of August 2011. He is a doctor of Law and graduated in Economic Law from ULB, and was a consultant in tax law for eight years. He was a lawyer at the Brussels Bar. He has since then gained considerable experience in loans, ALM and risk and bank management, including internationally. Between 1994 and 2002 he was CEO of Fortis UK, and up to 2007 CEO Corporate, Institutional & Public Banking for the Fortis Group. He was Chairman of the Belgian Luxembourg Chamber of Commerce in Great Britain and administrator of the Foreign Banks and Securities Houses Association.

For the skills of the independent directors, Michael Jonker and Patrick Keusters, see above for the competences described for the Audit and Risk Committees.

The chairman of the committees, Jef Van In, is a Commercial Engineer (K.U.L.) and has an Executive MBA from Flanders Business School. After a national and international career at ING Bank, he became CEO of AXA Bank Belgium in 2011. In addition, in 2012 he became responsible for the life insurance business of AXA in Central & Eastern Europe. In July 2016, Jef Van In became CEO of AXA Belgium and beginning 2017 he became president of the Board of Directors of AXA Bank Belgium. On the 29th of March, Jef Van In was confirmed as member and President of the Nomination and Remuneration committee.

Benoît Claveranne is a graduate of the Paris *Institut d'Etudes Politiques*. He holds a Masters degree in economics from the University of Paris. He joined AXA in 2009 as Director of European and Institutional Affairs of the Group, after having worked as a Director within the International Monetary Fund, the World Bank and the Ministry of Finance. From 2011 to 2013, he was General Director at AXA Prévoyance & Patrimoine, a network of exclusive AXA France agents. From 2014 to 2016, Benoît Claveranne was Director-General of the Life, Savings and Pensions Business for the Asian Region. In July 2016, he became the Group's Transformation Director and member of AXA Group's Executive Board. Since 1 December 2017, he has carried out the duties of Chief Executive Officer International and New Markets.

Consequently, the Board of Directors is able to justify that the Nomination and Remuneration committees are made up in such a way as to allow them to make relevant and independent assessments, both on nomination and remuneration policies and practices, and on the working of AXA Bank Belgium's administration and management bodies.

Conflicts of Interests

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

8.3.2 External Duties of the Directors (Situation May 2018)

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

AXA senior manager as at 31/12/2017	Post at AXA Bank Belgium (ABB)	Company where the external mandate is carried out	Registered office	Business sector	Registration on regulated market	External position held	List of shareholders with more than 5% ABE?
Patrick Keusters	Independent director and Chairman of the Audit Committee	Tribeca AIFM	Avenue Louise 65 bte 12 1050 Brussels Belgium	Investment company	No	Non-executive director	No
		Orcadia Asset Management SA	13, rue de l'Industrie, L -8699 Windhof GD Luxembourg	Investment company	No	Non-executive director	No
		Stoll Security SA	Z.A.R.E. Ilot Ouest L 4384 Ehlerange Luxembourg	Security	No	Non-executive director	No
Philippe Rucheton	Independent director and Chairman of the Risk Committee	Bernard Controls SA	4, rue d'Arsonval BP 76091 95505 Gonesse France	Electrical and mechanical	No	Non-executive director	No
		Société générale SFH	17 cours Valmy 92800 Puteaux	Housing financing	No	Non-executive director	No
		Société générale SCF	17 cours Valmy 92800 Puteaux	Mortgage company	No	Non-executive director	No

8.3.3 Supervision

AXA BANK BELGIUM is under the supervision of the European Central Bank (ECB) and the National Bank of Belgium (BNB/NBB).

8.4 Financial Information

8.4.1 General notes to the Financial Statements of AXA BANK BELGIUM SA

AXA BANK BELGIUM NV, a public limited company based on Belgian law, with registered offices at 1000 Brussels, Place du Trône 1 and administrative offices at 2600 Berchem, Grotesteensweg 214, is a full subsidiary of AXA SA.

The legal consolidation scope of AXA BANK BELGIUM comprises the Belgian bank activities, the subsidiaries Royal Street NV, AXA Belgium Finance (NL) B.V. and AXA BANK EUROPE SCF.

AXA BANK BELGIUM provides a broad range of financial products to individuals and small businesses and has a network of exclusive independent bank agents who can also provide insurance solutions from AXA Belgium.

The Belgian retail banking activity remains the primary activity of the bank and is offering daily banking solutions and a broad range of products that can help the client in his financing needs (consumer loans, mortgage loans and professional loans) and his saving and investment needs.

The intermediation activity provides a set of execution and reporting services in derivatives to AXA Group companies.

Consolidation principles

General

AXA BANK BELGIUM 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 BELGIUM 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 BELGIUM, 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.

Intergroup entities purchase

With regard to business combinations with other entities of the AXA Group, these entities fall under common control and, thus, these business combinations are not covered by IFRS 3. AXA BANK BELGIUM 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.

8.4.2 General notes on AXA BANK BELGIUM SA results

Comments on the consolidated results

- Profits and losses

million EUR	2016	2017
Financial & operating income and expenses	362	302
Administrative costs, amortisations and provisions	279	239
Total profit from continuing operations before taxes and minority interests	83	63
Net Profit	101	41

Financial & operating income and expenses – Financial & Operating income and expenses dropped by 60 million compared to 2016, which is mainly explained by the reduction in interest margin. The decrease in interest margin is notably due to the impact of lower yields on hedges backing retail liabilities as the bank was no longer able to offset lower market rates with lower rates on customer deposits and savings. A reduction in the new production volumes of the derivative intermediation activity also contributed to the reduction in Interest margin. This decrease could only be partially compensated by a strong increase in the volumes of fees and commissions received in particular on the sale of investment products.

Total profit from continuing operations before taxes and minority interests – Total profit or loss from continuing operations before taxes and minority interests stands at 63 million euro which is down 20 million compared to 2016. This reduction is explained by the 60 million euro decrease of financial & operating income and expenses, compensated by lower administrative costs (-21 million euro) and lower provisions (-19 million euro) compared to 2016. The decrease in administrative cost is not only due to lower bank levies, but is also a consequence of continuing structural cost reduction measures offsetting a pursuit of focused investments in our core business. The decrease in provisions for credit and litigation risks is the result from efforts to reduce risks made in recent years, a strict credit underwriting policy, adjustment of credit models and recoveries from already amortised files.

Net profit – Net profit, excluding the impact of the closure of the Hungarian Branch stands at 41 million euro, which is down 60 million euro compared to 2016. Such change is mainly explained by the drop in

the total profit from continuing operations before taxes and minority interests (-20 million euro), higher IFRS tax expenses (+10 million euro) and the closing of the Hungarian branch which had a positive contribution of 28 million euro in 2016.

- Balance sheet and off-balance sheet

Balance Sheet

Billion EUR	2016	2017		2016	2017
Retail assets	**25,7**	**25,5**	**Retail liabilities**	**25,3**	**25,0**
Commercial assets	18,6	19,5	Commercial liabilities	17,9	17,9
ALM & Treasury assets	7,1	6,0	ALM & Treasury liabilities	7,4	7,2
Intermediation assets	**1,6**	**1,2**	**Intermediation liabilities**	**1,1**	**0,8**
Intermediation assets	1,6	1,2	Intermediation liabilities	1,1	0,8
Other Assets	**0,7**	**0,5**	**Other Liabilities**	**0,4**	**0,3**
Other Assets	0,7	0,5	Other Liabilities	0,4	0,3
			Equity	**1,2**	**1,2**
Total assets	**28,0**	**27,3**	**Total liabilities and equity**	**28,0**	**27,3**

Assets - Total assets reduced by 0,7 billion euros because of a decrease in the fair value of derivatives and variations in the real value of hedged positions covering the credit risk portfolio. The reduction of the ALM investment portfolio (-1,1 billion euro) was compensated by an increase in the Belgian retail credit production (+0,9 billion euro).

Liabilities - Slight decrease in ALM & Treasury liabilities and a reduction in the fair value of derivatives.

Equity – Equity is stable.

Off balance sheet

Off Balance Sheet (billion EUR)	**2016**	**2017**
Intermediation derivatives	72,06	76,91
ALM portfolio hedges	8,02	7,26

Commercial hedges	8,64	14,22
Treasury derivatives	4,10	1,91
SCF	0,75	0
Total	**93.56**	**101.80**

The off-balance sheet portfolio has increased by 8,3 billion euro to 101,8 billion euro (2017 compared to 2016).

The intermediation off-balance sheet grew by 4,9 billion euro as new business from AXA insurance companies (5,8 billion euro) and offsetting market transactions were partially offset by compressions.

The ALM portfolio positions were influenced by (1) asset swaps sold in the investment portfolio, and, (2) the Treasury forex swap portfolio, which is down 2,2 billion euro.

- Comments on the statutory accounts and the allocation of earnings

Statutory profits for 2017 amounts to 52,8 million euros. Accumulated profits amounted to 11,7 million euros by the end of 2016. Consequently, accumulated profits, as at December 31st 2017, amount to 64,5 million euros.

The Annual Shareholder's Meeting has decided, after allocation to the legal reserves, to carry forward the 2017 result to the next financial year.

8.4.3 Consolidated Annual Audited Financial Statements of AXA BANK BELGIUM SA

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

The notes to the consolidated annual audited financial statements, including a description of the accounting policies, are set out on pages 19 to 34 of AXA BANK's 2017 IFRS consolidated financial statements, which are in annex to this Base Prospectus.

The consolidated financial information below has been extracted without material adjustment from the consolidated audited financial statements of AXA BANK for the years ended 31 December 2017 and 31 December 2016 which were prepared in accordance with IFRS.

Audited Consolidated Balance Sheet of AXA BANK as of 31 December 2017 and 31 December 2016

Consolidated Balance Sheet - Assets **in '000 EUR**	**31.12.2017**	**31.12.2016**
Cash and balances with central banks	597,263	657,176
Financial assets held for trading	1,247,291	1,643,504
Financial assets designated at fair value through profit or loss	0	0
Available-for-sale financial assets	2,952,270	4,304,987
Loans and receivables	21,921,564	20,650,591
Held-to-maturity investments	0	0
Derivatives - hedge accounting	67,552	97,758
Fair value changes of the hedged items in portfolio hedge of interest rate risk	334,771	478,032
Tangible fixed assets	38,015	39,815
Property, Plant and Equipment	38,015	39,815
Investment property	0	0
Intangible fixed assets	11,835	8,537
Goodwill	0	0
Other intangible assets	11,835	8,537
Investments in associates, subsidiaries and joint ventures (accounted for using the equity method-including goodwill)	0	0
Tax assets	38,759	27,648
Current tax assets	4,946	4,473
Deferred tax assets	33,812	23175
Other assets	106,786	98,168
Non-current assets and disposal groups classified as held for sale	0	0
TOTAL ASSETS	**27,316,107**	**28,006,217**

Consolidated Balance Sheet - Liabilities **in '000 EUR**	**31.12.2017**	**31.12.2016**
Financial liabilities held for trading	824,596	1,104,317
Financial liabilities designated at fair value through profit or loss	1,348,872	1,484,385
Financial liabilities measured at amortised cost	22,912,390	22,369,680
Deposits from Credit institutions	2,821	48,640
Deposits from Other than credit institutions	17,873,758	17,863,958
Debt certificates including bonds	4,214,547	3,457,918
Subordinated liabilities	39,245	89,042
Other financial liabilities	782,019	910,121
Financial liabilities associated with transferred assets	486,026	1,031,061
Derivatives - hedge accounting	287,907	401,701
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	0	89,180
Provisions	212,803	233,169
Tax liabilities	35,177	27,945
Current tax liabilities	28,030	27,945
Deferred tax liabilities	7,147	0
Other liabilities	45,144	62,466
Liabilities included in disposal groups classified as held for sale	0	0
Share capital repayable on demand (e.g. cooperative shares)	0	0
TOTAL LIABILITIES	**26,152,915**	**26,803,904**

Consolidated Balance Sheet - Equity in '000 EUR	31.12.2017	31.12.2016
Share capital	636,318	681,318
Paid in capital	636,318	681,318
Called up share capital	0	0
Share premium	0	0
Other Equity	91,469	91,125
Equity component of combined financial instruments	90,000	90,000
Other	1,469	1,125
Non-realised results	9,188	47,915
Tangible fixed assets	0	0
Intangible fixed assets	0	0
Hedge of net investments in foreign operations (effective portion)	0	0
Foreign currency translation	0	147
Cash flow hedges (effective portion)	0	-21,859
Available for sale financial assets	47,794	93,830
Non-current assets and disposal groups held for sale	0	0
Fair value financial liabilities-own credit risk	-19,225	
Actuarial gains/losses relating to defined benefit plans	-19,381	-24,203
Reserves (including retained earnings)	384,780	281,356
<Treasury shares>	0	0
Income from current year	41,437	100,598
<Interim dividends>	0	0
Minority interest	0	0
Revaluation reserves and other valuation differences	0	0
Other items	0	0
TOTAL EQUITY	1,163,192	1,202,313
TOTAL LIABILITIES AND EQUITY	27,316,107	28,006,217

Audited Consolidated Statement of Income of AXA BANK as of 31 December 2017 and 31 December 2016

Consolidated income statement in '000 EUR	31.12.2017	31.12.2016
CONTINUING OPERATIONS		
Financial & operating income and expenses	302,386	361,772
Interest income	1,606,178	2,318,678
Financial assets held for trading (if accounted for separately)	1,107,505	1,720,509
Financial assets designated at fair value through profit or loss (if accounted for separately)	0	0
Available-for-sale financial assets	35,421	99,635
Loans and receivables (including finance leases)	427,400	463,747

Held-to-maturity investments	0	0
Derivatives - Hedge accounting, interest rate risk	27,129	21,566
Other liabilities	50	16
On liabilities	8,673	13,206
(Interest expenses)	1,405,792	2,081,903
Financial liabilities held for trading (if accounted for separately)	1,073,664	1,691,748
Financial liabilities designated at fair value through profit or loss (if accounted for separately)	31,698	36,760
Financial liabilities measured at amortised cost	173,331	203,881
Derivatives - Hedge accounting, interest rate risk	116,506	147,447
Other liabilities	0	0
On assets	10,592	2,068
Expenses on share capital repayable on demand	0	0
Dividend income	0	1,670
Financial assets held for trading (if accounted for separately)	0	0
Financial assets designated at fair value through profit or loss (if accounted for separately)	0	0
Available-for-sale financial assets	0	1,670
Fee and commission income	63,293	53,001
(Fee and commission expenses)	53,752	42,441
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	53,922	261,980
Available-for-sale financial assets	44,636	261,089
Loans and receivables (including finance leases)	3,269	891
Held-to-maturity investments	0	0
Financial liabilities measured at amortised cost	6,018	0
Other	0	0
Gains (losses) on financial assets and liabilities held for trading (net)	-7,528	-1,589
Equity instruments and related derivatives	-3,205	3,592
Interest rate instruments and related derivatives	-11,530	15,977
Foreign exchange trading	7,207	-21,158
Credit risk instruments and related derivatives	0	0
Commodities and related derivatives	0	0
Other (including hybrid derivatives)	0	0
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)	10,604	2,705
Gains (losses) from hedge accounting	2,340	-205,650
Exchange differences , net	-3,588	23,679
Gains (losses) on derecognition of assets other than held for sale, net	-242	-34
Other operating net income	36,951	31,675
Consolidated income statement in '000 EUR	**31.12.2017**	**31.12.2016**
Administration costs	235,467	255,852
Personnel expenses	88,850	92,421
General and administrative expenses	146,617	163,432
Depreciation	4,721	4,572

Property, Plant and Equipment	2,058	2,179
Investment Properties	0	0
Intangible fixed assets (other than goodwill)	2,663	2,393
Provisions	-13,198	5,740
Impairment	12,845	12,846
Impairment losses on financial assets not measured at fair value through profit or loss	12,845	12,846
Financial assets measured at cost (unquoted equity)	0	0
Available for sale financial assets	0	0
Loans and receivables (including finance leases)	12,845	12,846
Held to maturity investments	0	0
Impairment on	0	0
Property, plant and equipment	0	0
Investment properties	0	0
Goodwill	0	0
Intangible fixed assets (other than goodwill)	0	0
Investments in associates and joint ventures accounted for using the equity method	0	0
Other	0	0
Negative goodwill immediately recognised in profit or loss	0	0
Share of the profit or loss of associatesand joint ventures accounted for using the equity method	0	0
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	0	0
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**62,552**	**82,761**
Tax expense (income) related to profit or loss from continuing operations	21,115	10,558
TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**41,437**	**72,203**
Total profit or loss after tax from discontinued operations	0	28,395
TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST	**41,437**	**100,598**
Profit or loss attributable to minority interest	0	0
NET PROFIT OR LOSS	**41,437**	**100,598**

Consolidated statement of realised and non-realised results in '000 EUR	31.12.2017	31.12.2016
PROFIT (LOSS) FOR THE YEAR	41,437	100,598
NON-REALISED RESULTS		
Elements not transferrable to result	-14,403	-10,554
Actuarial gains (losses) on defined benefit pension plans	10,824	-15,988
Fair value financial liabilities-own credit risk	-25,633	0
income tax related to previous elements	406	5,434
Transferred to profit or loss	-24,324	-75,706

Foreign currency translation	-147	142
Translation gains/losses taken to equity	-147	142
Transferred to profit or loss	0	0
Other reclassifications	0	0
Cash flow hedges (effective portion)	33,114	-17,105
Valuation gains/losses taken to equity	0	-23,035
Transferred to profit or loss	33,114	5,930
Transferred to initial carrying amount of hedged items	0	0
Other reclassifications	0	0
Available-for-sale financial assets	-77,961	-93,681
Valuation gains/losses taken to equity	2,507	818
Transferred to profit or loss	-80,468	-94,499
Other reclassifications		
Non-current assets and disposal groups classified as held for sale	0	-3,040
Income tax relating to components of other non-realised results	20,670	37,978
TOTAL NON-REALISED RESULTS FOR THE YEAR	**-38,727**	**-86,260**
TOTAL REALISED AND NON-REALISED RESULTS FOR THE YEAR	**2,710**	**14,338**
Attributable to equity holders of the parent	2,710	14,338
Attributable to minority interest	0	0

8.4.4 Audited Cash Flow Statements of AXA BANK BELGIUM SA

Audited Consolidated Cash Flow Statement of AXA BANK as at 31 December 2017 and 31 December 2016

OPERATING ACTIVITIES	31.12.2017 in '000 EUR	31.12.2016 in '000 EUR
Net profit (loss)	**41,437**	**100,597**
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	**26,066**	**10,689**
(Current and deferred tax income, recognised in income statement)		
Current and deferred tax expenses, recognised in income statement	21,115	10,558
Unrealised foreign currency gains and losses	-147	
FV through P&L	5,098	131
INVESTING AND FINANCING	**4,368**	**11,678**
Depreciation	4,721	4,572
Impairment	12,845	12,846
Provisions net	-13,198	-5,740
Other adjustments	**-11,233**	**-14,540**
Cash flows from operating profits before changes in operating assets and liabilities	**60,638**	**108,424**
Decrease (increase) in working capital (excl. cash & cash equivalents):	**-18,950**	**247,359**
Decrease (increase) in operating assets (excl. cash & cash equivalents):	**401,271**	**2,494,156**
Decrease (increase) in balances with central banks	0.00	
Decrease (increase) in loans and receivables	-1,283,818	-897,505
Decrease (increase) in available-for-sale assets	1,298,063	3,475,590
Decrease (increase) in financial assets held for trading	396,213	-87,831
Decrease (increase) in financial assets designated at fair value through profit or loss	0	0
Decrease (increase) in asset-derivatives, hedge accounting	30,206	28,368
Decrease (increase) in non-current assets held for sale	0	
Decrease (increase) in other assets (definition balance sheet)	-39,393	-24,466
OPERATING ACTIVITIES	**31.12.2017 in '000 EUR**	**31.12.2016 in '000 EUR**
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):	**-420,221**	**-2,246,798**
Increase (decrease) in deposits from credit institutions	354,181	83,663
Increase (decrease) in deposits (other than credit institutions)	-240,200	679,154
Increase (decrease) in debt certificates (including bonds)	756,629	208,649
Increase (decrease) in financial liabilities held for trading	-267,431	192,317
Increase (decrease) in financial liabilities designated at fair value through profit or loss	-152,904	-137,812
Increase (decrease) in liability-derivatives, hedge accounting	-37,854	-156,730
Increase (decrease) in other financial liabilities	-823,137	-3,091,117
Increase (decrease) in other liabilities (definition balance sheet)	-9,504.64	-24,922
0	**41,688**	**355,783**

Income taxes (paid) refunded	-586	-2,216
Net cash flow from operating activities	41,103	353,566

INVESTING ACTIVITIES	31.12.2017 en '000 EUR	31.12.2016 en '000 EUR
(Cash payments to acquire tangible assets)	-258	-615
Cash receipts from the sale of tangible assets	0	0
(Cash payments to acquire intangible assets)	-5,961	-4,045
Net cash flow from investing activities	-6,219	-4,660

FINANCING ACTIVITIES	31.12.2017 en '000 EUR	31.12.2016 en '000 EUR
(Dividends paid)	0	0
Cash proceeds from the issuance of subordinated liabilities		
(Cash repayments of subordinated liabilities)	-49,797	-28,765
Cash proceeds from issuing shares or other equity instruments	-45,000	
Net cash flow from financing activities	-94,797	-28,765
Effect of exchange rate changes on cash and cash equivalents	0	0

	31.12.2017 en '000 EUR	31.12.2016 en '000 EUR
NET INCREASE IN CASH AND CASH EQUIVALENTS	-59,913	320,020
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	657,176	337,156
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	597,263	657,176
Components of cash and cash equivalents:	0	0
On hand (cash)	58,960	57,389
Cash and balances with central banks	526,735	560,706
Loans and receivables	11,568	39,081
Available-for-sale assets		
Total cash and cash equivalents at end of the period	597,263	657,176
Of which: amount of cash and cash equivalents held by the enterprise, but not available for use by the group	0	0
Undrawn borrowing facilities (with breakdown if material)	0	0
Supplemental disclosures of operating cash flow information:	0	0
Interest income received	1,606,178	2,318,679
Dividend income received	0	0
Interest expense paid	1,405,791	2,081,904

8.5 Legal and Arbitration Proceedings

In 2013, AXA BANK BELGIUM has been indicted in connection with credits marketed to French property professionals in the 1980's by Anhyp. AXA BANK is contesting the legitimacy of the claim and is currently contesting the referral to the criminal court. At the date of this prospectus, the contesting procedure is ongoing.

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

8.6 Rating

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

AXA BANK has the following ratings:

- S&P rating: 'A+/A-1+' with 'Stable' outlook (10 July 2018)
- Moody's: A2/P-1 with 'Negative' outlook (3 April 2018)

9 Terms and Conditions of the Notes

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

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

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

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

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

In certain circumstances, such as force majeure, adjustment events, market disruption events or some other extraordinary events, the Issuer and/or the Calculation Agent may modify certain features of the Notes or may have the right to monetize or to early redeem the Notes. In order to comply with Book VI of the Belgian Code of Economic Law the following rules will apply for Tranches offered to investors which are consumers in the meaning of the Belgian Code of Economic Law:

(i) Alteration of the essential characteristics of the Notes

The following are authorized:

- alteration of the essential characteristics with the consent of the Noteholders (upon a majority vote), such as the offer of an amended agreement as an alternative for the (authorized) early termination in the case of force majeure;

- alteration of the essential characteristics based on a majority vote by the Noteholders, as provided for in section 9.18 hereafter.

Unilateral alteration of essential characteristics is in principle not authorized except (cumulative conditions):

- as a result of force majeure or of other occurrences (see description of "Extraordinary Events" "Adjustment Events" and "Market Disruption Events" in section 9.7) insofar as they substantially alter the economics of the contract as initially agreed between the parties and which are not attributable to the Issuer ; and

- the alteration is not substantial, and therefore does not create a significant imbalance in the rights and obligations of the parties to the detriment of the Noteholder; and

- with no retention of costs.

(ii) Unilateral early termination (repayment) of the fixed-term Notes (as well for Variable Linked Notes as for Fixed Rate and Floating Rate Notes)

In case of force majeure

- possible at market value;

- with no retention of additional costs.

In other cases than force majeure

- in principle not authorized except (on the cumulative conditions):

  . as a result of an occurrence which substantially alters the economics of the Notes as initially agreed between the Issuer and the Noteholders and which is not attributable to the issuer; and

  . provided that the Noteholder is compensated and under terms that ensure that no significant imbalance is created in the rights and obligations of the parties to the detriment of the Noteholder:

  - structured Notes with capital protection: either (i) the highest of the face value and the market value ("best of"); or (ii) at least the monetization with the market value as an alternative.

  - structured Notes with no capital protection: the market value;

  - unstructured Notes (a.o. Fixed Rate and Floating Rate Notes) which offer the right to payment of the face value at maturity: the market value or the face value, whichever is the highest ("best of"); and

. with no retention of costs; and

. provided that the costs paid are refunded pro rata (for the remaining term to maturity).

9.1 Form, Denomination and Title

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

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

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

Dematerialized Notes are issued in dematerialized form :

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

Clearstream, Luxembourg or other BNB System participants to the securities accounts of their subscribers, or,

(ii) via a book-entry system maintained in the records of an authorized financial institution that will be appointed as "*Hoofd van de Piramide*"-"*Tête de Pyramide*", in accordance with the terms of de Circular of the Financial Services and Markets Authority of 26 February 2007 (PPB-2007-4-CPB).

Transfer of Dematerialised Notes will be effected only through records maintained by the BNB System, AXA BANK, Euroclear and Clearstream, Luxembourg or other BNB System participants and in accordance with the applicable procedures of the BNB System, Euroclear and Clearstream, Luxembourg or other BNB System participants or through records maintained by AXA BANK and/or the financial institution appointed as Hoofd van de Piramide – Tête de Pyramide in accordance with of the applicable procedures of AXA BANK and/or the financial institution appointed as Hoofd van de Piramide – Tête de Pyramide .

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

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

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

9.2 Pay-Off Structures

9.2.1 Introduction

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

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

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

<u>Whereby for each of the above described structures:</u>

- it is important to notice that there is no requirement for a mandatory direct link of observation dates / periods and payment dates:
- all of these structures could be made callable (a right for the issuer to redeem the notes before final maturity at a value lower than, equal to or higher than par), in accordance with the provisions of Section 9.5 and the Final Terms;
- results of intermediate calculations calculated according the formula(e) above and the principles of Fixed Rate Notes and Floating Rate Notes can be combined to determine a Variable Linked Rate and/or Variable Linked (Redemption) Amount;
- optional switching between the pay-off structures during the life of the instruments can be specified in the Final Terms;
- the applicable provisions below relating to the respective Underlying will apply.

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

A. Structures with a periodic payment

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

Definition

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

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

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

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

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

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

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

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

Examples

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

Definition

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

Product

<u>Periodic payments:</u>

1. Periods: 20
2. Underlying: Euribor3months
3. Performance will be a single fixing (subformula 3.a) is applicable). Fixing in advance (2 Business Days before start of the Interest Period)
4. Not applicable
5. Not applicable
6. Bonus = 0%
7. Participation Rate = 100%
8. X% = 2.20% (annualized)
9. Y% = 5.00% (annualized)
10. Daycount: act/360, mod fol, adjusted[32]

The formula for the Periodic Payments will be:

$$\left(Participation\ Rate_i \times max\left(X\%_i, min(Performance_i, Y\%_i)\right) + Bonus_i\right)$$
$$= \left(100\% \times max\left(2.20\%, min(Performance, 5.00\%)\right) + 0\%\right)$$

<u>Redemption Amount:</u>

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

The formula for the Redemption Amount will be:

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

[32] In the examples below the amounts are simplified and divided by 4 to enhance the readability

2. Target Memory Autocall

Definition:

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

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

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

Product

Periodic payments (i = 1 to 4):

1. Periods: 5
2. Underlying: SX5E
3. Performance will be $\frac{\text{Final Price}-\text{Initial Price}}{\text{Initial Price}}$ (Subdivision 3.c) is applicable), no reset for the Initial Price
4. Callable is applicable (Subdivision 4) is applicable) if $Performance_i \geq 0\%$
5. Condition is applicable (Subdivision 5))
6. $Bonus_i$ = $-\sum_{w=1}^{i-1} Formula_w$ if $Performance_i \geq -30\%$
   = 0% if $Performance_i < -30\%$
7. Participation Rate = period i (i = 1 to 4) if $Performance_i \geq -30\%$
   = 0% if $Performance_i < -30\%$
8. X% = 7.50% if $Performance_i \geq -30\%$
   = 0% if $Performance_i < -30\%$
9. Y% = 7.50% if $Performance_i \geq -30\%$
   = 0% if $Performance_i < -30\%$
10. Daycount: 30/360, following, unadjusted

- If $Performance_i \geq -30\%$ and $Performance_i < 0\%$
  The formula for the Periodic Payments will be:

$$\left(Participation\ Rate_i \times max\left(X\%_i, min(Performance_i, Y\%_i)\right) + Bonus_i\right)$$
$$= \left(i \times max\left(7.50\%, min(Performance, 7.50\%)\right) - \sum_{w=1}^{i-1} Formula_w\right)$$
$$= \left(i \times (7.50\%)\right) - \sum_{w=1}^{i-1} Formula_w$$

- If $Performance_i < -30\%$
  The formula for the Periodic Payments will be:

$$\left(Participation\ Rate_i \times max\left(X\%_i, min(Performance_i, Y\%_i)\right) + Bonus_i\right)$$
$$= \left(0\% \times max\left(0\%, min(Performance, 0\%)\right) + 0\%\right)$$
$$= 0$$

- If $Performance_i \geq 0\%$ then the transaction terminates automatically (autocallable)
  The formula for the Redemption Amount will be:

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

Redemption Amount:

1. Periods: 5
2. Underlying: SX5E
3. Performance will be $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$ (Subdivision 3.c) is applicable), no reset for the Initial Price
4. Call is activated if $Performance_i \geq 0\%$
5. Conditions are activated
6. $Bonus_i$ = $-\sum_{w=1}^{i-1} Formula_w$ if $Performance_i \geq -30\%$
   = 0% if $Performance_i < -30\%$
7. Participation Rate = 5% if $\text{Performance}_\text{i} \geq -30\%$
   = 0% if $Performance_i < -30\%$ and $\text{Performance}_\text{i} \geq -50\%$
   = 100% if $Performance_i < -50\%$
8. X% = 7.50% if $\text{Performance}_\text{i} \geq -30\%$

= 0% if $Performance_i < -30\%$ and $Performance_i \geq -50\%$
= 100% if $Performance_i < -50\%$

9. Y% = 7.50% if $\text{Performance}_\text{i} \geq -30\%$
= 0% if $Performance_i < -30\%$ and $Performance_i \geq -50\%$
= 100% if $Performance_i < -50\%$

10. Daycount: 30/360, following, unadjusted

- If $Performance_i \geq -30\%$ and $Performance_i < 0\%$
  The formula for the Redemption Amount will be:

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

- If $Performance_i < -30\%$ and $Performance_i \geq -50\%$
  The formula for the Redemption Amount will be:

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

- If $Performance_i < -50\%$
  The formula for the Redemption Amount will be:

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

Period 1

- Performance > 0%
  Coupon at 7.50% + Memory + Automatic Redemption at 100%
- -30% < Performance < 0%
  Coupon at 7.50% + Memory
- Performance < -30%
  No coupon but 7.50% into Memory

Period 2

- Performance > 0%
  Coupon at 7.50% + Memory + Automatic Redemption at 100%
- -30% < Performance < 0%
  Coupon at 7.50% + Memory
- Performance < -30%
  No coupon but 7.50% into Memory

Period 3

- Performance > 0%
  Coupon at 7.50% + Memory + Automatic Redemption at 100%
- -30% < Performance < 0%
  Coupon at 7.50% + Memory
- Performance < -30%
  No coupon but 7.50% into Memory

Period 4

- Performance > 0%
  Coupon at 7.50% + Memory + Automatic Redemption at 100%
- -30% < Performance < 0%
  Coupon at 7.50% + Memory
- Performance < -30%
  No coupon but 7.50% into Memory

Period 5

- Performance > -30%
  Coupon: 7.50% + Memory + Redemption at 100%
- -50% < Performance < -30%
  Redemption at 100%
- Performance < -50%
  Redemption at index level (capital loss)

Optimistic scenario

Period 1

- -30% < Performance < 0%
  Coupon at 7.50%

Period 2

- Performance < -30%
  No coupon but 7.50% into Memory

Period 3

- -30% < Performance < 0%
  Coupon at 7.50% + 7.50% (Memory Period 2)

Period 4

- Performance > 0%
  Coupon at 7.50% + Automatic Redemption at 100%

Pessimistic scenario

Period 1

- -30% < Performance < 0%
  Coupon at 7.50%

Period 2

- Performance < -30%
  No coupon but 7.50% into Memory

Period 3

- -30% < Performance < 0%
  Coupon at 7.50% + 7.50% (Memory Period 2)

Period 4

- -30% < Performance < 0%
  Coupon at 7.50%

Period 5

- Performance < -50%
  No coupon and Redemption = 100% + (100% x Performance)

3. Light Reverse

Definition

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

The Noteholder receives periodically (typically every year) a fixed Interest rate (for example 5.50%). At Maturity, the Noteholder receives 100% of its investment if the Underlying (typically an Index) has not lost more than a pre-defined percentage (for example -40%) of its initial value. Otherwise the index performance is paid and there is a loss of capital.

Product

Periodic payments:

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

The formula for the Periodic Payments will be:

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

Redemption Amount:

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

- If $Performance \geq -40\%$
  The formula for the Redemption Amount will be:

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

- If $Performance < -40\%$
  The formula for the Redemption Amount will be:

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

Optimistic scenario

Pessimistic scenario

B. Structures with one payment at maturity with cap

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

Definition

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

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

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

1. Which Underlying or component of the Underlying (if the Underlying is a basket) will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds)
2. Which sub formula will apply to calculate the Performance. This Performance can be:
   a. a single fixing
   b. a difference between 2 Underlyings: $\text{Underlying}_1 - \text{Underlying}_2$
   c. $\frac{\text{Final Price}-\text{Initial Price}}{\text{Initial Price}}$ with or without reset of the initial price
   d. $\frac{\text{Initial Price}-\text{Final Price}}{\text{Initial Price}}$ with or without reset of the initial price
   e. $\frac{\text{Initial Price}-\text{Final Price}}{\text{Final Price}}$ with or without reset of the Initial Price
   f. $\frac{\text{Final Price}-\text{Initial Price}}{\text{Final Price}}$ with or without reset of the Initial Price
   g. $\frac{\text{Final Price}}{\text{Initial Price}}$
   h. $\sum_{\text{j}=1\ldots\text{n}} w_{i,j} \times \max\left(\text{U\%}, \min\left(\left(\frac{\text{Final Price}_\text{j}-\text{Initial Price}_\text{j}}{\text{Initial Price}_\text{j}}\right), \text{Z\%}\right)\right)$ with or without reset of the Initial Price, where $w_{i,j}$ stands for weight (i) in period (j)

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

3. If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
4. If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
5. How the $Bonus_i$ is defined. The $Bonus_i$ can be
   a. a fixed rate
   b. a fixed rate subject to a condition on the Underlying
   c. a rate which is the result of a formula such as the formulas above.
   d. a rate which is the result of a sum of Formulas such as the Formulas above.

6) What the Participation Rate will be.

7) What the floor X% will be.

8) What the cap Y% will be.

9) What daycount convention has to be applied.

Example

Call spread

Definition

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

Product

<u>Redemption Amount:</u>

1. Underlying : Eurostoxx 50 (SX5E)
2. Performance is $\frac{\text{Final Price}-\text{Initial Price}}{\text{Initial Price}}$ (Subdivision 2.c) is applicable) where Initial Price is closing level of Index observed at 24/09/2012 and Final Price is arithmetic average of the closing levels observed at 10/09/2017, 11/09/2017 and 12/09/2017.
3. Not applicable

4. Not applicable
5. Bonus = 0%
6. Participation Rate = 100%
7. X% = 0%
8. Y% = 45%
9. No daycount

The formula for the Redemption Amount will be

$$Denomination + \left[Denomination \times \left(Participation\ Rate_i \times max\left(X\%_i, min(Performance_i, Y\%_i)\right) + Bonus_i\right)\right]$$
$$= Denomination + \left[Denomination \times \left(100\% \times max\left(0\%, min(Performance, 45\%)\right) + 0\%\right)\right]$$

Optimistic scenario

Performance = 30%

$$Denomination + \left[Denomination \times \left(100\% \times max\left(0\%, min(30\%, 45\%)\right) + 0\%\right)\right] = 130\%$$

Pessimistic scenario

Performance = -30%

$$Denomination + \left[Denomination \times \left(100\% \times max\left(0\%, min(-30\%, 45\%)\right) + 0\%\right)\right] = 100\%$$

C. Structures with one payment at maturity without cap

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

Definition

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

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

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

1. Which Underlying or component of the Underlying (if the Underlying is a basket) will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds)
2. Which sub formula will apply to calculate the Performance. This Performance can be
   a. a single fixing

b. a difference between 2 Underlyings: $\text{Underlying}_1 - \text{Underlying}_2$

c. $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$ with or without reset of the Initial Price

d. $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$ with or without reset of the Initial Price

e. $\frac{\text{Initial Price} - \text{Final Price}}{\text{Final Price}}$ with or without reset of the Initial Price

f. $\frac{\text{Final Price} - \text{Initial Price}}{\text{Final Price}}$ with or without reset of the Initial Price

g. $\frac{\text{Final Price}}{\text{Initial Price}}$

h. $\sum_{\text{j}=1\ldots\text{n}} w_{i,j} \times \max\left(\text{U\%}, \min\left(\left(\frac{\text{Final Price}_\text{j} - \text{Initial Price}_\text{j}}{\text{Initial Price}_\text{j}}\right), \text{Z\%}\right)\right)$ with or without reset of the Initial Price, where $w_{i,j}$ stands for weight (i) in period (j)

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

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

Example

Optimal Performance

Definition

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

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

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

Product

<u>Redemption Amount:</u>

1. Underlying: Eurostoxx 50 (SX5E)
2. Performance = if $Final\ Price \geq Initial\ Price$ (Subdivision 2.c) is applicable), no Reset for the Initial Price
   = if $Final\ Price < Initial\ Price$ (Subdivision 2.e) is applicable), no Reset for the Initial Price
3. Not applicable
4. Digitals are activated (Subdivision 4) is applicable)

5. Bonus = 0% if $Final\ Price\ \geq Initial\ Price$
   = -100% if $Final\ Price < Initial\ Price$
6. Participation Rate = 100% if $Final\ Price\ \geq Initial\ Price$
   = 150% if $Final\ Price < Initial\ Price$
7. X% = 50% if $Final\ Price\ \geq Initial\ Price$
   = not applicable if $Final\ Price < Initial\ Price$
8. Y% = not applicable
9. No daycount

- If $Final\ Price\ \geq Initial\ Price$
  The formula for the Redemption Amount will be:

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

- If $Final\ Price < Initial\ Price$
  The formula for the Redemption Amount will be:

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

Optimistic scenario

Final Price = 135% x Initial Price

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

Pessimistic scenario

Final Price = 40% x Initial Price

$$Denomination + \left[Denomination \times \left(150\% \times max\left(min(40\%)\right) - 100\%\right)\right] = 60\%$$

D. Structures with a sum of periodic calculations with one payment at maturity

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

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

Definition

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

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

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

1) How many periods (n) will be used and what formula relates to what period
2) Which Underlying or component of the Underlying (if the Underlying is a basket) will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds)
3) Which sub formula will apply to calculate the Performance. This Performance can be
   a) a single fixing
   b) a difference between 2 Underlyings: $\mathrm{Underlying}_1 - \mathrm{Underlying}_2$
   c) $\frac{\text{Final Price}-\text{Initial Price}}{\text{Initial Price}}$ with or without reset of the initial price
   d) $\frac{\text{Initial Price}-\text{Final Price}}{\text{Initial Price}}$ with or without reset of the initial price
   e) $\frac{\text{Final Price}}{\text{Initial Price}}$
   f) $\sum_{\mathrm{j=1...n}} w_{i,j} \times \max\left(\mathrm{U\%}, \min\left(\left(\frac{\text{Final Price}_\mathrm{j}-\text{Initial Price}_\mathrm{j}}{\text{Initial Price}_\mathrm{j}}\right), \mathrm{Z\%}\right)\right)$ with or without reset of the Initial Price, where $w_{i,j}$ stands for weight (i) in period (j)

   The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).
4) If the Note can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
5) If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
6) How the $\mathrm{Bonus_i}$ is defined. The $\mathrm{Bonus_i}$ can be
   a) a fixed rate
   b) a fixed rate subject to a condition on the Underlying
   c) a rate which is the result of a Formula such as the Formulas above.
   d) A rate which is the result of a sum of Formulas such as the Formulas above.
7) What the Participation Rate will be.
8) What the floor X% will be.
9) What the cap Y% will be.
10) What the global floor of V% will be.
11) What daycount convention has to be applied.

Example

Cliquet

Definition

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

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

Product

<u>Redemption Amount</u>

1. Periods (n): 5

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

The Variable Linked Redemption Amount is equal to:

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

$$= Denomination + \left[Denomination \times max\left(0\%, \sum_{i=1}^{5}\left(100\% \times max\left(-3\%, min(Performance_i, 7\%)\right) + 0\%\right)\right)\right]$$

E. Structures with periodic payments and physical settlement

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

Definition

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

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

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

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

Number of shares to be delivered

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

Fractional Share Amount

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

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

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

1. How many periods (n) will be used and what formula relates to what period
2. Which Underlying or component of the Underlying (if the Underlying is a basket) will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds)
3. Which sub formula will apply to calculate the Performance. This Performance can be
   a. a single fixing
   b. a difference between 2 Underlyings: $\mathrm{Underlying}_1 - \mathrm{Underlying}_2$
   c. $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$ with or without reset of the Initial Price
   d. $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$ with or without reset of the Initial Price
   e. $\frac{\text{Initial Price} - \text{Final Price}}{\text{Final Price}}$ with or without reset of the Initial Price
   f. $\frac{\text{Final Price} - \text{Initial Price}}{\text{Final Price}}$ with or without reset of the Initial Price
   g. $\frac{\text{Final Price}}{\text{Initial Price}}$
   h. $\sum_{j=1\ldots n} w_{i,j} \times \max\left(U\%, \min\left(\left(\frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j}\right), Z\%\right)\right)$ with or without reset of the Initial Price

      where $w_{i,j}$ stands for weight (i) in period (j)

   The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).
4. If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
5. If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
6. How the Bonus_i is defined. The Bonus_i can be
   i. a fixed rate
   j. a fixed rate subject to a condition on the Underlying
   k. a rate which is the result of a Formula such as the Formulas above.
   l. a rate which is the result of a sum of Formulas such as the Formulas above.
7. What the Participation Rate will be.
8. What the floor X% will be.
9. What the cap Y% will be.
10. What daycount convention has to be applied.

Example

Reverse Convertible on Total shares

Definition

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

Product

<u>Periodic payments:</u>

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

$$\left(Participation\ Rate_i \times max\left(X\%_i, min(Performance_i, Y\%_i)\right) + Bonus_i\right)$$
$$= \left(0\% \times max\left(0\%, min(Performance_i, 0\%)\right) + 8\%\right)$$

<u>Variable Linked Redemption Amount:</u>

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

- If Final Price is at or above 70% of Initial Price, then 100%,
  Denomination

- Otherwise number of shares (Subdivision 5) is applicable)
  Number of shares to be delivered

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

Fractional Share Amount

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

Optimistic scenario

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

Pessimistic scenario

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

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

and

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

9.3 Interest on the Notes

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

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

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

9.3.1 Fixed Rate Notes

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

9.3.2 Floating Rate Notes

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

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

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

9.3.3 Variable Linked Rate Notes

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

9.3.4 Zero Coupon Notes

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

9.3.5 Payment of the Interest

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

9.4 Definitions

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

- If an Averaging Date in respect of the Underlying is not a Scheduled Trading Day, then, the Averaging Date for such Underlying shall be the first succeeding Valid Date. If the first succeeding Valid Date has

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

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

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

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

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

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

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

"Calculation Amount": means the Denomination or such other Amount as specified in the applicable Final Terms.

"Day Count Fraction": means, in respect of the Notes and the calculation of the Interest:

i. if "1/1" is specified or nothing is specified, 1,
ii. if "Actual/Actual-ICMA" (ICMA: International Capital Market Association) is specified in the applicable Final Terms,
   (aa) if the Interest Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Interest Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
   (bb) if the Interest Period is longer than one Determination Period, the sum of:

(x) the number of days in such Interest Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Interest Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

Where:

- "Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and
- "Determination Dates" means the dates specified in the applicable Final Terms or, if none is so specified, the Interest Payment Date and, the Interest Commencement Date.

iii. if "**Actual/Actual**" or "**Act/Act**" is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of:

a. the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and
b. the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

iv. if "**Actual/365 (Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 365;

v. if "**Actual/360**", "**Act/360**" or "**A/360**" is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 360;

vi. if "**30/360**", "**360/360**" or "**Bond Basis**" is specified, the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

- "Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;
- "Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- "M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- "M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- "D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and
- "D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30; and

vii. if "**30E/360**" or "**Eurobond Basis**" is specified, the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

- "Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

- "Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- "M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- "M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- "D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and
- "D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30.

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

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

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

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

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

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

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

"Interest Period End Date":

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

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

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

"Specified Currency": means the currency of the Notes as specified in the relevant Final Terms.

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

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

9.5 Redemption and Purchase

9.5.1 Final Redemption

Unless previously redeemed, purchased and cancelled or unless its maturity is extended pursuant to an Issuer's or Noteholder's Option the Notes shall be redeemed on the Maturity Date. The Notes may not be redeemed prior to that date, without prejudice to the other provisions of these Terms and Conditions.

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

9.5.2 Partial Redemption

If Partial Redemption is provided to be applicable in the relevant Final Terms, the Notes shall be partially redeemed without giving notice to the Noteholders on the Partial Redemption Date(s) so provided in the relevant Final Terms. Any such partial redemption of Notes shall be at the relevant Partial Redemption Amount specified in the relevant Final Terms.

9.5.3 Redemption at the Option of the Issuer

If a Call Option is provided to be applicable in the relevant Final Terms, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Optional Redemption Period redeem all, but not some only, of the Notes of a relevant Series in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of the Notes shall be at their Redemption Amount together with interest accrued to the date fixed for redemption, unless otherwise specified in the relevant Final Terms. Any such redemption or exercise must relate to the Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed, as specified in the relevant Final Terms, and no greater than the Maximum Redemption Amount to be redeemed, as specified in the relevant Final Terms.

The Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice. The above-described Redemption at the Option of the Issuer does not cover the situation of an early redemption upon the occurrence of a force majeure event or an Extraordinary Event, as specified in section 9.7

9.5.4 Mandatory Early Redemption

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

The Trigger Events mentioned above will always be an objective event as set out in the Final Terms and can relate to the following (without however being exhaustive, these are merely examples):

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

9.5.5 Repurchase

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

9.5.6 Cancellation

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

9.6 Payment

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

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

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

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

9.7 Variable Linked Provisions

A Variable Linked Rate, an Interest Amount or a Variable Linked Redemption Amount can depend on the evolution of one or more Underlyings.

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

Regarding the compliance with Book VI of the Belgian Code of Economic Law in respect of Notes issued under the Programme and placed in the framework of a public offer in Belgium, the following principles will apply. For this purpose, a public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market.

The Issuer and/or the Calculation Agent is only allowed to make a unilateral modification to the essential features of the Notes on the cumulative conditions that (i) such right is limited to events of force majeure or other events (see description of “Extraordinary Events”, “Adjustment Events” and “Market Disruption Events” in this section 9.7) insofar as they significantly modify the economy of the Note and for which the Issuer is not responsible ; (ii) the modification does not create an imbalance between the rights and obligations of the parties to the Note, to the detriment of the Noteholders. This means that the Issuer and/or the Calculation Agent will take all measures and pay every effort to continue the Note under similar circumstances; and (iii) no costs are charged to the Noteholder. The Final Terms (contract terms) must be drawn up in a plain and intelligible manner.

Events which are inherent in the business and core activities of the Issuer, such as a “Hedging Disruption” and “Increased Cost of Hedging”, can be considered neither as force majeure nor as events that give the Issuer and/or the Calculation Agent the right to make a unilateral modification to essential features of the Notes or to early redeem the Notes.

Modifications which are not unilateral, such as modifications agreed upon a majority decision of the Noteholders as provided for in the Terms and Conditions in accordance with Conditions 9.17 Notices and 9.18 Meeting of Noteholders , are possible at any time.

Regarding the early redemption right, pursuant to Article VI.83, 10° of the Belgian Code of Economic Law (i) such right is limited to events of force majeure or other events (see description of “Extraordinary Events”, “Adjustment

Events" and "Market Disruption Events" in this section 9.7) insofar as they significantly modify the economy of the Note and for which the Issuer is not responsible and (ii) the Issuer will early redeem the Notes at their Fair Market Value, and (iii) without deduction of any costs.

However, if, for capital protected Notes and except in the case of a force majeure event, the Issuer and/or the Calculation Agent did not manage to continue the Note under similar economic circumstances, the consequence of an extraordinary event will be monetization without deduction of any costs.

In case of such monetization of the Note, the Noteholders will be granted the right, as an alternative to the monetization, to sell the Note to the Issuer or to an agent appointed by the Issuer at market value. In case of redemption upon a force majeure event, the repayment will be at least at market value without additional cost for the Noteholders.

In any case of unilateral early redemption, no deduction of any costs will be applied and the costs already borne by the Noteholders will be refunded *pro rata temporis* to the Noteholders.

9.7.1 Underlyings

Market Rate

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

CMS Rate: Means the Relevant Swap Rate for swap transactions, specified as the CMS Rate in the applicable Final Terms, in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page in respect of the CMS Rate as at the Specified Time on the Interest Determination Date in question, all as determined by the Calculation Agent. If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent such quotations, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, eliminating, where there are more than two quotations available, the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

EURIBOR means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Eurozone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributors.

Reference Banks" means (i) in relation to Notes other than CMS-Linked Interest Notes and Resettable Notes and (A) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and (B) in the case of a determination of EURIBOR, the principal Eurozone office of four major banks in the Eurozone inter-bank market, in each case selected by the Calculation Agent or as specified in the applicable Final Terms, and (ii) in relation to CMS Rates, means (A) where the Reference Currency is Euro, the principal Eurozone office of five leading swap dealers in the inter-bank market, (B) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (C) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (D) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Calculation Agent.

Share or Basket of Shares

Definitions

Share: Means the share specified as such in the relevant Final Terms.

Share Basket: Means a basket of shares as specified in the relevant Final Terms.

i: The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Share in the Share Basket separately.

w: Means the weight of a certain Share in the Share Basket.

Exchange: Means each exchange or quotation system specified as such for such Share in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

Related Exchange: Means, each exchange or quotation system specified as such for the relevant Share in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

Initial Price: Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of the relevant Share at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Initial Averaging Date.

Final Price: Means the Relevant Price of the relevant Share on the relevant Valuation Date, as determined by the Calculation Agent, or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Averaging Date.

Initial Valuation Date: Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Initial Price of such Share shall be determined on the basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.

Valuation Date: Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Final Price of such Share shall be determined on the basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date.

Relevant Price: Means the price of the relevant Share determined by the Calculation Agent at the Valuation Time on the Exchange.

Valuation Time: Means the time on the relevant Valuation Date, specified as such in the related Final terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

Scheduled Closing Time: Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

Scheduled Trading Day: Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

Exchange Business Day: Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

Market Disruption

"**Market Disruption Event**" means in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure.

In that respect, "**Trading Disruption**" means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, "**Exchange Disruption**" means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) the Shares on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, "**Early Closure**" means the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

In addition, in that respect "**Disrupted Day**" means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

If any Valuation Date is a Disrupted Day, then:

a. if the Underlying is a Share, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine its good faith estimate of the value of the Share as of the Valuation Time on that eighth Scheduled Trading Day; and
b. if the Underlying is a Basket of Shares, the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the scheduled Valuation Date, and the Valuation Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Share. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for that Share as of the Valuation Time on that eighth Scheduled Trading Day.

Potential Adjustment Events

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and if so will:

a. make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and
b. determine the effective date(s) of the adjustment(s).

The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange provided that such amendments do not lead to a situation that is materially less favorable to the Noteholders.

For the purpose hereof, "**Potential Adjustment Event**" shall mean any of the following:

- a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event), or, a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of such Shares equally or proportionately with such payments to holders of such Shares, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the issuer of the Shares as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- an extraordinary dividend as determined by the Calculation Agent;
- a call by the issuer of the relevant Shares in respect of such Shares that are not fully paid;
- a repurchase by the issuer of the relevant Shares or any of its subsidiaries of such Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- in respect of the issuer of the relevant Shares, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the issuer of the Shares pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- any other event that has a diluting or concentrative effect on the theoretical value of the relevant Shares.

Extraordinary Events

"**Extraordinary Event**" means any of Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting, De-merger Event, Change in Law or Insolvency Filing, as the case may be.

"**Merger Event**" means in respect of any relevant Shares:

- any reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person; or
- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such issuer is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding);
- any takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the issuer of the relevant Shares that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person); or
- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares or its subsidiaries with or into another entity in which the issuer of the relevant Shares is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior

to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a "Reverse Merger") in each case if the effective date of the Merger Event is on or before the final Valuation Date.

"**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the issuer of the relevant Shares, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

"**Nationalization**" means that all the Shares or all the assets or substantially all the assets of the issuer of the relevant Shares are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

"**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the issuer of the relevant Shares, (A) all the Shares of that issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that issuer become legally prohibited from transferring them (each time as determined in good faith by the Calculation Agent).

"**Delisting**" means that the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union).

"**De-merger Event**" means that the issuer of the relevant Shares is affected by a de-merger (such as, but not limited to, spin off, scission or any operation of a similar nature) leading to the attribution of a basket comprising New Shares and/ or Other Consideration and/ or the relevant Share affected by the de-merger (as the case may be), such basket resulting from such de-merger.

In that respect, "**New Shares**" means ordinary or common shares, whether of the entity or person involved or a third party, that are promptly scheduled to be (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union) and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations. Other Consideration means cash and/or any securities (other than New Shares) or assets whether of the entity or person involved or a third party.

"**Change in Law**" means that on or after the Issue Date of the Notes (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of the Notes.

"**Insolvency Filing**" means that the issuer of the relevant Shares institutes or has instituted against it by a regulator, supervisor, or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the relevant Shares shall not be deemed an Insolvency Filing.

"**Hedging Disruption**"[33] means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to

[33] in respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

the Underlying of entering into and performing its obligations with respect to the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset,

"**Increased Cost of Hedging**"[34] means that the Issuer [or the Guarantor] would incur a materially increased (as compared with the circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions(s) or asset(s) it deems necessary to hedge the price risk relating to the Underlying, of entering into and performing its obligations with respect to the Notes or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

Consequences of Extraordinary Events:

- Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of the Underlying, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Share). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.
- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would be able to protect the theoretical value of the Notes immediately prior to the Extraordinary Event, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Extraordinary Event shall be either in the case of capital protected Notes (i) the monetization of the Notes with the alternative of a sale by the investor to the Issuer at market value of the product, or in other cases than capital protected Notes, (ii) the early redemption of the Notes at market value, being understood that in a force majeure event, the consequence will always be early redemption at market value. Monetization means that the underlying financial structure (derivative component) of a capital protected Note will be unwound at its market value and added to the bond component. The bond component will be capitalized up to the protected level, to which the market value of the derivative component being capitalized at the same interest rate (funding rate) will be added. The fair market value shall be the value on the day on which the Calculation Agent has notified the Noteholders, taking into account the valuation of the underlying financial structure and subject to the then applicable market conditions, interest rates, forward rates, credit spreads of the relevant Issuer or the Guarantor as applicable, etc. In both solutions no deduction of any costs will be applied and the costs already borne by the Noteholders will be refunded *pro rata temporis* to the Noteholders.

Share Index or Basket of Share Indices

The terms applicable to an Index will differ, depending on whether the Index is specified in the relevant Final Terms to be Multiple Exchange[35] or not. The applicable provisions below will apply.

- Terms applicable irrespective of whether an Index is Multiple Exchange or not

  Definitions

  Index: Means the index specified as such in the relevant Final Terms.

  Index Basket: Means a basket of indices as specified in the relevant Final Terms.

  i: The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Index in the Index Basket separately.

  w: Means the weight of a certain Index in the Index Basket.

[34] in respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

[35] If Multiple Exchange is applicable, then "Exchange" shall mean, in respect of each component security, the stock exchange on which that component security is principally traded, as determined by the Calculation Agent.

Index Sponsor: Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level for the relevant Index on a regular basis during each Scheduled Trading Day.

Initial Price: Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Index at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Initial Averaging Date.

Final Price: Means the level of the relevant Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Averaging Date.

Initial Valuation Date: Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Initial Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.

Valuation Date: Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Final Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date.

Relevant Price: Means the level of the relevant Index determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.

Scheduled Closing Time: Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

Consequences of Disrupted Days

If any Valuation Date is a Disrupted Day, then:

a. if the Underlying is an Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day); and
b. if the Underlying is a Basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the scheduled Valuation Date, and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of that Index as of the Valuation Time on that eighth

Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

Adjustment to Indices

(A) If a relevant Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then that index (the "**Successor Index**") will be deemed to be the Index.

(B) If (i) on or prior to any Valuation Date in respect of an Index, the relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalization and other routine events) (an "**Index Modification**") or permanently cancels the Index and no Successor Index exists (an "**Index Cancellation**") or (ii) on any Valuation Date, the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and if so, shall calculate the level of the Index, using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and the method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event.

For the purpose hereof "**Index Sponsor**" means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the Index and (b) announces (directly or through an agent) the level of the Index on a regular basis during each Scheduled Trading Day.

Extraordinary Events

"Change in Law"

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of a Change in Law in respect of any Index, the Calculation Agent, on or after the effective date of such Change in Law, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the Change in Law to protect the theoretical value of the Notes to the Noteholders immediately prior to such Change in Law.

In that respect, "Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of the Notes.

"Hedging Disruption"[36]

means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind

[36] In respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Underlying of entering into and performing its obligations with respect to the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset,

"Increased Cost of Hedging"[37]

means that the Issuer [or the Guarantor] would incur a materially increased (as compared with the circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions(s) or asset(s) it deems necessary to hedge the price risk relating to the Underlying, of entering into and performing its obligations with respect to the Notes or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

Consequences of Extraordinary Events:

- Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of the Underlying, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.
- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would be able to protect the theoretical value of the Notes immediately prior to the Extraordinary Event, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Extraordinary Event shall be either in the case of capital protected Notes (i) the monetization of the Notes with the alternative of a sale by the investor to the Issuer at market value of the product, or in other cases than capital protected Notes, (ii) the early redemption of the Notes at market value, being understood that in a force majeure event, the consequence will always be early redemption at market value. Monetization means that the underlying financial structure (derivative component) of a capital protected Note will be unwound at its market value and added to the bond component. The bond component will be capitalized up to the protected level, to which the market value of the derivative component being capitalized at the same intrest rate (funding rate) will be added. The fair market value shall be the value on the day on which the Calculation Agent has notified the Noteholders, taking into account the valuation of the underlying financial structure and subject to the then applicable market conditions, interest rates, forward rates, credit spreads of the relevant Issuer or the Guarantor as applicable, etc. In both solutions no deduction of any costs will be applied and the costs already borne by the Noteholders will be refunded pro rata temporis to the Noteholders.

- Terms applicable to an Index that is not Multiple Exchange

Definition

Exchange: Means each exchange or quotation system specified as such for such Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Shares underlying such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

Related Exchange: Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute

[37]In respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where "All Exchanges" is specified as the Related Exchange in the relevant Final Terms, "Related Exchange" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

Valuation Time: Means the time on the relevant Valuation Date, specified as such in the related Final terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

Scheduled Trading Day: Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

Exchange Business Day: Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

Market Disruption

"**Market Disruption Event**" means in respect of an Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure. For the purposes of determining whether a Market Disruption Event exists at any time, if a Market Disruption Event occurs in respect of a security included in the relevant Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

In that respect, "**Trading Disruption**" means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, "**Exchange Disruption**" means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, "**Early Closure**" means the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

In addition, in that respect "**Disrupted Day**" means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

- Terms applicable to an Index that is Multiple Exchange

Definition

Exchange: Means in respect of each component security of the Index (each, a "Component Security"), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

Related Exchange: Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where "All Exchanges" is specified as the Related Exchange in the relevant Final Terms, "Related Exchange" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

Valuation Time: Means: (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official level of the Index is calculated and published by the Index Sponsor.

Scheduled Trading Day: Means any day on which: (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

Exchange Business Day: Means any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index; and (ii) the Related Exchange is open for trading during its respective regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time.

Market Disruption

"**Market Disruption Event**" means either

i.
   a. the occurrence or existence, in respect of any Component Security of:
      1. a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
      2. an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; OR
      3. an Early Closure in respect of such Component Security; AND
   b. (b) the aggregate of all Component Security in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR

ii. the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (a) a Trading Disruption; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event in respect of any Index exists at any time, if a Market Disruption Event occurs in respect of a Component Security at any time, then the relevant percentage contribution of that Component Security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security and (y) the overall level of the Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market "opening data".

In that respect, "**Trading Disruption**" means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

In that respect, "**Exchange Disruption**" means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (i) any Component Security on the Exchange, in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

In that respect, "**Early Closure**" means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

In addition, in that respect "**Disrupted Day**" means any Scheduled Trading Day on which: (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred.

Fund or Basket of Funds

Definitions

Reference Fund: Means the Reference Fund specified as such in the relevant Final Terms.

Fund Basket: Means a basket of Reference Funds as specified in the relevant Final Terms.

i: The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Reference Fund in the Fund Basket separately.

w: Means the weight of a certain Reference Fund in the Fund Basket.

Fund Interest Unit: Means a notional unit of account of ownership in a Reference Fund, whether a share or another type of unit.

Initial Price: Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the Valuation Time on each Initial Averaging Date.

Final Price: Means the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the Valuation Time on each Averaging Date.

Initial Valuation Date: Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Initial Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated on the immediately following Scheduled Fund Valuation Date, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.

Valuation Date: Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Final Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated

on the immediately following Scheduled Fund Valuation Date, or, if Averaging is specified as applicable, means the final Averaging Date.

Relevant Price: Means the price of the relevant Fund Interest Unit as published by the Fund Administrator.

In case a price in respect of any Valuation Date is not published by the fourth Scheduled Fund Valuation Date, the Calculation Agent may determine such price taking into account prevailing market conditions.

Scheduled Fund Valuation Date: Means any date in respect of which the relevant Reference Fund (or its service provider that generally determines such value) is scheduled, according to its Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Fund Interest Units); to determine the value of such Fund Interest Unit or, if the relevant Reference Fund only reports its aggregate net asset value, the date in respect of which such Reference Fund is scheduled to determine its aggregate net asset value.

Fund Documents: Means, with respect to any Fund Interest Unit, the constitutive and governing documents, subscription agreements and other agreements of the related Reference Fund specifying the terms and conditions relating to such Fund Interest Unit, as amended from time to time.

Potential Adjustment Events

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units and if so will:

i. make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends or liquidity relative to the relevant Fund Interest Unit) and
ii. determine the effective date(s) of the adjustment(s).

For the purpose hereof, "**Potential Adjustment Event**" shall mean any of the following:

- a subdivision, consolidation or reclassification of relevant Fund Interest Units or a free distribution or dividend of any such Fund Interest Units to existing holders by way of bonus, capitalisation or similar issue;
- a distribution, issue or dividend to existing holders of the relevant Fund Interest Units of (a) an additional amount of such Fund Interest Units, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Reference Fund equally or proportionately with such payments to holders of such Fund Interest Units, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Reference Fund as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- an extraordinary dividend as determined by the Calculation Agent;
- a repurchase by the Reference Fund of relevant Fund Interest Units whether the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of Fund Interest Units initiated by an investor in such Fund Interest Units initiated by an investor in such Fund Interest Units that is consistent with the Fund Documents; or
- any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units.

If the Calculation Agent determines that no adjustment that it could make would enable to correct the diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units, the Calculation Agent shall notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Potential Adjustment Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

Extraordinary Events

Means any of Nationalisation, Insolvency, Fund Insolvency Event, Fund Modification, Strategy Breach, Fund Hedging Disruption, Regulatory Action, Reporting Disruption, Change in Law and Increased Cost of Hedging.

"**Nationalisation**" means that all the Fund Interest Units or all or substantially all the assets of a Reference Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

"**Insolvency**" means that by reason of voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Reference Fund, (i) all the fund Interests of that Reference Fund are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Fund Interest Units of that Reference Fund become legally prohibited from transferring or redeeming them.

"**Fund Insolvency Event**" means, in respect of any Fund Interest Unit, that the related Reference Fund (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (ii) makes a general assignment or arrangement with or for the benefit of its creditors; (iii) (A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (iv) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (v) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter; or (vi) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (v) through (vi) above.

"**Fund Modification**" means (i) any change or modification of the related Fund Documents that could reasonably be expected to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent, or (ii) the Reference Fund Investment Manager imposes fees or dealing rules that increase the effective dealing costs relating to any Reference Fund.

"**Strategy Breach**" means any breach or violation of any strategy or investment guidelines stated in the related Fund Documents that is reasonably likely to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent.

"**Fund Hedging Disruption**"[38] means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to such Fund Interest Unit of entering into and performing its obligations under the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset, including, without limitation, where such inability or impracticability has arisen by reason of (A) any restrictions or increase in charges or fees imposed by the relevant Reference Fund on any investor's ability to redeem such Fund Interest Unit, in whole or in part, or any existing or new investor's ability to make new or additional investments in such Fund Interest Unit, or (B) any mandatory redemption, in whole or in part, of such Fund Interest Unit imposed by the relevant Reference Fund.

[38] In respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

"**Regulatory Action**" means, with respect to any Fund Interest Unit, (i) cancellation, suspension or revocation of the registration or approval of such Fund Interest Unit or the related Reference Fund by any governmental, legal or regulatory entity with authority over such Fund Interest Unit or Reference Fund, (ii) any change in the legal, tax, accounting, or regulatory treatments of the relevant Reference Fund that is reasonably likely to have an adverse impact on the value of such Fund Interest Unit or on any investor therein (as determined by the Calculation Agent), or (iii) the related Reference Fund or its Fund Investment Manager becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of such Reference Fund or Fund Investment Manager.

"**Reporting Disruption**" means, in respect of any Fund Interest Unit, the occurrence of any event affecting such Fund Interest Unit that, in the determination of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the value of such Fund Interest Unit, and such event is expected to continue for the foreseeable future.

"**Change in Law**" means that on or after the Issue Date (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of the Notes.

"**Increased Cost of Hedging**"[39] means that the Issuer [or the Guarantor] would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions(s) or asset(s) it deems necessary to hedge the price risk relating to any Fund Interest Unit under the Notes, or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

Consequences of Extraordinary Events:

- Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of any Reference Fund, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Fund Interest Unit). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.
- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would be able to protect the theoretical value of the Notes immediately prior to the Extraordinary Event, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Extraordinary Event shall be either in the case of capital protected Notes (i) the monetization of the Notes with the alternative of a sale by the investor to the Issuer at market value of the product, or in other cases than capital protected Notes, (ii) the early redemption of the Notes at market value, being understood that in a force majeure event, the consequence will always be early redemption at market value. Monetization means that the underlying financial structure (derivative component) of a capital protected Note will be unwound at its market value and added to the bond component. The bond component will be capitalized up to the protected level, to which the market value of the derivative component being capitalized at the same intrest rate (funding rate) will be added. The fair market value shall be the value on the day on which the Calculation Agent has notified the Noteholders, taking into account the valuation of the underlying financial structure and subject to the then applicable market conditions, interest rates, forward rates, credit spreads of the relevant Issuer or the Guarantor as applicable, etc. In both solutions no deduction of any costs will be applied and the costs already borne by the Noteholders will be refunded *pro rata temporis* to the Noteholders.

[39] in respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

Commodity or Basket of Commodities

Definitions

Commodity: Means the Commodity specified as such in the relevant Final Terms.

Commodity Basket: Means a basket of Commodities as specified in the relevant Final Terms.

i: The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity in the Commodity Basket separately.

w: Means the weight of a certain Commodity in the Commodity Basket.

Initial Price: Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the price of the relevant Commodity on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Commodity or Commodity Basket as of the Valuation Time on each Initial Averaging Date.

Final Price: Means the price of the relevant Commodity at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant commodity or Commodity Basket as of the Valuation Time on each Averaging Date.

Initial Valuation Date: Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Initial Price of such Commodity shall be determined on the basis of the price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.

Valuation Date: Means any date specified as such in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Final Price of such Commodity shall be determined on the basis of the Relevant Price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date.

Relevant Price: Means the price of the relevant Commodity determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.

Commodity Business Day: Means for the relevant Commodity a day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which the relevant Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time.

Exchange: Means the exchange or principal trading market specified in the relevant Final Terms.

Market Disruption

"**Market Disruption Event**" means any of (i) Price Source Disruption, (ii) Trading Disruption, (iii) Disappearance of Commodity, (iv) Material Change in Formula, (v) Material Change in Content or (vi) Tax Disruption, as defined below, except that for a Commodity that is Bullion, (iv) Material Change in Formula and (v) Material Change in Content will not apply.

i. "Price Source Disruption" means (A) the failure of the Price Source to announce or publish the price (or the information necessary for determining the price) for the relevant Commodity; or (B) the temporary or permanent discontinuance or unavailability of the Price Source.
ii. "Trading Disruption" means the material suspension of, or the material limitation imposed on, trading in the futures contract on the Commodity or the Commodity on the Exchange. For these purposes:
    a. a suspension of the trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if:
        1. all trading in the futures contract on the Commodity or the Commodity is suspended for the entire day; or

2. all trading in the futures contract on the Commodity or the Commodity is suspended subsequent to the opening of trading on that day, trading does not recommence prior to the regularly scheduled close of trading in such futures contract on the Commodity or Commodity on such day and such suspension is announced less than one hour preceding its commencement; and

b. a limitation of trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the futures contract on the Commodity or the Commodity may fluctuate and the closing or settlement price of the futures contract on the Commodity or the Commodity on such day is at the upper or lower limit of that range.

iii. "**Disappearance of Commodity**" means:

a. the permanent discontinuation of trading, in the relevant futures contract on the Commodity; or

b. the disappearance of, or of trading in, the relevant Commodity; or

c. the disappearance or permanent discontinuance or unavailability of a price for the Commodity, notwithstanding the availability of the related Price Source or the status of trading in the relevant futures contract on the Commodity or the relevant Commodity.

iv. "**Material Change in Formula**" means the occurrence of a material change in the formula for or the method of calculating the relevant price of the Commodity.

v. "**Material Change in Content**" means the occurrence of a material change in the content, composition or constitution of the Commodity or relevant futures contract on the Commodity.

vi. "**Tax Disruption**" means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Commodity (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal.

"**Bullion**" means Gold, Silver, Platinum or Palladium, as the case may be.

In case a Market Disruption Event occurs the Calculation Agent will determine in good faith and in a commercially reasonable manner the Final Price of the relevant Commodity (or a method for determining the Final Price of the relevant Commodity).

If the Calculation Agent cannot determine the Final Price of the relevant Commodity (or a method for determining the Final Price of the relevant Commodity), the Calculation Agent shall notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Market Disruption Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

Extraordinary Events

"Change in Law"

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of a Change in Law in respect of any Underlying, the Calculation Agent, on or after the effective date of such Change in Law, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the Change in Law to protect the theoretical value of the Notes to the Noteholders immediately prior to such

In that respect, "**Change in Law**" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of the Notes.

"**Hedging Disruption**"[40] means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain,

[40] In respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of

unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Underlying of entering into and performing its obligations with respect to the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset,

"**Increased Cost of Hedging**"[41] means that the Issuer [or the Guarantor] would incur a materially increased (as compared with the circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions(s) or asset(s) it deems necessary to hedge the price risk relating to the Underlying, of entering into and performing its obligations with respect to the Notes or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

Consequences of Extraordinary Events:

- Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of the Underlying, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.
- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would be able to protect the theoretical value of the Notes immediately prior to the Extraordinary Event, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Extraordinary Event shall be either in the case of capital protected or Notes (i) the monetization of the Notes, or in other cases (ii) the early redemption of the Notes, being understood that in a force majeure event, the consequence will always be early redemption at market value. Monetization means that the underlying financial structure (derivative component) of a capital protected Note will be unwound at its market value and added to the bond component which will capitalized at least up to the protected level. In case of early redemption, the price shall be the fair market value on the day on which the Calculation Agent has notified the Noteholders, taking into account the valuation of the underlying financial structure and subject to the then applicable market conditions, interest rates, forward rates, credit spreads of the relevant Issuer or the Guarantor as applicable, etc. In both solutions no deduction of any costs will be applied and the costs already borne by the Noteholders will be refunded *pro rata temporis* to the Noteholders.

Commodity Index or Basket of Commodity Indices

Definitions

Commodity Index: Means the Commodity Index specified as such in the relevant Final Terms.

Commodity Index Basket: Means a basket of Commodities Indices as specified in the relevant Final Terms.

i: The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity Index in the Commodity Index Basket separately.

w: Means the weight of a certain Commodity Index in the Commodity Index Basket.

Initial Price: Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Commodity Index or Basket on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean,

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investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

[41] In respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Initial Averaging Date.

Final Price: Means the level of the relevant Commodity Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Averaging Date.

Initial Valuation Date: Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Initial Price of such Commodity Index shall be determined on the basis of the price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.

Valuation Date: Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Final Price of such Commodity Index shall be determined on the basis of the Relevant Price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Averaging is specified as applicable, means the final Averaging Date.

Relevant Price: Means the level of the relevant Index or Basket determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.

Scheduled Publication Day: Means any day on which the Commodity Index Sponsor is scheduled to publish the level of the relevant Commodity Index.

Commodity Index Sponsor: Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Commodity Index and (b) announces (directly or through an agent) the level of the Commodity Index on a regular basis.

Commodity Index Event

If, in the opinion of the Calculation Agent, any Commodity Index is modified by the Commodity Index Sponsor, cancelled by the Commodity Index Sponsor, replaced by a successor commodity index or remains unpublished by the Commodity Index Sponsor, or if, in the opinion of the Calculation Agent, a Commodity Index Market Disruption Event occurs (any of the above events, a “Commodity Index Event”), the Calculation Agent shall determine in its sole discretion, but in good faith and in a commercially reasonable manner, how such Commodity Index Event affects the Notes and what it consequences should be.

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent shall notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Commodity Index Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

A “**Commodity Index Market Disruption Event**” means any of (a) the termination or suspension of, or material limitation or disruption in, the trading of any exchange-traded futures contract included in a relevant Commodity Index, and (b) the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day’s settlement price, or (c) the exchange fails to publish official settlement prices for any such contract.

Extraordinary Events

“Change in Law”

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of a Change in Law in respect of any Underlying, the Calculation Agent, on or after the effective date of such Change in Law, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the Change in Law to protect the theoretical value of the Notes to the Noteholders immediately prior to such Change in Law.

In that respect, "**Change in Law**" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any

applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of the Notes.

"**Hedging Disruption**"[42] means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Underlying of entering into and performing its obligations with respect to the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset,

"**Increased Cost of Hedging**"[43] means that the Issuer [or the Guarantor] would incur a materially increased (as compared with the circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions(s) or asset(s) it deems necessary to hedge the price risk relating to the Underlying, of entering into and performing its obligations with respect to the Notes or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

Consequences of Extraordinary Events:

- Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of the Underlying, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.
- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would be able to protect the theoretical value of the Notes immediately prior to the Extraordinary Event, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Extraordinary Event shall be either in the case of capital protected Notes (i) the monetization of the Notes with the alternative of a sale by the investor to the Issuer at market value of the product, or in other cases than capital protected Notes, (ii) the early redemption of the Notes at market value, being understood that in a force majeure event, the consequence will always be early redemption at market value. Monetization means that the underlying financial structure (derivative component) of a capital protected Note will be unwound at its market value and added to the bond component. The bond component will be capitalized up to the protected level, to which the market value of the derivative component being capitalized at the same intrest rate (funding rate) will be added. The fair market value shall be the value on the day on which the Calculation Agent has notified the Noteholders, taking into account the valuation of the underlying financial structure and subject to the then applicable market conditions, interest rates, forward rates, credit spreads of the relevant Issuer or the Guarantor as applicable, etc. In both solutions no deduction of any costs will be applied and the costs already borne by the Noteholders will be refunded *pro rata temporis* to the Noteholders.

Inflation Index or Basket of Inflation Indices

Definitions

For the purpose of the Inflation Linked Securities, the following terms shall have the meanings set out below:

"**Cut-Off Date**" means, in respect of any Determination Date, five Business Days prior to such Determination Date, unless otherwise stated in the applicable Final Terms.

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[42] In respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

[43] In respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

"**Delayed Index Level Event**" means, in respect of any Determination Date and an Index, that the relevant Index Sponsor fails to publish or announce the level of such Index (the "Relevant Level") in respect of any Reference Month which is to be utilised in any calculation or determination to be made by the Issuer in respect of such Determination Date, at any time prior to the Cut-Off Date.

"**Determination Date**" means each date specified as such in the applicable Final Terms.

"**Fallback Bond**" means a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the Index relates and which pays a coupon or redemption amount which is calculated by reference to the Index, with a maturity date which falls on (a) the same day as the Termination Date, (b) the next longest maturity after the Termination Date if there is no such bond maturing on the Termination Date, or (c) the next shortest maturity before the Termination Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

"**Index**" means each index specified as such in the related Final Terms, or any Successor Index.

"**Index Sponsor**" means the entity that publishes or announces (directly or through an agent) the level of the relevant Index.

"**Reference Month**" means the calendar month for which the level of the Index was reported, regardless of when this information is published or announced. If the period for which the Index level was reported is a period other than a month, the Reference Month is the period for which the Index level was reported.

"**Related Bond**" means the bond specified as such in the related Final Terms, or if no bond is so specified, the Fallback Bond. If the Related Bond specified in the applicable Final Terms is "Fallback Bond", then for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified as the Related Bond and "Fallback Bond: Not Applicable" is specified in the related Final Terms there will be no Related Bond. If a bond is selected as the Related Bond in the related Final Terms, and that bond redeems or matures before the Maturity Date specified in the Related Final Terms, unless "Fallback Bond: Not applicable" is specified in the related Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination under these Definitions.

Index Delay and Disruption Event Provisions

- Delay of Publication

  If the Calculation Agent determines that a Delayed Index Level Event in respect of an Index has occurred with respect to any Determination Date, then the Relevant Level for such Index the subject of such Delayed Index Event (the 'Substitute Index Level") shall be determined by the Calculation Agent by using the following methodology:

  i. If Related Bond is specified as applicable for such Index in the relevant Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the Related Bond; or

  ii. If (a) Related Bond is not specified as applicable for such Index in the relevant Final Terms, or (b) the Calculation Agent is not able to determine a Substitute Index Level under (i) for any reason, then the Calculation Agent shall determine the Substitute Index Level as follows:

  $$Substitute\ Index\ Level = Base\ Level \times (Latest\ Level \div Reference\ Level)$$

  Where:

  "**Base Level**" means the level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

"**Latest Level**" means the latest level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor prior to the month in respect of which the Substitute Index Level is being calculated.

"**Reference Level**" means the level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in "Latest Level" above.

- Cessation of Publication

  If a level for the Index has not been published or announced for two consecutive months or the Index Sponsor announces that it will no longer continue to publish or announce the Index then the Calculation Agent shall determine a Successor Index (the "**Successor Index**") (in lieu of any previously applicable Index) by using the following methodology:

  a. If at any time a successor index has been designated by the Calculation Agent pursuant to the terms and conditions of the Related Bond, such successor index shall be designated a "Successor Index" notwithstanding that any other Successor Index may previously have been determined under paragraphs (b), (c) or (d) below; or
  b. If a Successor Index has not been determined under (a) above and a notice has been given or an announcement has been made by an Index Sponsor, specifying that the Index will be superseded by a replacement Index specified by the Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Index for purposes of the Notes from the date that such replacement Index comes into effect; or
  c. If a Successor Index has not been determined under (a) or (b) above the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the Successor Index. If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the Successor Index. If fewer than three responses are received, the Calculation Agent will proceed to subsection (d) hereof; or
  d. If no Successor Index has been deemed under (a), (b) or (c) above by the next occurring Cut-Off Date, the Calculation Agent will determine an appropriate alternative index from such Cut-Off Date, and such index will be deemed a Successor Index.
  e. If the Calculation Agent determines that there is no appropriate alternative index, the Calculation Agent may make any adjustments acting in good faith with an aim to preserve the economic equivalent of the obligations of the Issuer. The Issuer shall give notice to the holders of the Notes of any such adjustment in accordance with article 9.16 of this prospectus.

- Rebasing of the Index.

  If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the "Rebased Index") will be used for purposes of determining the level of an Index from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent pursuant to the terms and conditions of the Related Bond, if Related Bond is specified as applicable in the applicable Final Terms,, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. If Related Bond, is not specified as applicable in the applicable Final Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased.

- Material Modification Prior to last occurring Cut-Off.

  If, on or prior to the last occurring Cut-Off Date, an Index Sponsor announces that it will make a material change to an Index, then the Calculation Agent shall make any such adjustments to the Index, if Related Bond is specified as applicable in the applicable Final Terms, consistent with adjustments made to the Related Bond, or, if Related Bond, is not specified as applicable in the applicable Final Terms, only those adjustments necessary for the modified Index to continue as the Index.

- Manifest Error in Publication.
    i. The first publication or announcement of the Index Level (disregarding estimates) by the Index Sponsor for any Reference Month shall be final and conclusive and, subject to Condition 9.6.7.4.(iii)(II), later revisions to the level for such Reference Month will not be used in any calculations,.
    ii. If, within thirty days of publication or at any time prior to a Determination Date in respect of which an Index Level will be used in any calculation or determination in respect of such Determination Date, the Calculation Agent determines that the Index Sponsor has corrected the Index Level to correct an error which the Calculation Agent determines is material, the Calculation Agent, acting in good faith and in accordance with reasonable market practice, may make any adjustment to the Redemption Amount, interest payable under the Notes (if any) and/or any other relevant term of the Notes as the Calculation Agent, acting in good faith with an aim to preserve the economic equivalent of the obligations of the Issuer. The Issuer shall give notice to the holders of the Notes of any such adjustment and/or amount in accordance with article 9.16. of this Base Prospectus.

Extraordinary Events

"Change in Law"

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of a Change in Law in respect of any Underlying, the Calculation Agent, on or after the effective date of such Change in Law, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the Change in Law to protect the theoretical value of the Notes to the Noteholders immediately prior to such Change in Law.

In that respect, "**Change in Law**" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of the Notes.

"**Hedging Disruption**"[44] means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Underlying of entering into and performing its obligations with respect to the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset.

"**Increased Cost of Hedging**"[45] means that the Issuer [or the Guarantor] would incur a materially increased (as compared with the circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions(s) or asset(s) it deems necessary to hedge the price risk relating to the Underlying, of entering into and performing its obligations with respect to the Notes or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

Consequences of Extraordinary Events:

- Unless an Extraordinary Event is specified as 'Not Applicable' in the Final Terms Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of the Underlying, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems

[44] In respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

[45] In respect of Notes issued and placed in the framework of a public offer in Belgium (public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market), these events do not allow a unilateral modification of essential features or an early redemption of the Notes.

appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.

- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would be able to protect the theoretical value of the Notes immediately prior to the Extraordinary Event, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Extraordinary Event shall be either in the case of capital protected Notes (i) the monetization of the Notes with the alternative of a sale by the investor to the Issuer at market value of the product, or in other cases than capital protected Notes, (ii) the early redemption of the Notes at market value, being understood that in a force majeure event, the consequence will always be early redemption at market value. Monetization means that the underlying financial structure (derivative component) of a capital protected Note will be unwound at its market value and added to the bond component. The bond component will be capitalized up to the protected level, to which the market value of the derivative component being capitalized at the same interest rate (funding rate) will be added. The fair market value shall be the value on the day on which the Calculation Agent has notified the Noteholders, taking into account the valuation of the underlying financial structure and subject to the then applicable market conditions, interest rates, forward rates, credit spreads of the relevant Issuer or the Guarantor as applicable, etc. In both solutions no deduction of any costs will be applied and the costs already borne by the Noteholders will be refunded *pro rata temporis* to the Noteholders.

9.8 Rounding

For the purposes of any calculations required pursuant to these Terms and Conditions (unless otherwise specified in the relevant Final Terms), (i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), and (ii) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes "unit" means, the lowest amount of such currency that is available as legal tender in the country of such currency.

9.9 Status of the Notes

The Notes that are specified in the Final Terms to be Senior Notes and the payments of principal and interest relating to them are direct, unconditional and unsecured obligations of the relevant Issuer and rank at all times pari passu, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, from time to time outstanding (save for certain obligations required to be preferred by law or preferred contractually as described in the final terms of such obligations). AXA BANK does not intend to issue "non-preferred senior unsecured" debt (article 389/1,2° Belgian Banking Law of 25 April 2014) under the present Programme.

9.10 Clearing Systems

The clearing systems operated by Euroclear Bank SA/N.V. ("Euroclear"), Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), the BNB system, and such other clearing system as may be agreed between the Issuer and the Fiscal Agent and as specified in the relevant Final Terms.

9.11 Events of Default

In any of the following events ("Events of Default") any Noteholder may by written notice to the Issuer and, in the case of ABF(NL) Notes, the Guarantor at its or their specified office declare his Note or Notes immediately due and payable, and thereupon an early redemption shall occur, unless, prior to the giving of such notice, all Events of Default shall have been cured:

a. if default is made by the Issuer for a period of 30 calendar days or more in the payment of any amount due under the terms and conditions of the Notes when such amounts become due and payable; or
b. in the event of default by the Issuer or, in the case of ABF(NL) Notes, the Guarantor, as the case may be, in the due performance of any other obligation under the terms and conditions of the Notes, unless remedied within 45 days after receipt of a written notice thereof given by any Noteholder to the Issuer; or

c. in the event of a merger, consolidation or other reorganization of the Issuer or, in the case of ABF(NL) Notes, the Guarantor with, or a sale or other transfer by the Issuer or, in the case of ABF(NL) Notes, the Guarantor of all or a substantial part of its assets to, any other incorporated or unincorporated person or legal entity, unless, in each case not involving or arising out of insolvency, the person or entity surviving such merger, consolidation or other reorganization or to which such assets shall have been sold or transferred shall have assumed expressly and effectively or by law all obligations of the Issuer or, in the case of ABF(NL) Notes, the Guarantor, as the case may be, with respect to the Notes and, the interests of the holders of Notes are not materially prejudiced thereby; or
d. in the event that the Issuer or, in the case of ABF(NL) Notes, the Guarantor is adjudicated bankrupt or insolvent, or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of its creditors, or enters into a composition with its creditors, or applies for a moratorium, or institutes or has instituted any proceedings under any applicable bankruptcy law, insolvency law, composition law or any law governing the appointment of a receiver, administrator, trustee or other similar official for the whole or any substantial part of its assets or property or any other similar law, or in the event that any such proceedings are instituted against the Issuer or, in the case of ABF(NL) Notes, the Guarantor and remain undismissed for a period of 30 days, or
e. if, for any reason, the Guarantee ceases to be in full force and effect.

The early redemption amount of the Notes shall be determined by the Calculation Agent, in accordance with market practice and acting in good faith.

Notice of any Event of Default shall be given to the Noteholders in accordance with the Condition 9.16 Notices.

9.12 Modifications of the Agency Agreement

The Issuer and, in the case of ABF(NL) Notes, the Guarantor shall only permit any modification of, or any waiver or authorization of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

9.13 Responsibility of the Calculation Agent

All calculations shall be made in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or intentional misconduct of the Calculation Agent. The calculations and determinations of the Calculation Agent shall be made in accordance with the Terms and Conditions (having regard in each case to the criteria stipulated herein and where relevant on the basis of information provided to or obtained by employees or officers of the Calculation Agent responsible for making the relevant calculation or determination) and shall, in the absence of manifest error, be final, conclusive and binding on the Issuer and the Noteholders. The Calculation Agent acts solely as agent of the Issuer and does not assume any obligations or duty to, or any relationship of agency or trust for or with, the Noteholders.

9.14 Prescription

Claims against the Issuer or, in the case of ABF(NL) Notes, the Guarantor for payment of principal and interest in respect of any Note shall be prescribed and become void unless made within a period of ten or five years respectively after the date on which such payment first becomes due.

9.15 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or, in the case of ABF(NL) Notes, the Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or, in the case of ABF(NL) Notes, the Guarantor shall only constitute a discharge to the Issuer or, in the case of ABF(NL) Notes, the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or

recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, the Issuer, failing whom , in the case of ABF(NL) Notes, the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom, in the case of ABF(NL) Notes, the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and, in the case of ABF(NL) Notes, the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

9.16 Substitution

The Issuer and in the case of ABF(NL) notes, the Guarantor may, without any further consent or cooperation from the Noteholders, substitute for itself as principal debtor, and in the case of ABF(NL) notes, as the Guarantor under the Notes, any company (the "Substitute") by assigning all its rights and obligations to such other company in order to enable intragroup reorganizations, such as mergers or reallocation of financing activities within the group (which may be driven by a variety of reasons, such as structural optimization, regulatory changes), provided that:

a. the Substitute is the ultimate parent company of the group to which the Issuer belongs upon the substitution being effective or a (direct or indirect) subsidiary of such ultimate parent company;
b. in the case of AXA BANK and ABF(NL) Notes, the Substitute has a long term credit rating of at least the same level as AXA BANK and (except in case of merger by way of absorption of AXA BANK) AXA BANK, unconditionally and irrevocably guarantees the due and punctual payment of the principal of and interest on the AXA BANK Notes outstanding upon the substitution as well as of any additional amounts which may be required to be paid by the Substitute under the then outstanding AXA BANK Notes;
c. no payment of any Redemption Amount or of interest on any Note is overdue and no other circumstances exist capable of causing the acceleration of maturity of the Notes;
d. the Substitute assumes all obligations and liabilities of the substituted Issuer in its capacity as debtor arising from, or in connection with, the Notes;
e. the Substitute shall agree to indemnify the holders of each Note against: all tax, duty, fee or governmental charge which is imposed on such holder by the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation or any political subdivision or taxing authority thereof or therein with respect to such Note and which would not have been so imposed had such substitution not been made; and any costs or expenses incurred in connection with any such substitution;
f. in the case of ABF(NL) Notes, the Guarantor consents to such substitution and the substitution is subject to the Guarantor irrevocably and unconditionally guaranteeing on a senior basis (in the case of Senior Notes) the obligations of the Substitute on the same terms mutatis mutandis as the relevant Senior Guarantee; if ABF(NL) is substituted by the Guarantor, there is no requirement for an additional and separate guarantee of the obligations under the Notes; and
g. The Substitute obtains all necessary governmental and regulatory approvals and consents.

Notice of any substitution shall be given to the Noteholders in accordance with Condition 9.17 Notices.

9.17 Notices

A notification to the Noteholders shall be made either by AXA BANK directly (for Notes held on securities accounts with AXA BANK) or by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and BNB for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given validly if the said notice was given through the X/N Clearing System of the BNB or the systems of Euroclear and/or Clearstream, Luxembourg in accordance with the procedures of the relevant clearing system.

In addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will also be published in a daily newspaper of general circulation in the place or places required by those rules. Where the relevant Issuer is AXA BANK and to the extent required by Belgian company law, the notice will also be published in the Moniteur

Belge-Belgisch Staatsblad and in a leading Belgian daily newspaper of general circulation in Brussels. It is expected that any such publication in a newspaper will be made in De Tijd and/or L'Echo in Brussels.

If definitive ABF (NL) Notes are delivered to Noteholders instead of being represented by a Global Note, all notices regarding the ABF (NL) Notes will be made by way of publication in a leading daily newspaper of general circulation in the places where the ABF (NL) Notes were offered to the public without prejudice to requirements of Dutch company law (as may be applicable) and applicable listing requirements for so long as any Notes are listed.

Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and BNB.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. In respect of AXA Notes and whilst any of the ABF (NL) Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg and BNB, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg and BNB, as the case may be, may approve for this purpose.

9.18 Meeting of Noteholders

9.18.1 Definitions

1. references to a meeting are to a meeting of Noteholders of a single Series of Notes and include, unless the context otherwise requires, any adjournment
2. references to "Notes" and "Noteholders" are only to the Notes of the Series in respect of which a meeting has been, or is to be, called and to the holders of those Notes, respectively
3. "agent" means a holder of a voting certificate or a proxy for, or representative of, a Noteholder
4. "block voting instruction" means an instruction issued in accordance with clause 9.18.4 paragraphs 4 to 8
5. "Extraordinary Resolution" means a resolution passed at a meeting duly convened by a majority of at least 75 per cent of the votes cast
6. "voting certificate" means a certificate issued in accordance with clause 9.18.4 paragraphs 1, 2,and 3 and
7. references to persons representing a proportion of the Notes are to Noteholders or agents holding or representing in the aggregate at least that proportion in principal amount of the Notes for the time being outstanding.

9.18.2 Powers of Meetings

A meeting shall, subject to the Terms and Conditions and without prejudice to any powers conferred on other persons by the Agency Agreement, have power by Extraordinary Resolution:

1. to sanction any proposal by the relevant Issuer or the Guarantor or any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer or the Guarantor, whether or not those rights arise under the Notes , a.o. a proposal, if any, to modify essential features of the Notes
2. to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other entity
3. to assent to any modification of the Agency Agreement, the Notes proposed by the Issuer, the Guarantor or the Fiscal Agent
4. to authorize anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution
5. to give any authority, direction or sanction required to be given by Extraordinary Resolution
6. to appoint any persons (whether Noteholders or not) as a committee or committees to represent the Noteholders' interests and to confer on them any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution and
7. to approve the substitution of any entity for the relevant Issuer or the Guarantor (or any previous substitute) as principal debtor or guarantor in circumstances not provided for in the Terms and Conditions
8. provided that the special quorum provisions in clause 9.18.7 paragraph 4 shall apply to any Extraordinary Resolution (a "special quorum resolution") for the purpose of sub-paragraph 9.18.2.2 or 9.18.2.7.

9.18.3 Convening a Meeting

1. The relevant Issuer or the Guarantor may at any time convene a meeting. If it receives a written request by Noteholders holding at least 10 per cent in principal amount of the Notes of any Series for the time being outstanding and is indemnified to its satisfaction against all costs and expenses, the Issuer shall convene a meeting of the Noteholders of that Series. The meeting shall be held at a time and place as determined by the Issuer or, where applicable, the Guarantor, subject to, in the case of ABF(NL) Notes, approval by the Fiscal Agent.
2. At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Noteholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of meeting and the nature of the resolutions to be proposed and shall explain how Noteholders may appoint proxies or representatives, obtain voting certificates and use block voting instructions and the details of the time limits applicable.

9.18.4 Arrangements for Voting

1. If a Noteholder Note wishes to obtain a voting certificate in respect of it for a meeting, he must notify the Paying Agent at least 48 hours before the time fixed for the meeting. The Paying Agent shall then issue a voting certificate in respect of it.
2. A voting certificate shall:
    - be a document in the English language;
    - be dated;
    - specify the meeting concerned and the serial numbers of the Notes and
    - entitle, and state that it entitles, its bearer to attend and vote at that meeting in respect of those Notes.
3. Once a Paying Agent has issued a voting certificate for a meeting in respect of a Note, it shall not release the Note until either:
    - the meeting has been concluded or
    - the voting certificate has been surrendered to the Paying Agent.
4. If a Noteholder wishes the votes attributable to it to be included in a block voting instruction for a meeting, then, at least 48 hours before the time fixed for the meeting, (i) he must notify for that purpose the Paying Agent and (ii) he or a duly authorized person on his behalf must direct the Paying Agent how those votes are to be cast. The Paying Agent shall issue a block voting instruction in respect of the votes attributable to all Notes for which it has received such notification.
5. A block voting instruction shall:
    - be a document in the English language
    - be dated
    - specify the meeting concerned
    - list the total number and serial numbers of the Notes, distinguishing with regard to each resolution between those voting for and those voting against it
    - certify that such list is in accordance with directions received as provided in paragraphs 8, 10 and 13 and
    - appoint a named person (a "proxy") to vote at that meeting in respect of those Notes and in accordance with that list. A proxy need not be a Noteholder.
6. Once a Paying Agent has issued a block voting instruction for a meeting in respect of the votes attributable to any Notes the directions to which it gives effect may not be revoked or altered during the 48 hours before the time fixed for the meeting.
7. Each block voting instruction shall be deposited at least 24 hours before the time fixed for the meeting at the specified office of the relevant Issuer or the Guarantor or such other place as the Issuer shall designate or approve, and in default it shall not be valid unless the chairman of the meeting decides otherwise before the meeting proceeds to business. If the Issuer requires, a notarial certified copy of each block voting instruction shall be produced by the proxy at the meeting but the Issuer need not investigate or be concerned with the validity of the proxy's appointment.
8. A vote cast in accordance with a block voting instruction shall be valid even if it or any of the Noteholders' instructions pursuant to which it was executed has previously been revoked or amended, unless written

intimation of such revocation or amendment is received from the relevant Issuer by the chairman of the meeting in each case at least 24 hours before the time fixed for the meeting.

9. No instructions may be giving by the Noteholder to the Paying Agent at the same time for the purposes of both paragraph 5 and paragraph 8 for the same meeting.

9.18.5 Chairman

The chairman of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman. The chairman need not be a Noteholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

9.18.6 Attendance

The following may attend and speak at a meeting:

1. Noteholders and agents
2. the chairman
3. the Issuer, the Guarantor and the Fiscal Agent as applicable (through their respective representatives) and their respective financial and legal advisers

9.18.7 Quorum and Adjournment

1. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Noteholders, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.
2. Two or more Noteholders or agents present in person shall be a quorum:
   i. in the cases marked “No minimum proportion” in the table below, whatever the proportion of the Notes which they represent.
   ii. in any other case, only if they represent the proportion of the Notes shown by the table below.

Column 1	Column 2	Column 3	Column 4
Purpose of Meeting	Any meeting except one referred to in column 3	Meeting previously once adjourned through want of a quorum	Meeting previously twice adjourned through want of a quorum
	Required proportion	Required Proportion	Required Proportion
To pass a special quorum resolution (meaning 50 % of the current principle amount ot the Note to be present or represented)	two thirds (of the Notes present or represented at the Meeting)	one third (of the Notes present or represented at the Meeting)	No minimum proportion
To pass any other Extraordinary Resolution	A clear majority (of the Notes present or represented at the Meeting)	No minimum proportion	No minimum proportion
Any other purpose	10 per cent (of the Notes present or represented at the Meeting)	No minimum proportion	No minimum proportion

3. The chairman may (and shall if directed by a meeting) adjourn the meeting “from time to time and from place to place”. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this clause.
4. At least 10 days’ notice of a meeting adjourned for want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

9.18.8 Voting

1. Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer, the Guarantor or one or more persons representing 2 per cent of the Notes.
2. Unless a poll is demanded a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.
3. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.
4. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.
5. On a show of hands every person who is present in person and who produces a voting certificate or is a proxy or representative has one vote. On a poll every such person has one vote in respect of each principal amount equal to the minimum denomination of such Series of Notes so produced or represented by the voting certificate so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.
6. In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

9.18.9 Effect and Publication of an Extraordinary Resolution

An Extraordinary Resolution shall be binding on all the Noteholders, whether or not present at the meeting and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Noteholders within 14 days but failure to do so shall not invalidate the resolution.

9.18.10 Minutes

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

9.19 Governing Law and Jurisdiction

The Notes and the Guarantee are governed by, and shall be construed in accordance with, Belgian law.

All disputes arising out of or in connection with the Notes or the Guarantee shall be submitted to the jurisdiction of the competent courts in Belgium.

The Agency Agreement is governed by Luxembourg law with respect to Bearer Notes and by Belgian law with respect to Dematerialized Notes.

9.20 Financial Service

The financial service will be performed by AXA BANK (Belgium) and BIL (Luxembourg).

9.21 Representation of Debt Security Holders

There is no representation of debt security holders in relation to any offer of Notes.

9.22 Guarantee

Sections 9.22.1 below only applies to ABF(NL) Notes.

9.22.1 Senior Guarantee

The Guarantor has, by a Senior guarantee, unconditionally and irrevocably guaranteed on an unsubordinated basis the due and punctual payment of the principal of and interest on the Senior Notes as well as of any additional amounts which may be required to be paid by ABF(NL) (as described under 10. Taxation) (the "Senior Guarantee" and a "Guarantee", see Annex 2).

The obligations of the Guarantor under the Senior Guarantee are direct, unconditional and unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights.

10 TAXATION

TRANSACTIONS INVOLVING THE NOTES MAY HAVE TAX CONSEQUENCES FOR PROSPECTIVE INVESTORS WHICH MAY DEPEND, AMONGST OTHER THINGS, UPON THE STATUS OF THE PROSPECTIVE INVESTOR AND LAWS RELATING TO TRANSFER AND REGISTRATION TAXES, PROSPECTIVE INVESTORS WHO ARE IN ANY DOUBT ABOUT THE TAX POSITION OF ANY ASPECT OF TRANSACTIONS INVOLVING NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS.

The following is a general description of certain Belgian, Luxembourg, Netherlands and French tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Furthermore, this summary does not discuss the consequences of any automatic exchange of financial and personal information between competent tax authorities, including the Belgian, Luxembourg, Netherlands and French tax authorities. In view of its general nature, it should be treated with corresponding caution. Prospective purchasers of Notes should consult their tax advisers as to the consequences (including the automatic exchange of financial and personal information) under the tax laws of the country of which they are resident for tax purposes and the tax laws of Belgium, Luxembourg, France, and/or The Netherlands of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. The information contained within this section is limited to taxation issues, and prospective investors should not apply any information set out below to other areas, including but not limited to, the legality of transactions involving the Notes.

Except for Belgium and the Netherlands (as jurisdictions of the Issuers of the Notes), the following section only covers certain withholding tax considerations for the relevant jurisdictions and does not refer to the related overall income tax position of Noteholders.

10.1 Belgian Taxation on the Notes

The following is a general description of the principal Belgian tax consequences for investors receiving interest in respect of or disposing of, the Notes issued by AXA BANK and the Notes issued by ABF(NL) and is of a general nature based on the issuers' understanding of current law and practice. This general description is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date (for example the rate of the withholding tax). Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting the Notes issued by AXA BANK and/or ABF(NL) under the laws of their countries of citizenship, residence, ordinary residence or domicile.

10.1.1 Notes issued by AXA Bank

Belgian Withholding Tax

All payments by or on behalf of the Issuer of interest on the Notes are in principle subject to the 30 per cent Belgian withholding tax on the gross amount of the interest. Tax treaties can provide for lower rates or an exemption if certain conditions and formalities are met. Moreover, an exemption from withholding tax may be available under domestic tax law subject to certain conditions.

In this regard, "interest" means (i) the periodic interest income, (ii) any amount paid by the Issuer in excess of the issue price (upon full or partial redemption whether or not at maturity, or upon purchase by the Issuer),) and (iii) if the Notes qualify as "fixed income securities" (in the meaning of article 2, §1, 8° of the Belgian Income Tax Code), in case of a transfer of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period.

However, payments of interest and principal under the Notes by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Notes if and as long as at the moment of payment or attribution of interest they are held by certain eligible investors (the "Eligible Investors", see hereinafter) in an exempt securities account (an "X Account") that has been opened with a financial institution that is a direct or indirect participant (a "Participant") in the X/N Clearing System operated by the National Bank of Belgium (the "NBB" and the "X/N System"). Euroclear and Clearstream, Luxembourg are directly or indirectly Participants for this purpose.

Holding the Notes through the X/N System enables Eligible Investors to receive the gross interest income on their Notes and to transfer the Notes on a gross basis.

Participants to the X/N system must enter the Notes which they hold on behalf of Eligible Investors in an X Account.

Eligible Investors are those entities referred to in article 4 of the Arrêté Royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier (Belgian Royal Decree of 26 May 1994 on the perception of withholding tax) which include, inter alia:

a. Belgian corporations subject to Belgian corporate income tax;
b. institutions, associations or companies specified in article 2, §3 of the law of 9 July 1975 on the control of insurance companies other than those referred to in 1° and 3° subject to the application of article 262, 1° and 5° of the Income Tax Code of 1992;
c. state regulated institutions ("institutions paraétatiques", "parastatalen") for social security, or institutions which are assimilated therewith, provided for in article 105, 2º of the Royal Decree implementing the Income Tax Code 1992;
d. non-resident investors provided for in article 105, 5º of the same decree;
e. investment funds, recognised in the framework of pension savings, provided for in article 115 of the same decree;
f. tax payers provided for in article 227, 2º of the Income Tax Code 1992 which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident income tax pursuant to article 233 of the same code;
g. the Belgian State in respect of investments which are exempt from withholding tax in accordance with article 265 of the Income Tax Code 1992;
h. investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not offered publicly in Belgium or traded in Belgium; and,
i. Belgian resident corporations not provided for under (a) above, when their activities exclusively or principally consist of the granting of credits and loans.

Eligible Investors do not include, inter alia, Belgian resident investors who are individuals or nonprofit making organizations, other than those mentioned under (b) and (c) above.

Participants to the X/N System must keep the Notes which they hold on behalf of the non-Eligible Investors in a non-exempt securities account (an "N Account"). In such instance all payments of interest are subject to the 30 per cent. withholding tax. This withholding tax is withheld by the NBB and paid to the Belgian Treasury.

Transfers of Notes between an X Account and an N Account may give rise to certain adjustment payments on account of withholding tax:

- A transfer from an N Account (to an X Account or N Account) gives rise to the payment by the transferor non-Eligible Investor to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- A transfer (from an X Account or N Account) to an N Account gives rise to the refund by the NBB to the transferee non-Eligible Investor of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- Transfers of Notes between two X Accounts do not give rise to any adjustment on account of withholding tax.

The pro rata of accrued interest referred to above is equal to the pro rata of accrued interest corresponding to the detention period for non-structured notes. For structured notes issued in the X/N system, the Royal Decree of 1 July 2013 amending the Royal Decree of 26 May 1994 on the deduction of withholding tax (Belgian Gazette of 9 August 2013), stipulates that the pro rata of accrued interest should be determined on the basis of the value of the parameter(s) of the structured note on issue date and their respective value(s) on the transfer date. The taxable amount so determined constitutes a lump sum basis which will be different, and possibly higher, than the interest income realized on the next interest date and/or maturity date.

Upon opening of an X Account for the holding of Notes, the Eligible Investor is required to provide the Participant with a statement of its eligible status on a form approved by the Minister of Finance. There is no ongoing declaration requirement to the X/N System as to the eligible status, save that the Eligible Investors need to inform the Participants of any changes to the information contained in the statement of their eligible status.

Participants are required to provide the NBB annually with listings of investors who have held an X Account during the preceding calendar year, unless they are exempt from this identification requirement (cfr. below). An Exempt Account may be opened with a Participant by an intermediary (an "Intermediary") in respect of Notes that the Intermediary holds for the account of its clients (the "Beneficial Owners"), provided that each Beneficial Owner is an Eligible Investor. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that (i) the Intermediary is itself an Eligible Investor, and (ii) the Beneficial Owners holding their Notes through it are also Eligible Investors. A Beneficial Owner is also required to deliver a statement of its eligible status to the intermediary.

The above identification requirements do not apply to Notes held in Euroclear or Clearstream, Luxembourg as Participants to the X/N Clearing System, provided that (i) Euroclear or Clearstream only hold X Accounts, (ii)they are able to identify the holders for whom they hold Notes in such account and (iii) the contractual rules agreed upon by these central securities depositaries acting as Participants include the contractual undertaking that their clients and account owners are all Eligible Investors.

In accordance with the X/N System, a Noteholder who is withdrawing Notes from an Exempt Account will, following the payment of interest on those Notes, be entitled to claim an indemnity from the Belgian tax authorities of an amount equal to the withholding on the interest payable on the Notes from the last preceding Interest Payment Date until the date of withdrawal of the Notes from the X/N System. As a condition of acceptance of the Notes into the X/N System, the Noteholders waive the right to claim such indemnity in certain cases.

Belgian Income Tax and Capital Gains

Belgian resident individuals

Natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax ("Personenbelasting/"Impôt des personnes physiques") and who hold the Notes as a private investment, are subject to the following tax treatment with respect to the Notes. Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

In accordance with Belgian tax law, the following amounts are qualified and taxable as "interest": (i) periodic interest income (ii) amounts paid by the Issuer in excess of the issue price (upon full or partial redemption whether or not at maturity, or upon purchase by the Issuer)) (iii) if the Notes qualify as "fixed income securities" (in the meaning of article 2, §1, 8° Belgian Income Tax Code), in case of a transfer of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period. "Fixed income securities" are defined as bonds, specific debt certificates issued by banks ('kasbon'/'bon de caisse') and other similar securities, including securities where income is capitalized or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalized interest up to the maturity date of the security.

Payments of interest on the Notes as defined here above under (i) and (ii) will in principle be subject to a 30 per cent withholding tax in Belgium. This payment of withholding tax fully discharges the Belgian resident individuals from their personal income tax liability with respect to these interest payments, so that they do not have to declare the interest on the Notes in their personal income tax return, provided that withholding tax was effectively levied on these interest payments.

Interest income which is declared in the annual personal income tax return will in principle be taxed at a flat rate of 30 per cent. (or at the progressive personal tax rate taking into account the taxpayer's other declared income, whichever is more beneficial). The Belgian withholding tax levied may be credited against the taxpayer's personal income tax liability.

Interest amounts as defined here above under (iii) on Notes issued outside X/N, are not subject to Belgian withholding tax at the level of the Issuer. The transferor will be required to declare this (accrued) interest amount in his/her personal income tax return. The transferor is in principle entitled to claim a credit in his tax return for the financial withholding tax i.e. the discount on the sales price demanded by the transferee in relation to the cost of 30% Belgian withholding tax on the accrued interest which will be borne by the transferee at a later date ("financial withholding tax").

Interest amounts as defined here above under (iii) on Notes issued within X/N, will be subject to Belgian withholding tax levied by NBB (cfr. supra) on behalf of the transferor. The transferor will be required to declare this (accrued) interest amount in his/her personal income tax return, but is entitled to claim a tax credit in his tax return for the 30% withholding tax levied at source.

Capital gains realized on the sale of the Notes are in principle tax exempt, unless the capital gains are realized outside the scope of the management of one's private estate or unless the capital gains qualify as interest (as defined in section 1.1 entitled "Belgian Withholding Tax"). Capital losses are in principle not tax deductible.

Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

Belgian resident companies

Interest attributed or paid to corporations Noteholders who are Belgian residents for tax purposes, i.e. who are subject to the Belgian Corporate Income Tax ("vennootschapsbelasting"/"impôt des sociétés"), as well as capital gains realized upon the sale of the Notes are taxable at the ordinary corporate income tax rate of in principle 29.58% (20.40% on the first bracket of EUR 100,000 of taxable profits for small companies within the meaning of Article 15 of the Belgian Company Code, hereafter "SMEs") (please note that as from tax year 2021 the rate of 29.58% will be reduced to 25% and the rate of 20.40% to 20%).. Subject to certain conditions, the Belgian withholding tax paid, if any, may be credited against the corporate income tax and any excess may be refunded. Capital losses realized upon the sale of the Notes are in principle tax deductible (subject to conditions).

Belgian legal entities

Belgian legal entities subject to the Belgian legal entities tax ("rechtspersonenbelasting","impôts des personnes morales") which do not qualify as Eligible Investors are subject to a withholding tax of 30 per cent. on interest payments as defined above (at "Belgian resident individuals" in the present section) under (i) and (ii). The withholding tax constitutes the final taxation, with the result that they do not have to declare the interest in their income tax return provided that the interest has effectively been subject to withholding tax.

Belgian legal entities which qualify as Eligible Investors (see Section 10.1.1.1 above entitled "Belgian Withholding Tax") and which consequently have received gross interest income are required to declare and pay the 30 per cent. withholding tax to the Belgian tax authorities.

Capital gains realized on the sale of the Notes are in principle tax exempt, unless the capital gains qualify as interest (as defined above (at "Belgian resident individuals" in the present section) under (iii)). Capital losses are in principle not tax deductible.

Organization for Financing Pensions

Belgian pension fund entities that have the form of an Organization for Financing Pensions in the meaning of the Law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision (OFP) are subject to Belgian Corporate Income Tax ("Vennootschapsbelasting"/"Impôt des sociétés"). OFPs are in Belgium subject to the following tax treatment with respect to the Notes.

Interest derived by OFP Noteholders on the Notes and capital gains realized on the Notes will be exempt from Belgian Corporate Income Tax. Capital losses are in principle not tax deductible.

Subject to certain conditions, the Belgian withholding tax that has been levied can be credited against any corporate income tax due and any excess amount is in principle refundable.

Belgian non-residents

Noteholders who use the Notes to exercise a professional activity in Belgium through a permanent establishment are in principle subject to the same tax rules as the Belgian resident companies (see above).

Noteholders who are not residents of Belgium for Belgian tax purposes and who are not holding the Notes through their permanent establishment in Belgium and do not invest in the Notes in the course of their Belgian professional activity, will not incur or become liable for any Belgian tax on income or capital gains (save as the case may be, in the form of withholding tax) by reason only of the acquisition, ownership or disposal of the Notes.

Tax on stock exchange transactions

A *taxe sur les opérations de bourse* (tax on stock exchange transactions) will be levied on the purchase and sale in Belgium of the Notes on a secondary market through a professional intermediary. No tax on stock exchange transactions will be due on the issuance of the Notes. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.12 per cent. with a maximum amount of Euro 1300 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

The scope of application of the tax on stock exchange transactions has been extended by the Law of 25 December 2016. Consequently, as of 1 January 2017, the tax also applies to secondary market transactions of which the order is directly or indirectly made to a professional intermediary established outside of Belgium by (i) a private individual with habitual residence in Belgium or (ii) a legal entity for the account of its seat or establishment in Belgium (both referred to as a “Belgian Investor”). In that context, the tax on stock exchange transactions is due by the Belgian Investor unless that Belgian Investor can demonstrate that the tax on stock exchange transactions due has already been paid. The foreign professional intermediary also has to provide each client (which gives such intermediary an order) with a qualifying order statement (“bordereau”/”borderel”), at the latest on the business day after the day the transaction concerned was realised. The qualifying order statements must be numbered in series and a duplicate must be retained by the professional intermediary. The duplicate can be replaced by a qualifying day-to-day listing, numbered in series. Alternatively, professional intermediaries established outside of Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities (“Stock Exchange Tax Representative”). Such Stock Exchange Tax Representative will then be liable towards the Belgian Treasury for the tax on stock exchange transactions due and for complying with the reporting obligations and the obligations relating to the order statement (“bordereau”/”borderel”) in that respect. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

A taxe sur les reports (tax on repurchase transactions) at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum amount of Euro 1300 per transaction and per party).

However an exemption for the above taxes may be available for certain transactions as listed in Article 126.1 2° of the *Code des droits et taxes divers* (Code of various duties and taxes) for the tax on stock exchange transactions and Article 139, second paragraph, of the same code for the *taxe sur les reports*. As stated below, the tax on stock exchange transactions and the tax on repurchase transactions should be abolished once the FTT enters into force.

Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal (the "Commission’s Proposal") for a Directive for a common financial transactions tax ("FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will no longer participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

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

The Commission's Proposal provides that the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax). As a consequence, Belgium should abolish the tax on stock exchange transactions and the tax on repurchase transactions once the FTT enters into force.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

Tax on Securities Accounts

On 10 March 2018, the law on the introduction of a tax on securities accounts entered into force. Pursuant to this law, Belgian resident and non-resident individuals are taxed at a rate of 0.15 per cent. on their share in the average value of qualifying financial instruments (such as ordinary shares and other shares, bonds, certain other type of debt instruments, units of undertakings for collective investment, warrants) held on one or more securities accounts during a reference period of 12 consecutive months starting on 1 October and ending on 30 September of the subsequent year. However, the first reference period starts on 10 March 2018 and ends on 30 September 2018 ("Tax on Securities Accounts").

No Tax on Securities Accounts is due provided the holder's share in the average value of the qualifying financial instruments on those accounts amounts to less than EUR 500,000. If, however, the holder's share in the average value of the qualifying financial instruments on those accounts amounts to EUR 500,000 or more, the Tax on Securities Accounts is due on the entire share of the holder in the average value of the qualifying financial instruments on those accounts (and, hence, not only on the part which exceeds the EUR 500,000 threshold).

Qualifying financial instruments held by non-resident individuals only fall within the scope of the Tax on Securities Accounts provided they are held on securities accounts with a financial intermediary established or located in Belgium. Note that pursuant to certain double tax treaties, Belgium has no right to tax capital. Hence, to the extent the Tax on Securities Accounts is viewed as a tax on capital within the meaning of these double tax treaties, treaty protection may, subject to certain conditions, be claimed.

A financial intermediary is defined as (i) a credit institution or a stockbroking firm as defined by Article 1, §2 and §3 of the Law of 25 April 2014 on the status and supervision of credit institutions and investment companies and (ii) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are, pursuant to national law, admitted to hold financial instruments for the account of customers.

The Tax on Securities Accounts is in principle due by the financial intermediary established or located in Belgium if (i) the holder's share in the average value of the qualifying financial instruments held on one or more securities accounts with said intermediary amounts to EUR 500,000 or more or (ii) the holder instructed the financial intermediary to levy the Tax on Securities Accounts due (e.g. in case such holder holds qualifying financial instruments on several securities accounts held with multiple intermediaries of which the average value does not amount to EUR 500,000 or more, but of which the holder's share in the total average value of these accounts amounts to at least EUR 500,000). Otherwise, the Tax on Securities Accounts would have to be declared and would be due by the holder itself unless the holder provides evidence that the Tax on Securities Accounts has already been withheld, declared and paid by an intermediary which is not established or located in Belgium. In that

respect, intermediaries located or established outside of Belgium could appoint a Tax on the Securities Accounts representative in Belgium, subject to certain conditions and formalities ("Tax on the Securities Accounts Representative"). Such a Tax on the Securities Accounts Representative will then be liable towards the Belgian Treasury for the Tax on the Securities Accounts due and for complying with certain reporting obligations in that respect.

Belgian resident individuals will have to report in their annual income tax return various securities accounts held with one or more financial intermediaries of which they are considered as a holder within the meaning of the Tax on Securities Accounts. Non-resident individuals have to report in their annual Belgian non-resident income tax return various securities accounts held with one or more financial intermediaries established or located in Belgium of which they are considered as a holder within the meaning of the Tax on Securities Accounts.

Prospective investors are strongly advised to seek their own professional advice in relation to the Tax on Securities Accounts.

10.1.2 Notes Issued by ABF(NL)

Withholding Tax and Income Tax

Belgian resident individuals

Natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax ("Personenbelasting"/"Impôt des personnes physiques") and who hold the Notes as a private investment, are in Belgium subject to the following tax treatment with respect to the Notes. Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

In accordance with Belgian tax law, the following amounts are qualified and taxable as "interest": (i) periodic interest income, (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date) and (iii) if the Notes qualify as "fixed income securities" (in the meaning of article 2, §1, 8° Belgian Income Tax Code), in case of a transfer of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period. "Fixed income securities" are defined as bonds, specific debt certificates issued by banks ('kasbon'/'bon de caisse') and other similar securities, including securities where income is capitalized or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalized interest up to the maturity date of the security.

Payments of interest on the Notes as defined here above under (i) and (ii) made through a paying agent in Belgium will in principle be subject to a 30 per cent. withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes). This payment of withholding tax fully discharges the Belgian resident individuals from their personal income tax liability with respect to these interest payments, so that they do not have to declare the interest on the Notes in their personal income tax return, provided that withholding tax was effectively levied on these interest payments.

Interest amounts as defined here above under (iii) on Notes made through a paying agent in Belgium are in principle not subject to Belgian withholding tax. The transferor will be required to declare this (accrued) interest amount in his/her personal income tax return.

Interest income which is declared in the annual personal income tax return will in principle be taxed at a flat rate of 30 per cent. (or at the progressive personal tax rate taking into account the taxpayer's other declared income, whichever is more beneficial).

Capital gains realized on the sale of the Notes are in principle tax exempt, unless the capital gains are realized outside the scope of the management of one's private estate or unless the capital gains qualify as interest (as defined above). Capital losses are in principle not tax deductible.

Belgian resident companies

Corporations Noteholders who are Belgian residents for tax purposes, i.e. who are subject to Belgian Corporate Income Tax ("Vennootschapsbelasting"/"Impôt des sociétés") are in Belgium subject to the following tax treatment with respect to the Notes.

Interest derived by Belgian corporate investors on the Notes and capital gains realized on the Notes will be subject to Belgian corporate income tax of 29.58% (20.40% on the first bracket of EUR 100,000 of taxable profits for SMEs)

(please note that as from tax year 2021 the rate of 29.58% will be reduced to 25% and the rate of 20.40% to 20%). Capital losses are in principle deductible.

Interest payments on the Notes made through a paying agent in Belgium can under certain circumstances be exempt from withholding tax, provided a special certificate is delivered. The Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

Belgian legal entities

Legal entities Noteholders who are Belgian residents for tax purposes, i.e. who are subject to Belgian tax on legal entities ("Rechtspersonenbelasting"/"impôt des personnes morales") are in Belgium subject to the following tax treatment with respect to the Notes.

Payments of interest, as defined above (at "Belgian resident individuals" in the present section) under (i) and (ii), on the Notes made through a paying agent in Belgium will in principle be subject to a 30 per cent withholding tax in Belgium and no further tax on legal entities will be due on the interest.

However, if the interest is paid outside Belgium without the intervention of a Belgian paying agent and without the deduction of Belgian withholding tax, the legal entity itself is required to declare and pay the 30 per cent withholding tax to the Belgian tax authorities.

Capital gains realized on the sale of the Notes are in principle tax exempt, unless the capital gain qualifies as interest (as defined above (at "Belgian resident individuals" in the present section) under (iii)). Capital losses are in principle not tax deductible.

Organization for Financing Pensions

OFPs are subject to Belgian Corporate Income Tax ("Vennootschapsbelasting"/"Impôt des sociétés"). OFPs are in Belgium subject to the following tax treatment with respect to the Notes.

Interest derived by OFP Noteholders on the Notes and capital gains realized on the Notes will be exempt from Belgian Corporate Income Tax. Capital losses are in principle not tax deductible.

Subject to certain conditions, the Belgian withholding tax that has been levied can be credited against any corporate income tax due and any excess amount is in principle refundable.

Belgian non-residents

The interest income as defined above (at "Belgian resident individuals" in the present section) under (i) and (ii) on the Notes paid through a professional intermediary in Belgium will, in principle, be subject to a 30 per cent. withholding tax, unless the Noteholder is resident in a country with which Belgium has concluded a double taxation agreement and delivers the requested affidavit or can benefit from another withholding tax exemption. If the income is not collected through a financial institution or other intermediary established in Belgium, no Belgian withholding tax is due.

The non-residents who use the Notes to exercise a professional activity in Belgium through a permanent establishment are subject to the same tax rules as the Belgian resident companies (see above). Non-resident Noteholders who do not allocate the Notes to a professional activity in Belgium are not subject to Belgian income tax, save, as the case may be, in the form of withholding tax.

Tax on stock exchange transactions

A *taxe sur les opérations de bourse* (tax on stock exchange transactions) will be levied on the purchase and sale in Belgium of the Notes on a secondary market through a professional intermediary. No tax on stock exchange transactions will be due on the issuance of the Notes. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.12 per cent. with a maximum amount of Euro 1300 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

The scope of application of the tax on stock exchange transactions has been extended by the Law of 25 December 2016. Consequently, as of 1 January 2017, the tax also applies to secondary market transactions of which the order is directly or indirectly made to a professional intermediary established outside of Belgium by (i) a private individual with habitual residence in Belgium or (ii) a legal entity for the account of its seat or establishment in Belgium (both referred to as a "Belgian Investor"). In that context, the tax on stock exchange transactions is due

by the Belgian Investor unless that Belgian Investor can demonstrate that the tax on stock exchange transactions due has already been paid. The foreign professional intermediary also has to provide each client (which gives such intermediary an order) with an qualifying order statement (“bordereau”/”borderel”), at the latest on the business day after the day the transaction concerned was realised. The qualifying order statements must be numbered in series and a duplicate must be retained by the professional intermediary. The duplicate can be replaced by a qualifying day-to-day listing, numbered in series. Alternatively, professional intermediaries established outside of Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities (“Stock Exchange Tax Representative”). Such Stock Exchange Tax Representative will then be liable towards the Belgian Treasury for the tax on stock exchange transactions due and for complying with the reporting obligations and the obligations relating to the order statement (“bordereau”/”borderel”) in that respect. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

A taxe sur les reports (tax on repurchase transactions) at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum amount of Euro 1300 per transaction and per party).

However an exemption for the above taxes may be available for certain transactions as listed in Article 126.1 2° of the *Code des droits et taxes divers* (Code of various duties and taxes) for the tax on stock exchange transactions and Article 139, second paragraph, of the same code for the *taxe sur les reports*. As stated below, the tax on stock exchange transactions and the tax on repurchase transactions should be abolished once the FTT enters into force.

Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal (the "Commission’s Proposal") for a Directive for a common financial transactions tax ("FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will no longer participate.

The Commission’s Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

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

The Commission’s Proposal provides that the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax). As a consequence, Belgium should abolish the tax on stock exchange transactions and the tax on repurchase transactions once the FTT enters into force.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

Tax on Securities Accounts

On 10 March 2018, the law on the introduction of a tax on securities accounts entered into force. Pursuant to this law, Belgian resident and non-resident individuals are taxed at a rate of 0.15 per cent. on their share in the average value of qualifying financial instruments (such as ordinary shares and other shares, bonds, certain other type of debt instruments, units of undertakings for collective investment, warrants) held on one or more securities accounts during a reference period of 12 consecutive months starting on 1 October and ending on 30 September of the subsequent year. However, the first reference period starts on 10 March 2018 and ends on 30 September 2018 ("Tax on Securities Accounts").

No Tax on Securities Accounts is due provided the holder's share in the average value of the qualifying financial instruments on those accounts amounts to less than EUR 500,000. If, however, the holder's share in the average value of the qualifying financial instruments on those accounts amounts to EUR 500,000 or more, the Tax on Securities Accounts is due on the entire share of the holder in the average value of the qualifying financial instruments on those accounts (and, hence, not only on the part which exceeds the EUR 500,000 threshold).

Qualifying financial instruments held by non-resident individuals only fall within the scope of the Tax on Securities Accounts provided they are held on securities accounts with a financial intermediary established or located in Belgium. Note that pursuant to certain double tax treaties, Belgium has no right to tax capital. Hence, to the extent the Tax on Securities Accounts is viewed as a tax on capital within the meaning of these double tax treaties, treaty protection may, subject to certain conditions, be claimed.

A financial intermediary is defined as (i) a credit institution or a stockbroking firm as defined by Article 1, §2 and §3 of the Law of 25 April 2014 on the status and supervision of credit institutions and investment companies and (ii) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are, pursuant to national law, admitted to hold financial instruments for the account of customers.

The Tax on Securities Accounts is in principle due by the financial intermediary established or located in Belgium if (i) the holder's share in the average value of the qualifying financial instruments held on one or more securities accounts with said intermediary amounts to EUR 500,000 or more or (ii) the holder instructed the financial intermediary to levy the Tax on Securities Accounts due (e.g. in case such holder holds qualifying financial instruments on several securities accounts held with multiple intermediaries of which the average value does not amount to EUR 500,000 or more, but of which the holder's share in the total average value of these accounts amounts to at least EUR 500,000). Otherwise, the Tax on Securities Accounts would have to be declared and would be due by the holder itself unless the holder provides evidence that the Tax on Securities Accounts has already been withheld, declared and paid by an intermediary which is not established or located in Belgium. In that respect, intermediaries located or established outside of Belgium could appoint a Tax on the Securities Accounts representative in Belgium, subject to certain conditions and formalities ("Tax on the Securities Accounts Representative"). Such a Tax on the Securities Accounts Representative will then be liable towards the Belgian Treasury for the Tax on the Securities Accounts due and for complying with certain reporting obligations in that respect.

Belgian resident individuals will have to report in their annual income tax return various securities accounts held with one or more financial intermediaries of which they are considered as a holder within the meaning of the Tax on Securities Accounts. Non-resident individuals have to report in their annual Belgian non-resident income tax return various securities accounts held with one or more financial intermediaries established or located in Belgium of which they are considered as a holder within the meaning of the Tax on Securities Accounts.

Prospective investors are strongly advised to seek their own professional advice in relation to the Tax on Securities Accounts.

10.2 Taxation in the Netherlands

The following is a general summary of certain material Netherlands tax consequences of the acquisition, holding and disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as trusts or similar arrangements) may be subject to special rules. In view of its general nature, this summary should be treated with corresponding caution.

This summary is based on the tax laws of the Netherlands, published regulations thereunder and published authoritative case law, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Where the summary refers to "the Netherlands" it refers only to the part of the Kingdom of the Netherlands located in Europe.

This discussion is for general information purposes only and is not tax advice or a complete description of all tax consequences relating to the acquisition, holding and disposal of the Notes. Holders or prospective holders of

Notes should consult their own tax advisors regarding the tax consequences relating to the acquisition, holding and disposal of the Notes in light of their particular circumstances.

10.2.1 Notes Issued by AXA Bank

Withholding tax

All payments of principal or interest made by AXA Bank under the AXA Bank Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, unless the AXA Bank Notes qualify as equity of AXA Bank for Netherlands tax purposes.

Taxes on income and capital gains

Please note that the summary in this section does not describe the Netherlands tax consequences for:

i. holders of AXA BANK Notes if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in AXA BANK under The Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in The Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;
ii. pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in The Netherlands Corporate Income Tax Act 1969 ("*Wet op de vennootschapsbelasting 1969*)) and other entities that are, in whole or in part, not subject to or exempt from Netherlands corporate income tax; and
iii. holders of AXA BANK Notes who are individuals for whom the AXA BANK Notes or any benefit derived from the AXA BANK Notes are a remuneration or deemed to be a remuneration for activities performed by such holders or certain individuals related to such holders (as defined in The Netherlands Income Tax Act 2001).

Residents of the Netherlands

Generally speaking, if the holder of AXA BANK Notes is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes, any payment under the AXA BANK Notes or any gain or loss realized on the disposal or deemed disposal of the AXA BANK Notes is subject to Netherlands corporate income tax at a rate of 20% with respect to taxable profits up to €200,000 and 25% with respect to taxable profits in excess of that amount (rates and brackets for 2018).

If a holder of AXA BANK Notes is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes (a "Netherlands Resident Individual"), any payment under the AXA BANK Notes or any gain or loss realized on the disposal or deemed disposal of the AXA BANK Notes is taxable at the progressive income tax rates (with a maximum of 51.95% in 2018), if:

i. the AXA BANK Notes are attributable to an enterprise from which the holder of AXA BANK Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth (*medegerechtigd tot het vermogen*) of such enterprise without being a shareholder (as defined in The Netherlands Income Tax Act 2001); or
ii. the holder of Notes is considered to perform activities with respect to the AXA BANK Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the AXA BANK Notes that are taxable as benefits from other activities (re*sultaat uit overige werkzaamheden*).

If the above-mentioned conditions (i) and (ii) do not apply to the individual holder of AXA BANK Notes, such holder will be taxed annually on a deemed, variable return (with a maximum of, currently, 5.38% in 2018) of his/her net

investment assets for the year at an income tax rate of 30%. The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The AXA BANK Notes are included as investment assets. A tax free allowance may be available. Actual income, gains or losses in respect of the AXA BANK Notes are not subject to Netherlands income tax.

For the net investment assets on 1 January 2018, the deemed return ranges from 2.02% up to 5.38% (depending on the aggregate amount of the net investment assets on 1 January 2018). The deemed, variable return will be adjusted annually on the basis of historic market yields.

Non-residents of the Netherlands

A holder of AXA BANK Notes that is neither resident nor deemed to be resident of the Netherlands will not be subject to Netherlands taxes on income or capital gains in respect of any payment under the AXA BANK Notes or in respect of any gain or loss realized on the disposal or deemed disposal of the AXA BANK Notes, provided that:

i. such holder does not have an interest in an enterprise or deemed enterprise (as defined in The Netherlands Income Tax Act 2001 and The Netherlands Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the AXA BANK Notes are attributable; and
ii. in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the AXA BANK Notes that go beyond ordinary asset management and does not derive benefits from the AXA BANK Notes that are taxable as benefits from other activities in the Netherlands.

10.2.2 Notes Issued by ABF(NL)

Withholding tax

All payments of principal or interest made by ABF(NL) under the ABF(NL) Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, unless the ABF(NL) Notes qualify as equity of ABF(NL) for Netherlands tax purposes.

Taxes on income and capital gains

Please note that the summary in this section does not describe the Netherlands tax consequences for:

i. holders of ABF (NL) Notes if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in ABF(NL) under The Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in The Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;
ii. pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in The Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*)) and other entities that are, in whole or in part, not subject to or exempt from Netherlands corporate income tax; and
holders of ABF(NL) Notes who are individuals for whom the ABF(NL) Notes or any benefit derived from the ABF(NL) Notes are a remuneration or deemed to be a remuneration for activities performed by such holders or certain individuals related to such holders (as defined in The Netherlands Income Tax Act 2001);

iii. in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the ABF NL Notes that go beyond ordinary asset management and does not derive benefits from the ABF NL Notes that are taxable as benefits from other activities in the Netherlands.

Residents of the Netherlands

Generally speaking, if the holder of ABF(NL) Notes is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes, any payment under the ABF (NL)Notes or any gain or loss realized on the disposal or deemed disposal of the ABF(NL) Notes is subject to Netherlands corporate income tax at a rate of 20% with respect to taxable profits up to €200,000 and 25% with respect to taxable profits in excess of that amount (rates and brackets for 2018).

If a holder of ABF(NL) Notes is an individual, resident or deemed to be resident of The Netherlands for Netherlands income tax purposes (a "Netherlands Resident Individual"), any payment under the ABF(NL) Notes or any gain or loss realized on the disposal or deemed disposal of the ABF(NL) Notes is taxable at the progressive income tax rates (with a maximum of 51.95% in 2018), if:

i. the ABF(NL) Notes are attributable to an enterprise from which the holder of ABF(NL) Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth ("*medegerechtigd tot het vermogen*) of such enterprise without being a shareholder (as defined in The Netherlands Income Tax Act 2001); or
ii. the holder of Notes is considered to perform activities with respect to the ABF(NL) Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the ABF(NL) Notes that are taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (i) and (ii) do not apply to the individual holder of ABF(NL) Notes, such holder will be taxed annually on a deemed, variable return (with a maximum of, currently, 5.38% in 2018) of his/her net investment assets for the year at an income tax rate of 30%. The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The ABF(NL) Notes are included as investment assets. A tax free allowance may be available. Actual income, gains or losses in respect of the ABF(NL) Notes are not subject to Netherlands income tax.

For the net investment assets on 1 January 2018, the deemed return ranges from 2.02% up to 5.38% (depending on the aggregate amount of the net investment assets on 1 January 2017). The deemed, variable return will be adjusted annually on the basis of historic market yields.

Non-residents of the Netherlands

A holder of ABF(NL) Notes that is neither resident nor deemed to be resident of the Netherlands will not be subject to Netherlands taxes on income or capital gains in respect of any payment under the ABF(NL) Notes or in respect of any gain or loss realized on the disposal or deemed disposal of the ABF(NL) Notes, provided that:

i. such holder does not have an interest in an enterprise or deemed enterprise (as defined in The Netherlands Income Tax Act 2001 and The Netherlands Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the ABF(NL) Notes are attributable; and
ii. in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the ABF(NL) Notes that go beyond ordinary asset management and does not derive benefits from the ABF(NL) Notes that are taxable as benefits from other activities in the Netherlands.

10.2.3 Gift and Inheritance Taxes

Residents of the Netherlands

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his/her death.

Non-residents of the Netherlands

No Netherlands gift or inheritance taxes will arise on the transfer of Notes by way of gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands, unless the transfer is

otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

For purposes of Netherlands gift and inheritance taxes, amongst others, a person that holds the Netherlands nationality will be deemed to be resident of the Netherlands if such person has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his or her death. Additionally, for purposes of Netherlands gift tax, amongst others, a person not holding the Netherlands nationality will be deemed to be resident of the Netherlands if such person has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

10.2.4 Value Added Tax (VAT)

No Netherlands VAT will be payable by the holders of the Notes on (i) any payment in consideration for the issue of the Notes or (ii) the payment of interest or principal by the Issuers under the Notes.

10.2.5 Other Taxes and Duties

No Netherlands registration tax, stamp duty or any other similar documentary tax or duty will be payable by the holders of the Notes in respect of (i) the issue of the Notes or (ii) the payment of interest or principal by the Issuers under the Notes.

10.3 Taxation in Luxembourg

The following summary is of a general nature and is included herein solely for information purposes and does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to dispose of the Notes. It is based on the laws regulations and administration and judicial interpretations presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. This summary also does not take into account the specific circumstances of particular investors. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

10.3.1 Withholding Tax

Non-resident Noteholders

All payments of at arm's length interest and principal by the Issuers in the context of the holding, disposal, redemption or repurchase of the Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein in accordance with applicable law.,.

Resident Noteholders

By virtue of the Luxembourg law of 23 December 2005 as amended introducing a final tax on certain payments of interest made to certain Luxembourg resident individuals (the "Law"), payments of interest or similar income made or deemed to be made by a paying agent (within the meaning of the Law) established in Luxembourg to or for the benefit of an individual resident of Luxembourg who is not a tax resident of another State and who is the beneficial owner of such payment are subject to a final withholding tax of 20%. Individuals resident of Luxembourg may opt for a deduction of 20% when they receive payments of interest or similar income made or deemed to be made by a paying agent (within the meaning of the Law) established in another member state of the European Union or in a member state of the European Economic Area which is not a Member State of the European Union.

10.3.2 Taxation of the Noteholders

Taxation of Luxembourg non-residents

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment nor a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realise capital gains upon redemption, repurchase, sale, disposal or exchange, in any form whatsoever, of any Notes.

Noteholders who are non-residents of Luxembourg and who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable are liable to Luxembourg income tax on any

interest received or accrued, as well as on any reimbursement premium received at maturity and on any capital gain realised on the sale or disposal, in any form whatsoever, of the Notes and have to include this income in their taxable income for Luxembourg income tax assessment purposes.

Taxation of Luxembourg residents

Luxembourg resident individuals

An individual Noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if the final 20% tax has been levied or withheld on such payments in accordance with the Law.

Under Luxembourg domestic tax law, gains realised upon the sale, disposal or redemption of the Notes, which do not constitute zero coupon Notes, by an individual Noteholder, who is a resident of Luxembourg for tax purposes and who acts in the course of the management of his/her private wealth, are not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the acquisition of the Notes. Except if the final 20% tax had been levied or withheld in accordance with the Law, an individual Holder, who acts in the course of the management of his/her private wealth and who is a resident of Luxembourg for tax purposes, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement.

A gain realised upon a sale of zero coupon Notes before their maturity by Luxembourg resident Noteholders, who act in the course of the management of their private wealth, must be included in their taxable income for Luxembourg income tax assessment purposes.

Luxembourg resident individual Noteholders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, have to include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in any form whatsoever, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold, repurchased or redeemed.

Luxembourg corporate residents

Luxembourg corporate Noteholders must include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold, repurchased or redeemed.

Luxembourg corporate residents benefiting from a special tax regime

Luxembourg Noteholders who benefit from a special tax regime, such as, for example, undertakings for collective investment subject to the amended law of 17 December 2010, specialized investment funds governed by the amended law of 13 February 2007, family wealth management companies governed by the amended law of 11 May 2007 or reserved alternative investment funds treated as specialized investment funds for Luxembourg tax purposes governed by the law of 23 July 2016 are exempt from income taxes in Luxembourg and thus income derived from the Notes, as well as gains realised thereon, are not subject to income taxes.

10.3.3 Net Wealth Tax

Luxembourg resident Noteholders and non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg net wealth tax on such Notes, except if the Noteholder is (i) an individual, (ii) an undertaking for collective investment subject to the amended law of 17 December 2010, (iii) a securitisation company governed by the amended law of 22 March 2004 on securitization, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialized investment fund governed by the amended law of 13 February 2007, (vi) a family wealth management company governed by the amended law of 11 May 2007, (vii) a professional pension institution governed by the amended law of 13 July 2005 (viii) a reserved alternative investment fund governed by the law of 23 July 2016. However a minimum net worth tax applies (i) to a securitization company governed by the amended law of 22 March 2004 on securitization,(ii) to a professional pension institution governed by the amended law of 13 July 2005, (iii) to a company governed by the amended law of 15 June 2004 on venture capital vehicles and (iv) to reserved alternative investment funds opting to be treated as a venture capital vehicle for Luxembourg tax purposes and governed by the law of 23 July 2016.

10.3.4 Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of a transfer, redemption or repurchase of the Notes except in case of voluntary registration in Luxembourg and/or where the documents are physically attached (*annexé(s)*) to a deed, or are lodged with a Luxembourg civil law notary for his records (*déposé au rang des minutes d'un notaire*), in which case either a nominal registration duty or an ad valorem duty will be payable depending on the nature of the document to be registered.

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

10.4 Taxation in France

The following summary is of a general nature and is included herein solely for information purposes and does not purport to be a comprehensive description of all tax considerations relating to the subscription, acquisition, holding and disposal of the Notes. It is based on the laws, regulations and administration and judicial interpretations in force in France as at the date hereof. This summary does not take into account the specific circumstances of particular investors. Prospective Noteholders should therefore consult their usual tax advisers as to their tax positions.

10.4.1 Registration Taxes, Stamp Duty, Etc.

No stamp, issue, registration or similar taxes or duties will be due in France by the Noteholder in connection with the Notes.

10.4.2 Residents

Individuals holding Notes as part of their private assets

Advance withholding tax and social contributions payment

Interest, capital gains and assimilated income received or realized by French tax resident individuals with respect to the Notes are subject to an advance withholding tax at the rate of 12.8 per cent, which is set off against the final French income tax liability of said individuals (as described below); the excess portion, if any, is refunded.

In addition, these interest, capital gains and other similar income are subject to social contributions that are in principle withheld at the global rate of 17.2 per cent..

However, when the paying agent is not established in France, the 12.8 per cent withholding tax and 17.2 per cent social contributions are not withheld by the paying agent from the income but must be paid by the French resident tax payer to the French Treasury upon reception of the income.

French tax resident individuals whose reference taxable income (revenu fiscal de référence) in respect of the second-last calendar year is lower than € 25,000 (or € 50,000 for married couples or members of a civil union) are not subject to that advanced withholding tax and social contributions payment.

Subject to the above, all payments by the Issuer to the Noteholder in respect of the Notes can be made free of any withholding or deduction for or on account of any taxes in France.

Final income tax liability

Interest, capital gains or similar income received or realized by French tax resident individuals with respect to the Notes are subject to income tax at the rate of 12.8 per cent, unless the tax payer opts for being subject to tax on his or her investment income at the progressive rates of personal income tax. This option is valid for all investment income received in one calendar year. In this case, the withholding tax paid at the rate of 12.8% upon perception of the income is credited against the personal income tax eventually due by the tax payer and the excess can be refunded. If the tax payer opts for being subject to progressive rates on his or her investment income, the social contributions levied at the rate of 17.2 per cent upon reception of the income are deductible from his or her personal income tax basis to the extent of 6.8 per cent.

Capital losses incurred in one year can be set off only against capital gains of the same type realized in the year of the disposal or in the five following years.

If the Paying Agent levies a foreign withholding tax on the income from the Notes, individuals resident in France for tax purposes may benefit, in application of Article 199 *ter* of the French tax code (*Code général des impôts* or "CGI"), from a tax credit for the tax withheld.

Companies subject to corporate tax

Interest and redemption premium (if any) accrued on Notes over the fiscal year (or deemed to be accrued pursuant to Article 238 *septies* E of the CGI, if applicable) and capital gains or losses realized upon disposal of the Notes are included in the basis of the French corporate income tax Likewise,

For tax years opened between January 1, 2018 and December 31, 2018, French corporate income tax is due at the reduced rate of 28 per cent on the portion of their taxable income up to 500,000 euros and at the standard rate of 33 1/3 per cent on the portion above 500,000 euros. In addition, entities qualifying as small and medium enterprises (SME) within the meaning of Annex I of EU Regulation n° 651/2014 of June 17, 2014, benefit from a further reduced rate of corporate income tax of 15 per cent on the portion of their taxable income up to 38 120 euros.

Under the current state of French law, the standard corporate income tax rate referred to above will be progressively reduced to reach 25% in 2022 (31% for tax years opened as from January 1, 2019, 28% as from January 1, 2020, 26% as from January 1, 2021 and 25% after January 1, 2022)

A social surcharge of 3.3 per cent (Article 235 *ter* ZC of the CGI) is also applicable on the amount of corporate tax with an allowance of € 763,000 for each 12-month period. However, entities that have a turnover of less than € 7,630,000 and whose share capital is fully paid-up and of which at least 75 per cent. has been held over the concerned tax year continuously by individuals (or by entities meeting all of these requirements) are exempt from this contribution. For an entity that meets these requirements, the corporate tax is fixed, for taxable income up to € 38,120 within a twelve-month period, at 15 per cent.

10.4.3 Non-residents

Non-French tax resident Noteholders will normally not be subject to French income or corporate taxation with respect to income or capital gains realised in connection with the Notes, unless there is a specific connection with France, such as an enterprise or part thereof which is carried on through a permanent establishment in France.

A Noteholder will not become resident or deemed to be resident in France by reason only of the holding of a Note.

10.5 Common Reporting Standard

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation ("DAC2"), which provides for mandatory automatic exchange of financial information as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU. DAC2 requires EU member states to establish an automatic exchange of information effective as from 1 January 2016 (and in the case of Austria as from 1 January 2017).

As from 1 January 2016, the exchange of information is, in a significant number of countries already governed by the Common Reporting Standard ("CRS"). On 29 October 2014, 51 jurisdictions signed the multilateral competent authority agreement ("MCAA"), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications. More than 50 jurisdictions have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 ("early adopters"). More than 40 jurisdictions have committed to exchange information as from 2018.

Under CRS, financial institutions resident in a CRS country will be required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which includes trusts and foundations) with fiscal

residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

11 TERMS AND CONDITIONS OF THE OFFER

(Annex V.5 of Regulation (EC) 809/2004)

The Notes can be issued as private placements or by means of a public offering to the following categories of investors:

- qualified investors (investors who meet certain particular criteria under their national law and who will be further defined in the Final Terms of a particular Tranche)
- professional clients (as defined under article 4 of directive 2014/65/EU and Annex II hereto (i.e. MiFID II), mainly financial institutions, large undertakings, governments and public bodies, …)
- non-professional clients (clients which are not professional clients as defined under article 4 directive 2014/65/EU (i.e. MiFID II), mainly retail clients and SMEs)

The Notes will be offered for subscription during the Offering Period (specified in the relevant Final Terms) at the relevant Issue Price. Any applicable fees or commissions will be specified in the relevant Final Terms. The Issuer has the right to cancel any issue of Notes under the Programme during their Offering Period until the fifth Business Day before their Issue Date, either (i) when it reasonably believes that investors will not subscribe to the offer for an amount of at least the Minimum Amount specified in the relevant Final Terms or (ii) in case it considers there is a material adverse change in market conditions. Investors that have subscribed to these Notes will be notified pursuant to Condition 9.17 of such cancellation. The Issuer has the right to anticipatively terminate the Offering Period if the Maximum Amount of the relevant Notes issue has been reached or if the market conditions adversely affect the interest or the redemption amounts to be paid by the Issuer.

The cash account of the client will be debited on the Issue Date. At the same date, the Notes will be transferred on the securities accounts of the clients.

If Notes are deposited in a securities account with AXA BANK, AXA BANK will not charge any fees for this service, nor for the opening of such securities account. If a Noteholder chooses to deposit his or her securities with another financial institution, he or she must inquire the fees charged by this institution.

The Notes have not been offered or sold and will not be offered or sold directly or indirectly and the Prospectus has not been distributed and will not be distributed, except in such circumstances that will result in compliance with all applicable laws and regulations.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements and, subject to certain exceptions, Notes may not be offered, sold or delivered within the United States of America, including its territories and possessions, or to U.S. residents, U.S. individuals or U.S. entities as described Under the 'Regulation S' of the U.S. Securities Act of 1933, as amended, the Foreign Account Tax Compliance Act (de 'FATCA') or in any other regulation or Act that in the future may replace the Regulation S, the 1933 Securities Act or Fatca.

The Notes have not been offered, sold or delivered and will not be offered, sold or delivered, as part of their distribution at any time, or otherwise until 40 days after the commencement of the offering within the United States or to, or for the account or the benefit of, U.S. persons and a dealer to which the Notes are sold during the restricted period, will receive a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the U.S. or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering, an offer or sale of Notes within the U.S. by a dealer that is not participating in the offering may violate the registration requirements imposed by the U.S. Securities Act of 1933, as amended.

Any document connected with the issue of the Notes has only been issued or passed on and will only be issued and passed on in the United Kingdom to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in

circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA 2000”) in connection with the issue or sale of any Notes, has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and all applicable provisions of the FSMA with respect to anything done in relation to such Notes in, from or otherwise involving the United Kingdom have been complied with and will be complied with.

Use of benchmarks:

The information on certain Notes may refer to the use of benchmarks. Regulation (EU) 2016/1011 of the European Parliament and of the Council (the "Benchmark Regulation") requires the Issuer to provide information on the inclusion of the manager of the benchmark in the register of managers and benchmarks authorised by the European Securities and Markets Authority (the "ESMA Register"). The Benchmark Regulation provides the benchmark manager with a transitional period for inclusion in the ESMA Register (ending on 1 January 2020). The Issuer will monitor the inclusion of entities acting as manager(s) of benchmarks used in the Terms and Conditions of the Notes in the ESMA Register and will amend this prospectus accordingly.

The Issuer has drawn up an emergency plan concerning the actions to be taken if a benchmark used in the Terms and Conditions of one or more Notes changes materially or is no longer provided.

In the event that a benchmark used in the Terms and Conditions of the Notes changes materially or is no longer provided, an appropriate replacement benchmark will be sought taking into account, inter alia, the following considerations:

- The geographical, economic or sectoral scope of the new benchmark will be in line with the existing benchmark;

- Preference will be given to benchmarks that are considered the market standard for investors in the relevant market; and

If no substitute benchmark can be found, an alternative solution should be sought.

The above principles and the contingency plan are without prejudice to the provisions laid down in the Terms and Conditions of the Notes.

12 ADMISSION TO TRADING AND DEALING ARRANGEMENTS

(Annex V.6 of Regulation (EC) 809/2004)

The Programme provides that Notes may be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange (the “Market”) or an equivalent market.

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

If “Secondary Market” is provided to be “Applicable” in the relevant Final Terms for any Notes, the price of the Notes is available on demand on each Business Day during the term of such Notes in every office of AXA BANK until 30 Business Days preceding their Maturity Date, unless in AXA BANK’s determination, market conditions preclude it from quoting a price. In such case, AXA BANK can be considered market maker for the Notes and will organize the secondary market, thereby providing liquidity through bid and offer rates. The main terms of the commitment of AXA BANK will be specified in the relevant Final Terms and (i) “Maximum Spread” means on any given moment the maximum spread between the then applicable bid and offer rates; (ii) “Maximum Commission” means the maximum commission on the bid and offer rates; and (iii) “Maximum Exit Penalty” means the maximum

exit penalty applicable to the bid and offer rates. The bid and offer rates of the Notes on any given moment are subject to the market conditions, interest rates, forward rates, credit spreads of the relevant Issuer or, in the case of ABF(NL) Notes, the Guarantor,etc.

The sale proceeds can be lower than the invested amount.

13 USE OF PROCEEDS

The net proceeds of Notes, i.e. the Nominal Amount less any expenses and fees, will be applied for general corporate purposes of AXA BANK or other entities of the AXA Group. In the case of ABF(NL) Notes, ABF(NL) will lend the proceeds to AXA BANK or other entities of the AXA Group.

14 THIRD PARTY INFORMATION, EXPERT STATEMENTS AND DECLARATIONS

(Annex IV.16 and XI.13 of Regulation (EC) 809/2004)

There has not been any statement or report attributed to a person as an expert which is included in this Base Prospectus.

15 DOCUMENTS ON DISPLAY

(Annex IV.17 and XI.14 of Regulation (EC) 809/2004)

Copies of the annual reports (in French or in Dutch) dated December 31st, 2017 and December 31st, 2016 for AXA BANK and ABF(NL) and of all subsequent annual reports to be published, copies of the articles of association of AXA BANK and ABF(NL) and the documents relating to the Guarantee are available free of charge at the office of AXA BANK and will be available during the entire lifetime of the Notes. Additionally, the annual reports (in French and in Dutch) of AXA BANK are available on its internet site: www.axabank.be.

ANNEX 1: TEMPLATE FOR FINAL TERMS

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

Final Terms dated [●]

[AXA BELGIUM FINANCE (NL) B.V./AXA BANK BELGIUM SA]

Issue of [Title of Notes]

[Guaranteed by AXA BANK BELGIUM SA]

under the

AXA BELGIUM FINANCE (NL) B.V.

and

AXA BANK BELGIUM SA

EUR 2,000,000,000

Notes Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 25 September 2018, which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). **This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [and any supplement thereto].** These Final Terms and the Base Prospectus together constitute the Programme for the Tranche. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for inspection at the office of the [Guarantor and the office of the] Issuer.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Programme under Article 16 of the Prospectus Directive.]

General Description on the Notes

[●]

	(i)	Issuer:	[AXA BANK BELGIUM SA][AXA BELGIUM FINANCE (NL) B.V.]
	(ii)	Guarantor:	[N/A][AXA BANK BELGIUM SA]
	(iii)	Calculation Agent:	AXA BANK BELGIUM SA
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]

		(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).
3	Specified Currency or Currencies:	[●]
4	Maximum Amount:	
	[(i)] Series:	[●]
	[(ii)] Tranche:	[●]
5	Minimum Amount:	
	[(i)] Series:	[●]
	[(ii)] Tranche:	[●]
6	Offering Period:	[●] (except in case of early closing)
7	Issue Price:	[●] per cent. [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable)*] [including upfront and recurring fees linked to the structuration and management]
8	Brokerage Fee:	[●]
9	Denominations:	[●]
10	[(i)] Issue Date:	[●]
	[[(ii)] Interest Commencement Date:	[●]]
11	[Scheduled] Maturity Date:	[●]
12	Interest Basis:	[[●] per cent. Fixed Rate] [Floating Rate] [Zero Coupon] [Variable Linked Rate] [Not Applicable] (further particulars specified below)
13	Redemption/Payment Basis:	[Redemption at par] [Variable Linked Redemption] *)* (further particulars specified below)
14	Change of Interest or Redemption/Payment Basis:	[Not Applicable/*(Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis)*]
15	Call Options:	[Call/Not Applicable] [(further particulars specified below)]

16	Mandatory Early Redemption	[Applicable/Not Applicable] [(further particulars specified below)]
17	Status of the Notes:	[Senior Notes if Issuer is AB FIN(NL)/ Senior Preferred Notes if Issuer is AXA BANK]
	Redemption upon Capital Disqualification Event	[Applicable/Note Applicable]
	Capital Disqualification Event Early Redemption Price	[Specified Redemption Amount, and the Specified Fixe Percentage Rate is [ ] per Cent] / [Par Redemption] / [Not Aplicable] (*Note: the Specified Fixed Percentage Rate must be at least 100 per cent*.)
	Deferral of Payments	[Applicable/Note Applicable]
18	[Date [Board] approval for issuance of Notes obtained:]	[●] *(N.B Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)]*
19	Form of Notes	[Bearer Notes / Dematerialised Notes]
20	New Global Note	Not Applicable

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

21	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Fixed Rate:	[●] per cent. per annum
	(ii) Interest Payment Date(s):	[annually/semi-annually/quarterly/ on [●]]
	(iii) Business Days:	[●]
	(iv) Business Day Convention:	[●]
	[(v) Fixed Interest Amount:	[●]]
	[(v)/(vi) Day Count Fraction:	[●]]
	[(v)/(vi)/(vii) Interest Period End Date(s):	[Adjusted/No Adjustment/Other *(Specify)*]
	[(v)/(vi)/(vii)/(viii) Calculation Amount:	[●]]
	[Other terms relating to the method of calculating interest for Fixed Rate Notes:	[●](*Specify*)]
22	**Floating Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i)	Publication Source:	[EUR-EURIBOR-Reuters (ISDA)/Other]
(ii)	Designated Maturity:	[●]
(iii)	Spread:	[●]
(iv)	Interest Payment Date(s):	[annually/semi-annually/quarterly/ on [●]]
(v)	Day Count Fraction:	[●]
(vi)	Interest Determination Date:	[●]
(vii)	Business Days:	[●]
(viii)	Business Day Convention:	[●]
(ix)	Interest Period End Date(s):	[Adjusted/No Adjustment/Other *(Specify)*]
[(x)	Maximum Rate:	[●]]
[(x)/(xi)	Minimum Rate:	[●]]
23	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Amortisation Yield:	[●] per cent. per annum
(ii)	Business Days:	[●]
(iii)	Business Day Convention:	[●]
(iv)	Any other formula/basis of determining amount payable:	[●]
24	**Variable Linked Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Underlying:	[Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of Commodity Indices/Inflation Index/Basket of Inflation Indices]
(ii)	Variable Linked Rate:	[●] *(Provide the formula or other method of determination)*
(iii)	Interest Payment Date(s):	[●]
(iv)	Business Days:	[●]
(v)	Business Day Convention:	[●]

PROVISIONS RELATING TO REDEMPTION

25	**Call Option**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	Optional Redemption Date(s):	[●]
	Optional Redemption Period:	[●]
	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Note of [●] Denomination
	If redeemable in part:	
	Minimum Redemption Amount:	[●]
	Maximum Redemption Amount:	[●]
	Notice period:	[●]
26	**Mandatory Early Redemption**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph*
	(i) Trigger Event(s):	[●]
	(ii) Mandatory Early Redemption Date(s):	[The Interest Payment Date immediately following the occurrence of the Trigger Event(s) as determined by the Calculation Agent. Should the Trigger Event(s) occur on an Interest Payment Date, then the Mandatory Early Redemption Date shall be postponed until the next Interest Payment Date/[●]]
	(iii) Mandatory Early Redemption Amount:	[●] per Note of [●] Denomination]
27	**Redemption Amount(s) of each Note**	[[●] per Note of [●] Denomination] *(delete in case of Variable Linked Redemption)*
	Partial Redemption	*[Applicable/Not Applicable]* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)Partial Redemption Date(s)	[●]
	(ii)Partial Redemption Amount(s)	[●]

(Include below provisions in case of a Variable Linked Redemption)

Variable Linked Redemption

(i) Underlying:	[Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of Commodity Indices/Inflation Index/Basket of Inflation Indices/]

(ii) Variable Linked Redemption Amount: [●] *(Provide the formula or other method of determination)*

(iii) Business Days: [●]

(iv) Business Day Convention: [●]

(v) Initial Averaging: [Not Applicable / Applicable]

(vi) Averaging: [Not Applicable / Applicable]

[(vi) Initial Averaging Dates: [●]]

[(vi) Averaging Dates: [●]]

VARIABLE LINKED PROVISIONS

*(Include the relevant provisions below, if the Underlying is one or more **Market Rates**)*

(i) Publication Source: [●]

(ii) Designated Maturity: [●]

(iii) Spread: [●]

(iv) Interest Determination Date: [●]

[(v) Day count Fraction: [●]]

*(Include the relevant provisions below, if the Underlying is a **Share**)*

(i) Share: [●] *(Insert full title of the Share and its ISIN code)*

(ii) Exchange: [●]

(iii) Related Exchange: [[●]/All Exchanges]

(iv) Valuation Date(s): [●]

[(v) Initial Valuation Date: [●]]

[(v) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is **Share Basket**)*

(i) Share Basket:

i	*w*	Share	Exchange	Related Exchange	Securities Code
1	**[●]%**	**[●]**	**[●]**	**[●]/All Exchanges**	**[●]**
2	**[●]%**	**[●]**	**[●]**	**[●]/All Exchanges**	**[●]**
…	**[●]%**	**[●]**	**[●]**	**[●]/All Exchanges**	**[●]**

(ii) Valuation Date(s): [●]

[(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is an **Share Index**)*

(i) Index: [●]

(ii) Exchange: [[●]/Multiple Exchange]

(iii) Related Exchange: [[●]/All Exchanges]

(iv) Valuation Date(s): [●]

[(v) Initial Valuation Date: [●]]

[(v) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Share Indices**)*

(i) Index Basket:

i	*w*	Index	Exchange	Related Exchange
1	**[●]%**	**[●]**	**[●]/Multiple Exchange**	**[●]/All Exchanges**
2	**[●]%**	**[●]**	**[●]/Multiple Exchange**	**[●]/All Exchanges**
…	**[●]%**	**[●]**	**[●]/Multiple Exchange**	**[●]/All Exchanges**

(ii) Valuation Date(s): [●]

[(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is a **Fund**)*

(i) Reference Fund: [●] *(Insert full title of the Reference Fund, including its sponsor, the ISIN code, class, if applicable, and a short description)*

(ii) Valuation Date(s): [●]

[(iii) Initial Valuation Date: [●]]

[(iii) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Funds**)*

(i) Fund Basket:

i	*w*	Reference Fund	Class	Fund Description	Fund Administrator	ISIN Code
1	**[●]%**	**[●]**	**[●]**	**[●]**	**[●]**	**[●]**
2	**[●]%**	**[●]**	**[●]**	**[●]**	**[●]**	**[●]**
…	**[●]%**	**[●]**	**[●]**	**[●]**	**[●]**	**[●]**

(ii) Valuation Date(s): [●]

[(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is a **Commodity**)*

(i) Commodity: [●]

(ii) Exchange: [●]

(iii) Price Source: [●]

(iv) Valuation Time: [●]

(v) Valuation Date(s): [●]

[(vi) Initial Valuation Date: [●]]

[(vi) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity**)*

(i) Commodity Basket:

i	*w*	Commodity	Exchange	Price Source	Valuation Time
1	**[●]%**	**[●]**	**[●]**	**[●]**	**[●]**
2	**[●]%**	**[●]**	**[●]**	**[●]**	**[●]**
…	**[●]%**	**[●]**	**[●]**	**[●]**	**[●]**

(ii) Valuation Date(s): [●]

[(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is a **Commodity Index**)*

(i) Commodity Index: [●]

(ii) Valuation Time: [●]

(iii) Valuation Date(s): [●]

[(iv) Initial Valuation Date: [●]]

[(iv) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity Indices**)*

(i) Commodity Index Basket:

i	*w*	Commodity Index	Valuation Time
1	**[●]%**	**[●]**	**[●]**
2	**[●]%**	**[●]**	**[●]**
…	**[●]%**	**[●]**	**[●]**

(ii) Valuation Date(s): [●]

[(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is an **Inflation Index** or a **Basket of Inflation Indices**)*

(i) Inflation Index/Basket of Inflation Indices/Inflation Index Sponsor(s): [●]

(ii) Related Bond: [Not Applicable / Applicable]
The Related Bond is: [ ] [Fallback Bond]
The End Date is: [ ]

(iii) Substitute Index Level: [As determined in accordance with article 9.6.7][●]

(iv) Bussiness Day Convention: [●]

(v) Determination Date(s) [●]

(vi) Cut-off Date: [●]

(vii) Other terms or special conditions [●]

*(Include the relevant provisions below, if the Underlying is a **Basket of Inflation Indices**)*

(i) Index Basket:

i	*w*	Index	Sponsor
1	**[●]%**	**[●]**	**[●]**
2	**[●]%**	**[●]**	**[●]**
…	**[●]%**	**[●]**	**[●]**

(ii) Valuation Date(s): [●]

[(iii) Initial Valuation Date: [●]]

(Include the relevant provisions below, if an Extraordinary Event is not applicable))

([●])Not Applicable Extraordinary Event(s) [●]

LISTING AND ADMISSION TO TRADING

(i) Admission to trading: [Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange with effect from [●]] [Not Applicable.] *(Where documenting a fungible issue need to indicate that the original notes are already admitted to trading.)*

(ii) Estimate of total expenses related to admission to trading: [●]

RATING INFORMATION *(Include this provision if application has been made for the Notes to be rated)*

(i) Rating:	[Application has been made for the Notes to be rated with effect from [●]] [Not Applicable.]

BENCHMARK INFORMATION *(Include this provision if the Note refers to the use of benchmarks as defined in Regulation (EU) 2016/1011 (the "BMR"))*

- [Amounts payable under the Notes are calculated by reference to [insert name[s] of Benchmark[s]/the [relevant] Benchmark], which [is/are] provided by [insert name[s] of the Administrator[s]/the [relevant] Administrator[, as specified in the table below] (if more than one, specify in relation to each relevant Benchmark)].
- [As at the date of these Final Terms, [insert name[s] of the Administrator[s]/the [relevant] Administrator[s]][[is/are] not included]/[[is/are] included] in the register of Administrators and Benchmarks established and maintained by the European Securities and Markets Authority [("ESMA")] pursuant to article 36 of the BMR][, as specified in the table below].
- [As far as the Issuer is aware, [[insert name of Benchmark[s]/the [relevant] Benchmark] [does/do] not fall within the scope of the BMR by virtue of its Article 2]/OR [the transitional provisions in Article 51 of the BMR apply, such that the [relevant] Administrator is not currently required to obtain authorisation/registration[, as specified in the table below].]"

  (repeat as necessary or insert necessary information in a table below)

(i) Benchmark administrator:	[[●]] [Not Applicable.]
(i) ESMA registered:	[[Y][N]] [Not Applicable.]

DISTRIBUTION

Dealer(s):	[AXA BANK BELGIUM SA/ [●]]
[Selling fees:	[●]]
[Additional selling restrictions:	[●]]

COST INFORMATION (borne by the investor and included in the Issue Price *(include this provision in case of PRIIPS)*

[One-off cost:	[●]]
[Ongoing cost:	[●]]
[Incidental cost:	[●]]

OPERATIONAL INFORMATION

ISIN Code:	[●]
Common Code:	[●]
Clearing System(s):	[●]
Principal Paying Agent:	[AXA BANK][BIL]
Paying Agent:	[N/A][AXA BANK]

SECONDARY MARKET *(Include this provision if Secondary Market is provided)*

[Applicable]

Maximum Spread:	[●]
Maximum Commission:	[●]
Maximum Exit Penalty:	[●]

(if there is no Secondary Market provided) [After the Issue Date, the price of the Notes will be calculated as follows:

Except in case of exceptional market conditions, AXA BANK agrees to provide on a daily basis bid[-ask] prices including a handling fee and other internal costs incurred by AXA BANK, and to buy Notes for a minimum Nominal Amount of [●]. Such price takes into account the valuation of the underlying financial structure and the then applicable market conditions, interest rates, forward rates, credit spreads of the relevant Issuer or the Guarantor as applicable, etc.

In case of sale of the Notes before maturity, the sale proceeds can be lower than the Redemption Amount.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:

Duly authorised

Signed on behalf of the Guarantor:

By:

Duly authorised

[PART B – SIMULATIONS [AND OTHER INFORMATION]]

[SIMULATIONS]

[●] *(Please insert simulations for the Variable Rate or the Variable Linked Redemption Amount)*

[These simulations are fictitious examples and by no means represent reliable indicators.]

[OTHER INFORMATION]

[●] *(Insert other information such as the historical evolution of the Floating Rate or the Underlying(s))*

[This information has been extracted from [Insert source]. [Each of] the Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading]

[PART C – SUMMARY]

ANNEX 2: SENIOR GUARANTEE

A form of the Senior Guarantee is reproduced here below:

AXA BELGIUM FINANCE (NL) B.V.

and

AXA BANK

Notes Issuance Programme

SENIOR GUARANTEE

by

AXA BANK BELGIUM SA

25 September 2018

WHEREAS the Board of Managing Directors of AXA BELGIUM FINANCE (NL) B.V. (the “Issuer” or “ABF(NL)”) has decided on 27 July 2010, to set up a Notes Issuance Programme (the "Programme") under which it may from time to time issue Notes (the “ABF(NL) Notes”), which may be linked to various underlyings (the “Underlying”), that rank as senior obligations of the Issuer (the “Senior ABF(NL) Notes”). Senior ABF(NL) Notes will be guaranteed by AXA BANK BELGIUM SA (also named AXA BANK SA/AXA BANK NV) (the “Guarantor” or “AXA BANK”) on a senior basis pursuant to this Senior Guarantee;

WHEREAS the Board of Directors of AXA BANK has approved to guarantee on a senior basis the issue by ABF(NL) of Senior ABF(NL) Notes under the Programme by decision of 27 July 2010;

WHEREAS the Board of Directors of AXA BANK has validated the increase of the maximum size of the Programme to EUR 2.000.000.000 by decision of 14 May 2012;

The Guarantor hereby unconditionally and irrevocably guarantees as and for its own debt to each holder of each Senior ABF(NL) Note (each a “Noteholder” and together the “Noteholders”) to pay or procure to pay such amounts to the Noteholders who have not obtained due payment from the Issuer if and when such amounts fall due under the Terms and Conditions. The Terms and Conditions are those enumerated in the Base Prospectus and the relevant Final Terms, included by reference in the present Senior Guarantee. This Senior Guarantee is enforceable against the Guarantor upon first demand sent by the holder by registered mail to the registered office of the Guarantor.

The Base Prospectus setting out the terms of the Programme has been approved by the Belgian Financial Services and Markets Authority in its decision of 25 September 2018 (This Base Prospectus replaces and supersedes the Base Prospectus of ABF(NL) and AXA BANK dated 26 September 2017).

It is understood that any payments to be made under this Senior Guarantee shall be made in the currency of the underlying Notes.

This Senior Guarantee is a continuing guarantee and nothing but payment in full of the amounts due by the Issuer in application of the Notes hereby guaranteed shall discharge the Guarantor of its obligations hereunder in respect of such Notes.

This Senior Guarantee shall be governed by, and interpreted in accordance with, the laws of Belgium.

This Senior Guarantee may be executed in any number of counterparts.

All actions arising out of or based upon this Senior Guarantee are to be brought before the competent Courts in Brussels.

In witness whereof, the Guarantor has authorised and caused this Senior Guarantee to be duly executed and delivered as of 25 September 2018.

On behalf of AXA BANK BELGIUM SA

Member of the Board of Directors

ANNEX 3: 2017 AND 2016 ANNUAL ACCOUNTS AXA BELGIUM FINANCE (NL) BV

AXA Belgium Finance (NL) B.V.

Annual report for the year ended 31 December 2017

Amsterdam, 26 April 2018

Approved and adopted in the general meeting of shareholders dated 26 April 2018

MAZARS

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS NV

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General information

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

Statutory seat
Amsterdam

Registered office
Beethovenstraat 518
1082 PR AMSTERDAM

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

The Management board reviewed the Annual report of AXA Belgium Finance (NL) B.V. at 26 April 2018 and authorised their issue.

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Management report

General

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

The Company has a Management Board consisting of two managing directors, who have been appointed by the Company's shareholder. The Company has, besides the Dutch Director, no staff, and its Management Board members work on a part-time basis for the Company. There are no potential conflicts of interests between any duties to the Company of any of the Management Board members and their private interests and/or other duties.

At 31 December 2017 the Management Board of the Company consists of Mr. Aernout W. Veerman, chairman and Mrs. Grete Schaekers, member.

Financial information

In comparison with the previous financial year, the total assets show a decrease of EUR 135 million and arrive at an amount of EUR 1,357 million (2016: EUR 1,492 million).

The net operating income decreased with EUR 321,000 from EUR 1,179,000 to EUR 858,000. The operating expenses decreased from EUR 389,000 to EUR 324,000.
The profit before tax decreased and amounts to EUR 534,000 (2016: EUR 790,000).

The Management Board proposes to the Annual General Meeting to add the entire net profit of EUR 424,000 to the retained earnings.

Business overview

According to Article 2 of its Articles of Association, the Company's objectives are:
- to finance other enterprises and companies;
- to found, to participate in any way in, to manage and to supervise enterprises and companies;
- to provide guarantees and to engage the Company or its assets for the benefit of connected enterprises and companies;
- to grant services to enterprises and companies;
- to lend, loan and raise funds, including the issue of bonds, IOUs or other securities, and conclude the connected agreements;
- obtaining, alienating, managing and exploiting of real estate and value properties in general;
- carrying out all sorts of industrial, financial and commercial activities.

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

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

In 2010 a Notes Issuance Programme for a maximum amount of EUR 1,000 million was launched together with AXA Bank Belgium S.A./N.V. (co-issuer and Guarantor). The Notes issued under this Programme are governed by Belgian law. On 17 April 2012, the Belgium regulator FSMA (Autoriteit voor Financiële Diensten en Markten) has approved the extension of this Programme from EUR 1,000 million to EUR 2,000 million. The Base Prospectus describing the Programme was last updated on 26 September 2017.
The following notes matured in 2017:
- Drouot Patrimoine Zen (5/11/2017);
- Drouot Multistep 2 (9/3/2017);
- Drouot Patrimoine Zen 2 (5/7/2017);
- Optinote Nordic: NOK (8/6/2017);
- Optinote Nordic 2: NOK (27/12/2017);
- Optinote Australia: AUD (16/11/2017)

In January 2018 the Note 'Drouot Patrimoine Zen 3' arrived at maturity.

Contrary to the Notes issued under earlier Programmes, some Notes issued under this Programme were offered in other countries than Belgium, through the services provided by local third party distributors appointed upon advice and in sub delegation of the Company's principal distributor, AXA Bank Belgium S.A./N.V. In order to enable such activities, the Base Prospectus describing the Programme has been notified by the Belgian regulator (FSMA) to the official regulators in France, Luxemburg and Germany. All Notes issued in 2017 however are only distributed in Belgium.

On 31 December 2017 the nominal value of the AXA Bank Belgium S.A./N.V. bonds was EUR 1,187 million (2016: EUR 1,328 million) and based on IFRS EUR 1,299 million (2016: EUR 1,436 million) excluding interest.

On 31 December 2017 the following par values of notes, issued by the Company under the EUR 2,000,000,000 Notes Issuance Programme dated 21 September 2010, were outstanding:
- AXA Coupon Sérénité 2: EUR 40,296,000 (distributed in France);
- Coupon Sérénité 4: EUR 114,792,000;
- Sweet Reverse 2: EUR 1,400,000 (distributed in Portugal);
- Life Opportunity: EUR 47,095,000;
- Sweet Reverse 3: EUR 1,950,000 (distributed in Portugal);
- Drouot Patrimoine Zen 3: EUR 7,539,000, matured 29/1/2018;
- Sweet Reverse 4: EUR 2,000,000;
- Life Opportunity 2: EUR 30,643,000;
- Sweet Reverse 5: EUR 2,750,000;
- Optinote Carmignac Patrimoine: EUR 28,296,000;
- Life Opportunity 3: EUR 50,306,000;
- Life Opportunity Selection: EUR 36,724,000;
- Sweet Reverse 6: EUR 2,000,000 (distributed in Portugal);
- Optinote Australia 2: AUD 59,000,000;
- Optinote European Dividend: EUR 16,488,000;
- Sweet Reverse 7: EUR 3,100,000 (distributed in Portugal);

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- Optinote New Zealand: NZD 44,260,000;
- Oxylife Opportunity: EUR 13,839,000;
- Oxylife Opportunity 2: EUR 9,733,000;
- Life Opportunity Selection 2: EUR 27,253,000;
- Life Opportunity Selection 2 Dynamic: EUR 13,595,000;
- Oxylife Opportunity 3: EUR 18,805,000;
- Optinote Prestige: EUR 12,209,000;
- Life Opportunity Selection 3: EUR 24,901,000;
- Life Opportunity Selection 3 Dynamic: EUR 7,898,000;
- Oxylife Opportunity 4: EUR 21,854,000;
- Oxylife Opportunity 5: EUR 15,819,000;
- Life Opportunity Index: EUR 10,429,000;
- Optinote Multistep Australia: AUD 48,330,000;
- Oxylife Opportunity 6: EUR 5,755,000;
- Life Opportunity Selection 4: EUR 10,877,000;
- Life Opportunity Selection 4 Dynamic: EUR 4,820,000;
- Optinote European Selection: EUR 27,265,000;
- Oxylife Opportunity 7: EUR 1,840,000
- Life Opportunity Index 2: EUR 4,773,000;
- Life Opportunity Index 2 Short: EUR 950,000;
- Optinote European Selection 2: EUR 11,548,000;
- Optinote Multistep New Zealand: NZD 46,392,000;
- Optinote European Excellence: EUR 78,754,000;
- Optinote Energy: EUR 22,250,000;
- Optinote Euro Diversification: EUR 12,993,000;
- Optinote New-Zealand 2: NZD 58,004,000.
- Optinote Flexfunds: EUR 27,340,000;
- Optinote Demography: EUR 19,114,000;
- Optinote Megatrends: EUR 11,283,000;
- Optinote New Zealand Dollar 3: NZD 30,724,000;
- Optinote Scandinavia NOK: NOK 97,210,000;
- Optinote European Excellence 2: EUR 27,673,000;
- Optinote Global Diversification: EUR 8,686,000;
- Optinote World Demography: EUR 9,778,000;
- Optinote ESG Leaders Switchable: EUR 38,288,000;
- Optinote Super Region Switchable: EUR 17,483,000;
- Optinote Nordic 3: NOK 436,380,000;
- Optinote Low Carbon: NOK 138,130,000;
- Optinote ESG Leaders Switchable 2: EUR 11,746,000;
- Optinote Australia 3: AUD 42,082,000.

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Risk management

The main activity of the Company consists of lending the proceeds of issued notes to AXA Bank Belgium S.A./N.V., where a maximum correlation between the conditions of the notes and those of the loans to AXA Bank Belgium S.A./N.V. is pursued, thus preventing the existence of substantial transformation risks.
As a finance company, the Company could face a number of risks including, but not limited to credit risk, market risk, currency risk, operational risk and liquidity risk. In assessing the risk profile of the Company it is important to note that all notes issued by the Company are unconditionally and irrevocably guaranteed by AXA Bank Belgium S.A./N.V.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Fair value calculation

- The fair values are, except for some manual products or elements, produced by the front office application Sophis which contains (a) the models that are used in its financial library and (b) the market parameters that are updated on a daily basis enabling consequently a daily calculation of the fair values.
- Before any model application or model change including the market data, a motivated request for approval after a detailed analysis is released by the Control and Accounting Financial Markets department, in charge of the independent valuation process of AXA Bank Belgium, in order to get the validation of Risk Management for the put in production of the described solution. This enables to get evidence that any valuation process has been subject to a second level of validation before use.
- Once validated, the solution is put in production and a daily upload and control of the market data process takes place with respect of an Internal Financial Control (IFC) procedure in which evidences of controls and, potentially, corrections have to be produced. This procedure enables to avoid significant market data quality problems.
- Once the market data are uploaded, the valuations are produced automatically by the application Sophis and are feeding (a) the accounting as well as (b) the economic reports which are produced and controlled on a daily basis.
- At the end of the month, the accounting P&L is compared with the independently calculated economic figures with respect to the IFC P&L reconciliation process.
- Finally, the valuations of AXA Bank Belgium are compared with those received by the counterparties with respect to the valuation check procedure which enable to validate, or detect problems if any, the levels defined by AXA Bank Belgium. A motivated and detailed file is communicated for validation to the Risk Management validation team twice a year and the outcome is presented to the Wholesale Risk Committee (WRC).
- In consequence of the risk management framework as described above, capital management of AXA Belgium Finance and all related decisions are also monitored within AXA Bank Belgium in close collaboration with the management of AXA Belgium Finance (NL) B.V.

Declaration section 5:25C

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

1 the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

2 the management report gives a true and fair view of the important events and their impact on the financial statements and as well as major related party transactions that have occurred during the financial year together with a description of the principal risks and uncertainties that the Company faces.

Corporate social responsibility

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

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

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

Investments

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

Future developments

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

Since 31 December 2017 no new Notes are issued (situation April 2018).

For the rest of 2018 AXA Bank Belgium S.A./N.V. has informed the Company that, considering the present financial landscape, it has no immediate intentions to distribute Notes in Belgium in 2018 for which they will request the launching by AXA Belgium Finance (NL) B.V. under the Programme. Therefore, the Company expects no or very limited issuing activity for 2018.

On 30 March 2017 the Company has a series of Notes outstanding of which the proceeds have been lent to AXA Bank Belgium S.A./N.V. under the form of bilateral loans. On that date the Company and AXA Bank Belgium S.A./N.V. signed a Debt Amendment Agreement to amend these bilateral loans into notes in the form of registered securities (obligaties op naam) as a private placement between the Company and, AXA Bank Belgium S.A./N.V. and enabling possible transfers to third parties. This amendment changed the form of the onlending arrangements, without affecting the outstanding amounts, the number of such arrangements, the currency or any other feature of the terms and conditions.

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Apart from these intentions and business objectives, there has been no material adverse change in the financial position or prospects of the Company since 31 December 2017. There are no known further trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the prospects of the Company for the year ended 31 December 2017.

Amsterdam, 26 April 2018

Aernout Veerman, Chairman of the Management Board

Grete Schaekers, Member of the Management Board

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Financial statements

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Statement of financial position as at 31 December 2017

	Note	2017	2016
		EUR000	EUR000
Assets			
Financial assets at fair value through profit or loss	4	1,354,375	1,485,916
Taxes receivable	5	137	22
Cash and cash equivalents	6	2,159	5,570
Total assets		1,356,671	1,491,508
Shareholder's equity			
Issued share capital	7	1,768	1,768
Retained earnings	8	747	4,123
Total shareholder's equity		2,515	5,891
Liabilities			
Financial liabilities at fair value through profit or loss	9	1,354,009	1,485,461
Other liabilities and accruals	10	147	156
Total liabilities		1,354,156	1,485,617
Total liabilities and shareholder's equity		1,356,671	1,491,508

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Statement of comprehensive income for the year ended 31 December 2017

	Note	2017	2016
		EUR000	EUR000
Interest income	11	33,448	39,419
Interest expense	11	(32,557)	(38,267)
Net interest income		891	1,152
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	12	–	–
Foreign exchange gains/(losses)	13	(33)	15
Other income	14	–	12
Net operating income		858	1,179
Operating expenses	15	(324)	(389)
Net operating expenses		(324)	(389)
Profit before tax		534	790
Income tax expense	5	(110)	(184)
Profit for the year		424	606
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		424	606

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

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Statement of changes in equity for the year ended 31 December 2017

	Share capital	Retained earnings	Total
	EUR000	EUR000	EUR000
As at 1 January 2016	1,768	3,517	5,285
Profit for the year	–	606	606
Other comprehensive income	–	–	–
Total comprehensive income	–	606	606
Transactions with owners	–	–	–
	–	606	606
As at 31 December 2016	1,768	4,123	5,891
Profit for the year	–	424	424
Other comprehensive income	–	–	–
Total comprehensive income	–	424	424
Transactions with owners	–	–	–
Dividends	–	(3,800)	(3,800)
	–	(3,376)	(3,376)
As at 31 December 2017	1,768	747	2,515

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Statement of cash flows for the year ended 31 December 2017

	2017	2016
	EUR000	EUR000
Profit before tax for the year	534	790
Adjustments to reconcile profit before tax to net cash flows:		
Interest income	(33,448)	(39,419)
Interest expense	32,557	38,267
Effect of exchange rate changes	33	(15)
Other movements	(32)	54
	(356)	(323)
Working capital adjustment:		
Changes in interest receivables, deferred tax assets and other receivables	3,064	1,390
Changes in interest liabilities, taxes payable and other liabilities and accruals	(3,038)	(1,383)
	26	7
Operating activities:		
Loans granted to group companies	-	(94,534)
Bonds granted to group companies	(154,415)	(46,137)
Repayment on loans to group companies	102,419	303,947
Repayments on bonds to group companies	169,496	-
Transfers from loans	(1,302,741)	-
Transfers into bonds	1,302,741	-
Proceeds from issued medium term notes	154,415	140,671
Repayments on issued medium term notes	(271,915)	(303,947)
Interest received	24,147	30,903
Interest paid	(23,202)	(29,654)
Income tax paid	(226)	(215)
	719	1,034
Cash flow from operating activities	389	718
Financing activities:		
Dividend paid	(3,800)	-
Cash flow from financing activities	(3,800)	-
Net increase/(decrease) of cash and cash equivalents	(3,411)	718
Cash and cash equivalents as at 1 January	5,570	4,852
Cash and cash equivalents as at 31 December	2,159	5,570

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

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Notes to the financial statements

1 Corporate information

AXA Belgium Finance (NL) B.V. (the Company) is a limited liability Company ('Besloten Vennootschap met beperkte aansprakelijkheid') under the laws of the Netherlands. At 31 December 2017 the Company is a wholly owned subsidiary of AXA Bank Belgium S.A./N.V. The legal address of the parent company is Troonplein 1, 1000 Brussels, Belgium. AXA Bank Belgium S.A./N.V. shares are held by the ultimate parent company AXA S.A., Paris, France.

2 Basis of preparation

2.1 Reporting standards

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

2.2 Functional and presentation currency

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

2.3 Use of significant accounting judgments, estimates and assumptions

The Company uses estimates and judgments when drawing up its financial statements on the basis of IFRS EU. These estimates and assumptions are continuously tested and are based on the experience from the past and other factors, among which an acceptable assessment of future events based on currently known conditions. The principal judgments and estimates, including underlying assumptions, are disclosed in note 20 Fair value of financial assets and liabilities at fair value through profit or loss.

2.4 Going concern

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

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3 Accounting policies

3.1 Change in Accounting Policies

The accounting policies as applied by the Company for the annual report for the year ended 31 December 2017 are unchanged compared to last year, except for the accounting for DVA ('Debit Value Adjustments') on financial liabilities designated as at fair value through profit or loss where the Group has decided to early adopt this part of IFRS 9 Financial Instruments as from 2017 as allowed by this Standard. An entity is required to present in other comprehensive income (OCI) the amount of change in the fair value of a financial liability designated as at fair value through profit or loss, that is attributable to changes in the credit risk of that liability. However, as an exception, IFRS 9 allows to recognise this amount in profit or loss if the treatment of the effect of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. The Company has made use of this exception. In order to avoid an accounting mismatch with the related assets (loans and bonds granted to AXA Bank Belgium - designated as at fair value through profit or loss), the changes in the DVA on the medium term notes issued (designated as at fair value through profit or loss) will also be recognised in profit or loss. Hence, the early adoption of this part of IFRS 9 had no impact on the 2017 figures of the Company.

3.2 New Standards, Amendments and Interpretations effective as from 2017

The Company applied for the first time certain IFRS Improvements and Amendments, which are effective for annual periods beginning on or after 1 January 2017 (= IFRS and EU effective date):

- Annual Improvement Cyclus 2014 - 2016 - IFRS 12 - Disclosure of Interests in Other Entities
- Amendments to IAS 7 - Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 - Income Taxes: Recognition of Deferred Taxes for Unrealised Losses

Although these new Amendments applied for the first time in 2017, they did not have a material impact on the 2017 financial statements of the Company.

3.3 Standards, Amendments and Interpretations issued but not yet effective

The following Standards, Amendments and Improvements issued by the IASB have been endorsed by the EU and will become effective in 2018 (except IFRS 16 - Leases: effective in 2019).

IFRS 9 - Financial Instruments contains three phases.
The first phase relates to the classification and measurement of financial instruments. IFRS 9 requires to measure all financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The measurement category is determined based on the business model used by the bank and the so-called SPPI test ('Solely Payments of Principal and Interest').

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

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are also measured at fair value through profit or loss. The accounting measurement at fair value through profit or loss as was already applied during the previous years under the former Standard IAS 39. The Company has no other financial assets at the end of the financial year 2017.

IFRS 9 does not introduce any changes for financial liabilities, except for the recognition of the DVA ('Debit Value Adjustments' in other comprehensive income (OCI) on financial liabilities designated as at fair value through profit or loss. However, as mentioned in chapter 3.1, the Company has already early adopted this policy in 2017 without any effect on the 2017 figures of the Company.

Clarifications to IFRS 15 - Revenue from Contracts with Customers.
These Standards include a five-step model to determine when revenue should be recognised:
Step 1 = Identify the contract with the customer
Step 2 = Identify the performance obligations in the contract
Step 3 = Determine the transaction price
Step 4 = Allocate the transaction price to the performance obligations in the contract
Step 5 = Recognise revenue when (or as) the entity satisfies a performance obligation
These Standards are not expected to have a significant impact on the financial statements of the Company.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.
These Amendments contain an optional temporary exemption from applying IFRS 9 before 2021 available to entities whose activities are predominantly connected with insurance, and are therefore not applicable to the Company.

Annual Improvements to IFRS Standards 2014-2016 Cycle.
These are small improvements to IFRS Standards that are not applicable to the Company.

IFRS 16: Leases
This Standard introduces a uniform accounting methodology for lessees. This Standard is not expected to have a significant impact on the financial statements of the Company as currently it does not have any lease transactions.

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

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (IFRS effective date 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Property (IFRS effective date 1 January 2018)
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (IFRS effective date 1 January 2018)
- IFRIC 23: Uncertainty over Income Tax Treatments (IFRS effective date 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (IFRS effective date 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (IFRS effective date 1 January 2019)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (IFRS effective date 1 January 2019)
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement (IFRS effective date 1 January 2019)
- IFRS 17: Insurance Contracts (IFRS effective date 1 January 2021)

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3.4 Summary of significant accounting policies

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

Foreign currency translation

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

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

Financial assets at fair value through profit or loss

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

Non-performing loans and receivables

The Company assesses at each reporting date whether there is any objective evidence that a loan or receivable or a group of loans and receivables is impaired. A loan or receivable or a group of loans and receivables is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the loan or receivable or the group of loans and receivables that can be reliably estimated.

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

Other receivables

Other receivables are stated at amortized cost less impairment.

Cash and cash equivalents

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

Other liabilities

Other liabilities are stated at amortised cost.

Financial liabilities at fair value through profit or loss

Medium term notes are initially recognised at fair value. After initial measurement, these liabilities are carried at fair value through profit or loss with all fair value movements directly recognised in profit or loss. The guarantee given by the parent company is both embedded in the CVA calculation on the loans and the DVA calculation of the medium term notes given the fact those adjustments are based on the credit spread of the parent company AXA Bank Belgium S.A./N.V. towards the retail market. Those

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spreads are a best estimate of the retail market appetite taking into account that those medium term notes are guaranteed by AXA Bank Belgium S.A./N.V.

Taxes

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

Recognition of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Financial assets

Financial assets are derecognised when:

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

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

Financial liabilities

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

Repossessed collateral

Repossessed collateral represents non-financial assets acquired by the Company in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included within the related account on the statement of financial position or other assets depending on their nature and the Company's intention in respect of recovery of these assets and are subsequently re-measured and

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accounted for in accordance with the accounting policies for these categories of assets. Inventories of repossessed assets are recorded at the lower of cost or net realisable value. There is no collateral pledged by the Company or collateral held by the Company that can be repledged.

Recognition of income and expenses

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

Interest income

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

Operating expenses

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

Interest expenses

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

Statement of cash flows

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

4 Financial assets at fair value through profit or loss

	2017	2016
	EUR000	EUR000
Loans AXA Bank Belgium S.A./N.V.	–	1,391,878
Bonds AXA Bank Belgium S.A./N.V.	1,299,100	45,000
Interest receivable on loans AXA Bank Belgium S.A./N.V.	–	49,031
Interest receivable on bonds AXA Bank Belgium S.A./N.V.	55,275	7
Total financial assets at fair value through profit or loss	1,354,375	1,485,916

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Movements in these items were as follows:

	AXA Bank Belgium S.A./N.V.				
	Loans	Bonds	Interest receivable loans	Interest receivable bonds	Total
	EUR000	EUR000	EUR000	EUR000	EUR000
As at 1 January 2017	1,391,878	45,000	49,031	7	1,485,916
Loans granted	–	–	–	–	–
Bonds granted	–	154,415	–	–	154,415
Repayments	(102,418)	(169,490)	(6,398)	(17,746)	(296,052)
Transfers from loans	(1,302,741)	–	(51,964)	–	(1,354,705)
Transfer into bonds	–	1,302,741	–	51,964	1,354,705
Exchange rate differences	3,287	(26,954)	34	(589)	(24,222)
Fair value changes	9,994	(6,612)	–	–	3,382
Interest taken to profit and loss account	–	–	9,297	21,639	30,936
As at 31 December 2017	–	1,299,100	–	55,275	1,354,375

	AXA Bank Belgium S.A./N.V.				
	Loans	Bonds	Interest receivable loans	Interest receivable bonds	Total
	EUR000	EUR000	EUR000	EUR000	EUR000
As at 1 January 2016	1,597,119	–	41,911	–	1,639,030
Loans granted	94,534		–	–	94,534
Bonds granted	–	46,137	–	–	46,137
Repayments	(303,947)	–	–	–	(303,947)
Exchange rate differences	14,179	–	–	–	14,179
Fair value changes	(10,007)	(1,137)	–	–	(11,144)
Interest taken to profit or loss account	–	–	7,120	7	7,127
As at 31 December2016	1,391,878	45,000	49,031	7	1,485,916

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

	2017			
	<1 year	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Bonds AXA Bank Belgium S.A./N.V.	52,269	794,055	452,776	1,299,100
Interest receivable on bonds AXA Bank Belgium S.A./N.V.	4,956	46,739	3,580	55,275
Total financial assets at fair value through profit or loss	57,225	840,794	456,356	1,354,375

	2016			
	<1 year	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Loans AXA Bank Belgium S.A./N.V.	219,257	567,014	605,607	1,391,878
Bonds AXA Bank Belgium S.A./N.V.	-	-	45,000	45,000
Interest receivable on loans AXA Bank Belgium S.A./N.V.	9,180	26,178	13,673	49,031
Interest receivable on bonds AXA Bank Belgium S.A./N.V.	5	-	2	7
Total financial assets at fair value through profit or loss	228,442	593,192	664,282	1,485,916

Part of the interest rates are fixed between 0.00% and 5.85% and part of the interest rates are variable and are equal to the medium term notes issued by the Company, increased with margins from 0.06% (2016: Part of the interest rates are fixed between 5.85% and 0.00% and part of the interest rates are variable and are equal to the medium term notes issued by the Company, increased with margins from 0.06%).

The change in fair value of the loans attributable to changes in credit risk in the year is negative EUR 4.477 thousand (2016: EUR 3.554 thousand) and cumulative 31 December 2017 EUR nil (2016: EUR 4,477 thousand).
The change in fair value of the bonds attributable to changes in credit risk in the year is positive EUR 25.201 thousand (2016: EUR 361 thousand) and cumulative 31 December 2017 EUR 25.562 thousand (2016: EUR 361 thousand).

The bonds are not subordinated.

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

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5 Taxation

The charge for taxation as provided in the statement of comprehensive income is based on the profit before tax, using the Dutch corporate tax rate. The applicable tax rate for the financial statements is 20% over a tax profit of EUR 200,000 and 25% over profits exceeding this amount (2016: 20% over a tax profit of EUR 200,000 and 25% over profits exceeding this amount). The effective tax rate is 20.6% (2016: 23.3%).

Deferred tax assets as presented in the statement of financial position:

	2017	2016
	EUR000	EUR000
As at 1 January	–	18
Movement for the year	–	(18)
As at 31 December	–	–

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

	2017	2016
	EUR000	EUR000
Corporate income tax receivable	137	22
Total taxes receivable	137	22

	2017	2016
	EUR000	EUR000
Corporate income tax payable	–	–
Total taxes payable	–	–

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

	2017	2016
	EUR000	EUR000
Corporate income tax charge, current year	(124)	(166)
Deferred tax, current year	–	(18)
Adjustments in respect of previous years	14	–
Total income taxes	(110)	(184)

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	2017		2016	
	EUR000	%	EUR000	%
Profit before income taxes	534	100	790	100.0
Theoretical income tax at the applicable tax rate of 25% (2016: 25%), with a tax rate of 20% (2016: 20%) on the first bracket of EUR 200,000	124	23.2	184	23.3
Tax effect of the expenses not deductible for tax purposes and adjustments previous years	(14)	(2.6)	0	0.0
Total income tax expense	110	20.6	184	23.3

6 Cash and cash equivalents

	2017	2016
	EUR000	EUR000
Current accounts AXA Bank Belgium S.A./N.V.	2,128	5,558
Current accounts other banks	31	12
Total cash and cash equivalents	2,159	5,570

There are no restrictions on the availability of cash and cash equivalents.

7 Issued share capital

	2017	2016
	EUR000	EUR000
3,897 ordinary shares with a par value of EUR 453.80	1,768	1,768

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

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8 Retained earnings

	2017	2016
	EUR000	EUR000
Balance at 1 January	4,123	3,517
Result for the year	424	606
Dividends	(3,800)	-
Balance at 31 December	747	4,123

The net profit for the year ended 31 December 2017 amounts to EUR 424,000.
During the financial year the Company distributed a dividend of EUR 3,800,000 to the shareholder.

9 Financial liabilities at fair value through profit or loss

	2017	2016
	EUR000	EUR000
Medium term notes	1,299,100	1,436,878
Interest payable medium term notes	54,909	48,583
Total financial liabilities at fair value through profit or loss	1,354,009	1,485,461

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

	2017			
	<1 year	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Medium term notes	52,269	794,055	452,776	1,299,100
Interest payable medium term notes	4,829	46,587	3,493	54,909
Total financial liabilities at fair value through profit or loss	57,098	840,642	456,269	1,354,009

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	2016			
	<1 year	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Medium term notes	219,256	567,015	650,607	1,436,878
Interest payable medium term notes	8,934	26,093	13,556	48,583
Total financial liabilities at fair value through profit or loss	228,190	593,108	664,163	1,485,461

Issued medium term notes are unconditionally and irrevocably guaranteed by the parent company AXA Bank Belgium S.A./N.V. Part of the interest rates for notes with maturity exceeding one year are fixed between 0.00% and 5.75% and part of the interest rates are variable. The applicable interest rate for notes maturing within one year is depending on the 3 months Euribor rate (2016: partly fixed between 0.00% and 5.75% and partly variable).

In 2017 the applicable interest rate for notes maturing within one year is depending on the 3 months Euribor rate, with a minimum of 2.5% and a maximum of 5.5% in one case (2016: interest depending on the 3 months Euribor rate, with a minimum of 2.5% and a maximum of 5.5% in one case).

The change in fair value of the medium term notes attributable to changes in credit risk in the year is positive EUR 20,724 thousand (2016: negative EUR 3,193 thousand) and cumulative 31 December 2017 EUR 25,562 thousand (2016: EUR 4,838 thousand).
The contractual repayment amount at maturity is EUR 1,187,011 thousand (2016: EUR 1,328,171 thousand).

10 Other liabilities and accruals

	2017	2016
	EUR000	EUR000
Trade creditors	8	-
Other payables and accruals	139	156
Total other liabilities and accruals	147	156

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11 Net interest income

	2017	2016
	EUR000	EUR000
Interest income on:		
Loans AXA Bank Belgium S.A./N.V.	9,297	39,409
Bonds AXA Bank Belgium S.A./N.V.	24,148	7
Other	3	3
Total interest income	33,448	39,419
Interest expense on:		
Medium term notes	(32,557)	(38,267)
Total interest expense	(32,557)	(38,267)
Net interest income	891	1,152

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

The fair value gains/(losses) on loans, bonds and receivables of negative EUR 3,382 thousand (2016: negative EUR 11,145 thousand) are mitigated by the fair value gains/(losses) on medium term notes of positive EUR 3,382 thousand (2016: positive EUR 11,145 thousand).

13 Foreign exchange gains/(losses)

Foreign exchange losses of EUR 33 thousand (2016: gains of EUR 15 thousand) are on a net basis and include gains and losses arising from foreign currency transactions and the effects of translation of foreign currency assets and liabilities.

14 Other income

Other income are related results realized due to repurchase of notes, bonds and loans.

15 Operating expenses

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

16 Employee benefit expenses

	2017	2016
	EUR000	EUR000
Salaries	25	16

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17 Number of employees

The Company has only one part time director as own employee (2016: one part time).

18 Audit fees

	2017	2016
	EUR000	EUR000
Audit fees financial statements	40	61

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

19 Transactions with key management

The directors' remunerations are recorded as general and administrative expenses and amount to EUR 25 thousand (2016: EUR 26 thousand), and include only short-term remunerations of current members of the Management Board. No other benefits, like pension, medical, termination share-based payment transactions, company cars or loans, have been granted.

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

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

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

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

Fair value hierarchy

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

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

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Valuation techniques

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

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

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

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

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

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Fair value hierarchy as at 31 December 2017

	Level 1	Level 2	Level 3	Total
	EUR000	EUR000	EUR000	EUR000
Financial assets				
Financial assets at fair value through profit or loss	–	813,255	541,120	1,354,375
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	813,048	540,961	1,354,009

Fair value hierarchy as at 31 December 2016

	Level 1	Level 2	Level 3	Total
	EUR000	EUR000	EUR000	EUR000
Financial assets				
Financial assets at fair value through profit or loss	–	1,013,467	472,449	1,485,916
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	1,013,146	472,315	1,485,461

The fair values of other financial assets and liabilities are approximated by their carrying amounts.

During 2017 no reclassification occurs from level 3 fair value hierarchy to level 2 fair value hierarchy.

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

	Assets Loans AXA Bank Belgium S.A./N.V.	Liabilities medium term notes
	EUR000	EUR000
As at 1 January 2016	377,563	377,456
New issues medium term notes / loans	73,739	119,876
New bonds	46,137	–
Unwindings medium term notes / loans	(7,096)	(7,096)
Transfers level 3 into level 2 medium term notes / loans	(23,269)	(23,269)
Net unrealized gains and losses recognised in profit or loss	5,261	5,261
Interest recognised in profit or loss medium term notes / loans	107	87
Interest recognised in profit or loss bonds	7	–
As at 31 December 2016	472,449	472,315
New issues medium term notes / loans	–	81,554
New bonds	81,554	–
Unwindings medium term notes / loans	(25,916)	(25,916)
Net unrealized gains and losses recognised in Other Comprehensive Income	14,511	14,511
Transfers from loans	(412,875)	–
Transfers into bonds	412,875	–
Net unrealized gains and losses recognised in profit or loss	(1,651)	(1,651)
Interest recognised in profit or loss medium term notes / bond	173	148
As at 31 December 2017	541,120	540,961

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The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2017 and 2016 are as shown below.

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to the fair value
Financial assets: Loans and receivables	DCF	Volatilities based on historical data*	-10% - 10%	10% increase (decrease) in the growth rate would result in an increase (decrease) in fair value by EUR 18.6 million (2016: EUR 19.0 million)
Financial liabilities: medium term notes	DCF	Volatilities based on historical data*	-10% - 10%	10% increase (decrease) in the growth rate would result in an increase (decrease) in fair value by EUR 18.6 million (2016: EUR 19.0 million)

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

21 Financial risk review

General

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

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

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

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Operational risk

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

Market risk

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

Credit risk

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

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

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

Despite the current context on financial markets, AXA Bank Belgium's ratings at 31 December 2017 are:

- Standard & Poor's: A+/A-1 with Negative watch (6/3/2018);
- Moody's: A2/P-1 with Stable outlook (5/10/2017).

Foreign currency risk

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

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Foreign currencies as at 31 December 2017

	AUD	NZD	NOK	EUR	Total
	EUR000	EUR000	EUR000	EUR000	EUR000
Loans	–	–	–	–	–
Interest receivable on loans	–	–	–	–	–
Bonds	99,603	111,344	69,319	1,018,834	1,299,100
Interest receivable on bonds	2,098	1,418	501	51,258	55,275
Deferred tax assets	–	–	–	–	–
Taxes receivable	–	–	–	137	137
Other receivables	–	–	–	–	–
Cash and cash equivalents	28	33	22	2,076	2,159
Total financial assets	101,729	112,795	69,842	1,072,305	1,356,671
Medium term notes	99,603	111,344	69,319	1,018,834	1,299,100
Interest payable medium term notes	2,071	1,397	482	50,959	54,909
Taxes payable	–	–	–	–	–
Other liabilities and accruals	–	–	–	147	147
Total financial liabilities	101,674	112,741	69,801	1,069,940	1,354,156

Foreign currencies as at 31 December 2016

	AUD	NZD	NOK	EUR	Total
	EUR000	EUR000	EUR000	EUR000	EUR000
Loans	123,784	125,915	85,965	1,056,214	1,391,878
Interest receivable on loans	2,501	1,633	1,338	43,559	49,031
Bonds	–	–	–	45,000	45,000
Interest receivable on bonds	–	–	–	7	7
Deferred tax assets	–	–	–	–	–
Taxes receivable	–	–	–	22	22
Other receivables	–	–	–	–	–
Cash and cash equivalents	292	134	282	4,862	5,570
Total financial assets	126,577	127,682	87,585	1,149,664	1,491,508
Medium term notes	123,784	125,914	85,966	1,101,214	1,436,878
Interest payable medium term notes	2,466	1,609	1,306	43,202	48,583
Taxes payable	–	–	–	–	–
Other liabilities and accruals	–	–	–	156	156
Total financial liabilities	126,250	127,523	87,272	1,144,572	1,485,617

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Liquidity risk

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

Year ended as at 31 December 2017 (par values including interest accrual)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	EUR000	EUR000	EUR000	EUR000	EUR000	EUR000
Financial assets						
Financial assets at fair value through profit or loss	–	7,461	45,877	783,560	425,291	1,262,189
Financial liabilities						
Financial liabilities at fair value through profit or loss	–	7,418	45,792	783,408	425,205	1,261,823
Maturity/liquidity gap	–	43	85	152	86	366

Year ended as at 31 December 2016 (par values including interest accrual)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	EUR000	EUR000	EUR000	EUR000	EUR000	EUR000
Financial assets						
Financial assets at fair value through profit or loss	–	95,831	129,976	511,128	640,274	1,377,209
Financial liabilities						
Financial liabilities at fair value through profit or loss	–	95,712	129,844	511,043	640,155	1,376,754
Maturity/liquidity gap	–	119	132	85	119	455

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Offsetting financial assets and financial liabilities

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

22 Commitments and contingencies

No commitments and contingencies.

23 Related party disclosures

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

- Loans, bonds and receivables from participants, refer to Note 4;
- Cash and cash equivalents, refer to Note 6;
- Interest income and similar income, refer to Note 11;
- Guarantee by AXA Bank Belgium S.A./N.V. that unconditionally and irrevocably guarantees the due and punctual payment of the principal of and interest on the issued notes as well as of any additional amounts which may be required to be paid by the Company;
- AXA Investment Managers fee charges for provided services regarding loans and notes issuance of EUR 1 thousand (2016: EUR 8 thousand);
- Transactions with key management, refer to Note 19.

24 Profit appropriation according to the Articles of Association

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

25 Appropriation of profit 2017

The Management Board proposes to add the profit of EUR 424,000 to the retained earnings.

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26 Subsequent events

No events took place after balance sheet date that could have a material effect on the financial position of the Company as at 31 December 2017.

Amsterdam, 26 April 2018

Aernout Veerman, Chairman of the Management Board

Grete Schaekers, Member of the Management Board

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Other information

Statutory rules concerning appropriation of profit

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

Independent auditor's report

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

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2017 of AXA Belgium Finance (NL) B.V. ('the company') based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of AXA Belgium Finance (NL) B.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;

The financial statements comprise:
1 the statement of financial position as at 31 December 2017;
2 the following statements for 2017: the statements of comprehensive income, changes in equity and cash flows; and
3 the notes, comprising a summary of the significant accounting policies and other explanatory information.

BASIS FOR OUR OPINION

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

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

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

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Mazars Paardekooper Hoffman Accountants N.V.
With its registered office in Rotterdam (KvK Rotterdam nr. 24402415).

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

CONTEXT OF OUR AUDIT APPROACH

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

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

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

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

MATERIALITY

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 6,783,000. We determined materiality based on our analysis of the information needs of the stakeholders, of which we believe the shareholders and bondholders to be the most important stakeholders. The materiality is based on 0,5% of the total assets. We used total assets given the company's main activity is intra-group lending. The company facilitates the AXA Bank Belgium S.A./N.V. in its financing activities for which it receives a margin.

We agreed with the management board that misstatements in excess of EUR 339,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

OUR KEY AUDIT MATTERS

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

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Any comments we make on the results of our procedures should be read in this context.

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

We consider the fair value of the bonds granted to AXA Bank Belgium S.A./N.V. and notes issued to third parties, as disclosed in note 4 and note 9 to the financial statements for a total amount of EUR 1,299,100,000 as a key audit matter. This is due to the size and nature of the financial instruments and given that fair value changes may have a material effect on the income statement and financial position of the company.

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

- obtaining an understanding of the valuation methodology and the processes and controls with respect to the valuation of the financial assets and financial liabilities measured at fair value, which are designed to validate the prices used by the trading desks;
- testing the company's controls surrounding the treasury management system and issuance of notes and reconciling on a sample basis the notes issued with the underlying agreements and cash flows;
- testing data input to calculate the fair value and challenging the assumptions of management used in determining the fair value of the bonds and notes;
- verification of the completeness and accuracy of the booking of economic hedges to ensure the Company had effective economic hedges in place;
- assessment of the financial situation of AXA Bank Belgium S.A./N.V. to which bonds have been granted and by which the notes issued have been irrecoverably guaranteed; and
- review of the adequacy of the disclosures relating to the valuation of financial assets and financial liabilities for compliance with the disclosure requirements included in EU-IFRS.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

ENGAGEMENT

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

NO PROHIBITED NON-AUDIT SERVICES

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

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF THE MANAGEMENT BOARD FOR THE FINANCIAL STATEMENTS

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

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

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

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

We communicate with the management board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

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

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

Rotterdam, 30 April 2018

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

Original has been signed by C.A. Harteveld RA

pwc

AXA Belgium Finance (NL) B.V.
Attn: management board
Postbus 3269
4800 DG BREDA

21 April 2017

Reference: MP/e0400593/EL/ar

Subject: financial statements and auditor's report 2016

Dear management board members

We are pleased to send you a stamped version of the financial statements 2016, and our signed auditor's report dated 21 April 2017. Furthermore, we enclose one copy of the aforementioned auditor's report.

We provided one version of the auditor's report with an original signature. This auditor's report needs to be included in the section 'Other information' accompanying the financial statements which are signed by the management board and is for your own records. A copy of the auditor's report includes the name of the external auditor, but lacks a personal signature. We confirm that we give you our consent to include a copy in the section 'Other information' accompanying a copy of the financial statements 2016, which corresponds with the attached stamped version of the financial statements.

Signing and adopting the financial statements

The original financial statements must be signed by the management board before they are offered to the general meeting of AXA Belgium Finance (NL) B.V. These financial statements must be adopted by the general meeting of AXA Belgium Finance (NL) B.V. This adoption must be recorded in the minutes of the meeting. If the financial statements are not adopted within 45 days from the date of issuance of our auditor's report, our consent to include the report in the section 'Other information' accompanying the financial statements will be revoked. If that is the case, please contact us to discuss the situation.

Please send us a signed copy of the financial statements for our file.

Subsequent events

Please note that, if prior to the adoption of the financial statements there are circumstances or events with significant financial implication for the company (subsequent events), the financial statements need to be adjusted. Naturally, in such a situation, our consent is revoked.

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Consent to use and make public our auditor's report and related conditions

We confirm that we give you our consent to publish the copy of our auditor's report together with the corresponding complete set of the financial statements (including the management report and the 'Other information'), provided that the financial statements will be adopted without any changes by the general meeting of AXA Belgium Finance (NL) B.V.

If you publish the financial statements and a copy of the auditor's report on the Internet, you must safeguard that the financial statements are adequately segregated from any other information on the website. This could be done by publishing the financial statements as a separate, non-editable file, or by including a warning as soon as the reader leaves the financial statements (such as 'You are now leaving the protected audited financial statements').

Publication of the annual financial reporting including filing with the AFM

The annual financial reporting, as defined in the Wet op het financieel toezicht (Wft) article 5:25c, must be made generally available within four months after the end of the year. At the same time, the documents have to be sent to the Autoriteit Financiële Markten (AFM) (Wft article. 5:25m). This is also mandatory in the case the annual financial statements have not been adopted by the general meeting. The AFM then ensures that such registered information is made publicly available in a public register.

Filing at the Trade Chamber of Commerce via the AFM

Within five days after adoption of the annual financial statements (as defined in the Wft article 5:25o) by the general meeting, this document has to be sent to the AFM. The AFM shall transmit the documents within three days of receipt to the Trade Chamber of Commerce.

Information systems

In accordance with Section 2:393 sub 4 of the Dutch Civil Code, independent auditors must report their findings resulting from the audit of the financial statements with respect to the reliability and continuity of electronic data processing. As a result of our audit procedures we have no matters to report.

The responsibility for sufficient reliability and continuity of the electronic data processing lies primarily with management of the company. Our audit of the statutory financial statements is focused on issuing an opinion on the fairness of presentation of the financial statements and not the reliability and continuity of automated data processing as a whole or parts thereof.

It has been agreed that no separate examination of the reliability and continuity of automated data processing as a whole or parts thereof is carried out. If we had carried out specific procedures on the above aspects, additional findings might have been identified and reported to you.

Fraud

The primary responsibility for preventing and detecting fraud and mistakes rests with the management. The management board of the company sees to it that management develops adequate procedures and takes appropriate measures if necessary. The auditor is responsible for evaluating the risk that the financial statements could be materially misstated due to fraud, mistakes or misappropriation of assets.

If during the course of our audit we had detected an act of fraud, we would have reported any such matter to you. If, in the event of a material fraud in respect of financial reporting, no appropriate action had been taken by you, we would be required to report this to the relevant authorities.

During the audit of the financial statements 2016, no indications of fraud came to our attention.

Please do not hesitate to contact us, if you have any queries.

Yours sincerely
PricewaterhouseCoopers Accountants N.V.

H.D.M. Plomp RA
partner

Enclosures

Independent auditor's report

To: the general meeting of AXA Belgium Finance (NL) B.V.

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of AXA Belgium Finance (NL) B.V. as at 31 December 2016, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of AXA Belgium Finance (NL) B.V., Breda ('the company').

The financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the following statements for 2016: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the cash flow statement for the year then ended; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

Independence

We are independent of AXA Belgium Finance (NL) B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

Ref.: e0400593

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

Our audit approach

Overview and context

The company's main activity is the financing of companies belonging to the AXA group. The company is financing these loans through bond offerings on the Luxembourg Stock Exchange. The repayment of these bonds to the investors is guaranteed by AXA Bank Europe S.A./N.V. as disclosed in note 9. to the financial statements. Loans are issued to AXA Bank Europe S.A./N.V. increased with an interest margin, aligned with fiscal rules. We paid specific attention to the areas of focus following from the operations of the company, as set out below.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 3 of the financial statements the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty in the impairment assessment of assets we considered these to be key audit matters as set out in the key audit matter section of this report.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a financing company. We therefore included specialists in the area of financial instruments in our team.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €7,400,000 (2015: €8,219,000). We determined materiality based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders to be the most important stakeholders. Based thereon we applied a benchmark of 0,5% of total assets. We use total assets given the company's main activity is intra-group lending. The company facilitates the AXA Bank Europa S.A./N.V. in its financing activities for which it receives a margin.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the management board that we would report to them misstatements identified during our audit above €740,000 (2015: €820,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our audit

The company is financing companies belonging to the AXA group by granting loans to AXA Bank Europe S.A./N.V. As part of our testing procedures we tested the existence of the loans by requesting representatives of AXA Bank Europe S.A./N.V. to confirm the outstanding intercompany loans.

In addition to this confirmation process, we performed additional testing on these confirmations by contacting the audit team of PwC Belgium, responsible for the audit of AXA Bank Europe S.A./N.V. to confirm the outstanding intercompany loans and enquire as to any risk noted with respect to the payment of the loans and the ability to meet the guarantee.

For the existence and effectiveness of internal controls surrounding the source system in which loans granted to AXA Bank Europe S.A./N.V. and issued to third parties are accounted for as well as the valuation of these loans at fair value we relied on the work performed by the PwC audit teams responsible for the audit of AXA Bank Europe S.A./N.V. For that purpose we have sent the PwC audit team instructions. Additionally we have performed a file review on the work performed by the PwC audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the management board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

Due to the nature of the company's business we recognise that key audit matters which we reported in our independent auditor's report on the financial statements 2015 may be long-standing and therefore may not change significantly year over year. As compared to last year there have been no changes in key audit matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	*How our audit addressed the matter*
Valuation of the loans issued to AXA Bank Europe S.A./N.V. We consider the valuation of the loans issued, as disclosed in note 4 to the financial statements for a total amount of €1,391,878,000 (2015: €1,597,119,000), as a key audit matter. This is due to the size of the loan portfolio and given that an impairment may have a material effect on the income statement and financial position of the company. Loans are recognized at fair value. Management did not identify any impairment triggers regarding the loans issued to AXA Bank Europe S.A./N.V.	We have performed detailed audit work addressing the existence and valuation of the loans issued to AXA Bank Europe S.A./N.V. , through reconciling on a sample basis the loans issued with the underlying loan agreements and cash flows, confirmation procedures and analysis of the financial situation of AXA Bank Europe S.A./N.V. to which loans have been provided and assessed whether there were any impairments triggers. We concur with the position taken by the management board as set out in the financial statements with respect to the valuation of the loans.
Fair value of notes issued to third parties We consider the fair value of the medium term notes issued as disclosed in note 9 to the financial statements of €1,391,878,000 (2015: €1,597,119,000) as a key audit matter. This is due to the size of the notes issued and given that an adjustment to fair value may have a material effect on the income statement.	We have performed detailed audit work addressing the valuation of the notes issued by AXA Belgium Finance (NL) B.V. We tested, amongst others, the internal controls surrounding the treasury management system and issuance of notes and reconciling on a sample basis the notes issued with the underlying agreements and cash flows. We also tested data input to calculate the fair value and reconciliation of the treasury management system with the general ledger. We challenged the assumptions of management used in the fair value calculation. We concur with the position taken by the management board as set out in the financial statements with respect to the valuation of the notes.

Report on the other information included in the annual report

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

- the management report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

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

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

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

The management board is responsible for the preparation of the other information, including the management report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of AXA Belgium Finance (NL) B.V. following the passing of a resolution by the shareholders at the annual meeting held on 29 April 2016 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 19 years.

Responsibilities for the financial statements and the audit

Responsibilities of the management board

The management board is responsible for:

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

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Groningen, 21 April 2017
PricewaterhouseCoopers Accountants N.V.

H.D.M. Plomp RA

pwc

Appendix to our auditor's report on the financial statements 2016 of AXA Belgium Finance (NL) B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

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

We communicate with the management board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Independent auditor's report

To: the general meeting of AXA Belgium Finance (NL) B.V.

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of AXA Belgium Finance (NL) B.V. as at 31 December 2016, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of AXA Belgium Finance (NL) B.V., Breda ('the company').

The financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the following statements for 2016: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the cash flow statement for the year then ended; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

Independence

We are independent of AXA Belgium Finance (NL) B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

Ref.: e0400593

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

Our audit approach

Overview and context

The company's main activity is the financing of companies belonging to the AXA group. The company is financing these loans through bond offerings on the Luxembourg Stock Exchange. The repayment of these bonds to the investors is guaranteed by AXA Bank Europe S.A./N.V. as disclosed in note 9. to the financial statements. Loans are issued to AXA Bank Europe S.A./N.V. increased with an interest margin, aligned with fiscal rules. We paid specific attention to the areas of focus following from the operations of the company, as set out below.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 3 of the financial statements the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty in the impairment assessment of assets we considered these to be key audit matters as set out in the key audit matter section of this report.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a financing company. We therefore included specialists in the area of financial instruments in our team.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €7,400,000 (2015: €8,219,000). We determined materiality based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders to be the most important stakeholders. Based thereon we applied a benchmark of 0,5% of total assets. We use total assets given the company's main activity is intra-group lending. The company facilitates the AXA Bank Europa S.A./N.V. in its financing activities for which it receives a margin.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the management board that we would report to them misstatements identified during our audit above €740,000 (2015: €820,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our audit

The company is financing companies belonging to the AXA group by granting loans to AXA Bank Europe S.A./N.V. As part of our testing procedures we tested the existence of the loans by requesting representatives of AXA Bank Europe S.A./N.V. to confirm the outstanding intercompany loans.

In addition to this confirmation process, we performed additional testing on these confirmations by contacting the audit team of PwC Belgium, responsible for the audit of AXA Bank Europe S.A./N.V. to confirm the outstanding intercompany loans and enquire as to any risk noted with respect to the payment of the loans and the ability to meet the guarantee.

For the existence and effectiveness of internal controls surrounding the source system in which loans granted to AXA Bank Europe S.A./N.V. and issued to third parties are accounted for as well as the valuation of these loans at fair value we relied on the work performed by the PwC audit teams responsible for the audit of AXA Bank Europe S.A./N.V. For that purpose we have sent the PwC audit team instructions. Additionally we have performed a file review on the work performed by the PwC audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the management board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

Due to the nature of the company's business we recognise that key audit matters which we reported in our independent auditor's report on the financial statements 2015 may be long-standing and therefore may not change significantly year over year. As compared to last year there have been no changes in key audit matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	*How our audit addressed the matter*
Valuation of the loans issued to AXA Bank Europe S.A./N.V. We consider the valuation of the loans issued, as disclosed in note 4 to the financial statements for a total amount of €1,391,878,000 (2015: €1,597,119,000), as a key audit matter. This is due to the size of the loan portfolio and given that an impairment may have a material effect on the income statement and financial position of the company. Loans are recognized at fair value. Management did not identify any impairment triggers regarding the loans issued to AXA Bank Europe S.A./N.V.	We have performed detailed audit work addressing the existence and valuation of the loans issued to AXA Bank Europe S.A./N.V. , through reconciling on a sample basis the loans issued with the underlying loan agreements and cash flows, confirmation procedures and analysis of the financial situation of AXA Bank Europe S.A./N.V. to which loans have been provided and assessed whether there were any impairments triggers. We concur with the position taken by the management board as set out in the financial statements with respect to the valuation of the loans.
Fair value of notes issued to third parties We consider the fair value of the medium term notes issued as disclosed in note 9 to the financial statements of €1,391,878,000 (2015: €1,597,119,000) as a key audit matter. This is due to the size of the notes issued and given that an adjustment to fair value may have a material effect on the income statement.	We have performed detailed audit work addressing the valuation of the notes issued by AXA Belgium Finance (NL) B.V. We tested, amongst others, the internal controls surrounding the treasury management system and issuance of notes and reconciling on a sample basis the notes issued with the underlying agreements and cash flows. We also tested data input to calculate the fair value and reconciliation of the treasury management system with the general ledger. We challenged the assumptions of management used in the fair value calculation. We concur with the position taken by the management board as set out in the financial statements with respect to the valuation of the notes.

Report on the other information included in the annual report

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

- the management report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

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

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

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

The management board is responsible for the preparation of the other information, including the management report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of AXA Belgium Finance (NL) B.V. following the passing of a resolution by the shareholders at the annual meeting held on 29 April 2016 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 19 years.

Responsibilities for the financial statements and the audit

Responsibilities of the management board

The management board is responsible for:

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

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Groningen, 21 April 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by H.D.M. Plomp RA

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Appendix to our auditor's report on the financial statements 2016 of AXA Belgium Finance (NL) B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

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

We communicate with the management board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

AXA Belgium Finance (NL) B.V.

Annual report for the year ended December 31, 2016

Amsterdam, April 21, 2017

Approved and adopted in the general meeting of shareholders dated April 21, 2017

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General information

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

Statutory seat
Amsterdam

Registered office
Ginnekenweg 213
4835 NA Breda

File number at the Business Register of the Chamber of Commerce: 17173981

The Management board reviewed the Annual report of AXA Belgium Finance (NL) B.V. at April 21, 2017 and authorised their issue.

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Management report

General

AXA Belgium Finance (NL) B.V. is a limited liability company ('Besloten Vennootschap met beperkte aansprakelijkheid') under the laws of the Netherlands. At December 31, 2016 the Company is a wholly owned subsidiary of AXA Bank Europe S.A./N.V. The legal address of the parent company is Boulevard du Souverain 25, 1170 Brussels (Watermael-Boitsfort), Belgium. At December 31, 2016 AXA Bank Europe S.A./N.V. in its turn is held for 100% by AXA S.A., Paris, France.
It has been decided to change the name of the parent company from AXA Bank Europe S.A./N.V. to AXA Bank Belgium S.A./N.V., as well as to change the legal address of the parent company to Troonplein 1, 1000 Brussels. These changes are planned to be executed during May 2017.

The Company has a Management Board consisting of two managing directors, who have been appointed by the Company's shareholder. The Company has, besides the Dutch Director, no staff, and its Management Board members work on a part-time basis for the Company. There are no potential conflicts of interests between any duties to the Company of any of the Management Board members and their private interests and/or other duties.

At December 31, 2016 the Management Board of the Company consists of Mr. Aernout W. Veerman, chairman and Mr. Geert Van de Walle, member.
Mr. Geert Van de Walle resigned per March 16, 2017. The Company likes to express its gratitude to Mr. Van de Walle for his involvement and contributions during the eleven years he was member of the Board. On March 27, 2017 Mrs. Grete Schaekers was appointed as member of the Board by the shareholder. The Management Board of the Company now consists of Mr. Aernout W. Veerman, chairman and Mrs. Grete Schaekers, member.

Financial information

In comparison with the previous financial year, the total assets show a decrease of EUR 152 million and arrive at an amount of EUR 1,492 million (2015: EUR 1,644 million).

The net operating income decreased with EUR 119,000 from EUR 1,298,000 to EUR 1,179,000. The operating expenses increased from EUR 343,000 to EUR 389,000.
The profit before tax decreased and amounts to EUR 790,000 (2015: EUR 955,000).

The net profit for the year ended December 31, 2016 amounts to EUR 606,000. Together with the retained earnings of previous years, which amounts to EUR 3,517,000, the net profit available for appropriation amounts to EUR 4,123,000. The Management Board proposes to the Annual General Meeting to distribute a dividend of EUR 3,800,000 to the shareholder and to bring forward the remaining EUR 323,000 to the retained earnings. This dividend will be payable as from April 24, 2017

Business overview

According to Article 2 of its Articles of Association, the Company's objectives are:
- to finance other enterprises and companies;
- to found, to participate in any way in, to manage and to supervise enterprises and companies;

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

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

A number of Notes are listed on the Luxembourg Stock Exchange. Notes issues can be subject to selling commissions, out-of-pocket expenses and are subject to paying agency fees. The notes issued under the Notes Programmes dated May 9, 2006 were governed by the laws of the Netherlands and they are issued in bearer form or in registered form. Pursuant to a selling restriction, the notes under these Programmes could not be transferred or sold, whether directly or indirectly, as part of the initial distribution or at any time thereafter, to any individual or legal entity who or which is established, domiciled or resident in the Netherlands.

The first Notes Programme was issued in 2006. The last outstanding Notes issued under this Programme (Serena Lift Up and Serena Memoris) matured in 2016.
In 2010 a new Notes Issuance Programme for a maximum amount of EUR 1,000 million was launched together with AXA Bank Europe S.A./N.V. (co-issuer and Guarantor). The Notes issued under this new Programme are governed by Belgian law. On April 17, 2012, the Belgium regulator FSMA (Autoriteit voor Financiële Diensten en Markten) has approved the extension of this Programme from EUR 1,000 million to EUR 2,000 million. The Base Prospectus describing the Programme was last updated on September 12, 2016. The notes "Eureka !", "Optinote Multiwin", "Optinote Multistep", "Optinote Inflation", "Optinote Amplitude" and "Sweet Reverse" matured in 2016.
Furthermore, the Company announces that an important part of the outstanding amounts of EUR 219 million will mature in 2017.

Contrary to the Notes issued under earlier Programmes, some Notes issued under this new Programme were offered in other countries than Belgium, through the services provided by local third party distributors appointed upon advice and in sub delegation of the Company's principal distributor, AXA Bank Europe S.A./N.V. In order to enable such activities, the Base Prospectus describing the Programme has been notified by the Belgian regulator (FSMA) to the official regulators in France, Luxemburg, Germany. All Notes issued in 2016 however are only distributed in Belgium.

On December 31, 2016, the nominal value of the AXA Bank Europe S.A./N.V. loans and bonds was EUR 1.328 million (2015: EUR 1,477 million) and based on IFRS EUR 1.436 million (2015: EUR 1.597 million) excluding interest.

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On December 31, 2016, the following par values of notes issued by the Company were outstanding

1 Under the Notes Programme dated May 9, 2006:

None outstanding: the last outstanding Notes issued under this Programme matured in 2016

- Serena Lift Up: matured June 23, 2016;
- Serena Memoris: matured December 15, 2016.

2 Under the EUR 2,000,000,000 Notes Issuance Programme dated September 21, 2010:

- AXA Coupon Sérénité 2: EUR 43,282,000 (distributed in France);
- Drouot Patrimoine Zen: EUR 3,834,000;
- Optinote Multistep 2: EUR 92,504,000;
- Coupon Sérénité 4: EUR 125,049,000;
- Drouot Patrimoine Zen 2: EUR 7,081,000;
- Optinote Nordic: NOK 497,220,000;
- Sweet Reverse 2: EUR 1,400,000 (distributed in Portugal);
- Life Opportunity: EUR 48,995,000;
- Sweet Reverse 3: EUR 1,950,000 (distributed in Portugal);
- Drouot Patrimoine Zen 3: EUR 8,680,000;
- Optinote Australia: AUD 57,636,000;
- Sweet Reverse 4: EUR 2,000,000;
- Life Opportunity 2: EUR 32,861,000;
- Optinote Nordic 2: NOK 172,590,000;
- Sweet Reverse 5: EUR 3,350,000;
- Optinote Carmignac Patrimoine: EUR 30,508,000;
- Life Opportunity 3: EUR 52,133,000;
- Life Opportunity Selection: EUR 38,244,000;
- Sweet Reverse 6: EUR 2,000,000 (distributed in Portugal);
- Optinote Australia 2: AUD 67,748,000;
- Optinote European Dividend: EUR 18,502,000;
- Sweet Reverse 7: EUR 3,100,000 (distributed in Portugal);
- Optinote New Zealand: NZD 46,392,000;
- Oxylife Opportunity: EUR 14,639,000;
- Oxylife Opportunity 2: EUR 9,733,000;
- Life Opportunity Selection 2: EUR 29,250,000;
- Life Opportunity Selection 2 Dynamic: EUR 15,926,000;
- Oxylife Opportunity 3: EUR 18,805,000;
- Optinote Prestige: EUR 13,211,000;
- Life Opportunity Selection 3: EUR 25,809,000;
- Life Opportunity Selection 3 Dynamic: EUR 7,898,000;
- Oxylife Opportunity 4: EUR 22,401,000;
- Oxylife Opportunity 5: EUR 16,363,000;
- Life Opportunity Index: EUR 11,094,000;
- Optinote Multistep Australia: AUD 49,738,000;
- Oxylife Opportunity 6: EUR 5,755,000;
- Life Opportunity Selection 4: EUR 11,870,000;
- Life Opportunity Selection 4 Dynamic: EUR 4,820,000;
- Optinote European Selection: EUR 29,759,000;
- Oxylife Opportunity 7: EUR 1,840,000;
- Life Opportunity Index 2: EUR 4,773,000;

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- Life Opportunity Index 2 Short: EUR 950,000;
- Optinote European Selection 2: EUR 12,630,000;
- Optinote Multistep New Zealand: NZD 51,674,000;
- Optinote European Excellence: EUR 81,400,000;
- Optinote Energy: EUR 23,269,000;
- Optinote Euro Diversification: EUR 13,586,000;
- Optinote New-Zealand 2: NZD 60,444,000.
- Optinote Flexfunds: EUR 29.165.000;
- Optinote Demography: EUR 20.074.000;
- Optinote Megatrends: EUR 12.643.000;
- Optinote New Zealand Dollar 3: NZD 31.702.000;
- Optinote Scandinavia NOK: NOK 107.740.000;
- Optinote European Excellence 2: EUR 27.673.000;
- Optinote Global Diversification: EUR 8.686.000;
- Optinote World Demography: EUR 9.778.000.

Risk management

The main activity of the Company consists of lending the proceeds of issued notes to AXA Bank Europe S.A./N.V., where a maximum correlation between the conditions of the notes and those of the loans to AXA Bank Europe S.A./N.V. is pursued, thus preventing the existence of substantial transformation risks.
As a finance company, the Company could face a number of risks including, but not limited to credit risk, market risk, currency risk, operational risk and liquidity risk. In assessing the risk profile of the Company it is important to note that all notes issued by the Company are unconditionally and irrevocably guaranteed by AXA Bank Europe S.A./N.V.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Market risk: AXA Bank Europe follows a strict risk framework for its trading activity which includes the hedges of the EMTN with the market. At inception new EMTNs are fully hedged. Only some residual position can result from EMTNs bought back from clients before maturity.
- Credit counterparty risk: There are limits defined by counterparty that cover all ABE derivatives including the one hedging EMTNs.

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- Regulatory risk: is the risk that AXA BANK EUROPE's business activities are subject to increased and changing substantial regulation and regulatory oversight in the jurisdictions in which it operates and that it is subject to initiatives in the European recovery and resolution regulation

Fair value calculation

The fair values are, except for some manual products or elements, produced by the front office application Sophis which contains (a) the models that are used in its financial library and (b) the market parameters that are updated on a daily basis enabling consequently a daily calculation of the fair values.

- Before any model application or model change including the market data, a motivated request for approval after a detailed analysis is released by the Control and Accounting Financial Markets department, in charge of the independent valuation process of AXA Bank Europe, in order to get the validation of Risk Management for the put in production of the described solution. This enables to get evidence that any valuation process has been subject to a second level of validation before use. Once validated, the solution is put in production and a daily upload and control of the market data process takes place with respect of an Internal Financial Control (IFC) procedure in which evidences of controls and, potentially, corrections have to be produced. This procedure enables to avoid significant market data quality problems.
- Once the market data are uploaded, the valuations are produced automatically by the application Sophis and are feeding (a) the accounting as well as (b) the economic reports which are produced and controlled on a daily basis.
  At the end of the month, the accounting P&L is compared with the independently calculated economic figures with respect to the IFC P&L reconciliation process.
- Finally, the valuations of AXA Bank Europe are compared with those received by the counterparties with respect to the valuation check procedure which enable to validate, or detect problems if any, the levels defined by AXA Bank Europe. A motivated and detailed file is communicated for validation to the Risk Management validation team twice a year and the outcome is presented to the Wholesale Risk Committee (WRC).
  In consequence of the risk management framework as described above, capital management of AXA Belgium Finance and all related decisions are also monitored within AXA Bank Europe in close collaboration with the management of AXA Belgium Finance (NL) B.V.

Declaration section 5:25C

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

1. the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

2. the management report gives a true and fair view of the important events and their impact on the financial statements and as well as major related party transactions that have occurred during the financial year together with a description of the principal risks and uncertainties that the Company faces.

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Corporate social responsibility

The Company is a member of the AXA group that is active at the crossroads between social development, respect for the environment and economic performance. As such, the AXA group has developed a sustainable development strategy focusing on the specific nature of its financial protection business and the responsible behaviour commensurate with its status as a major international group. This is why the AXA group is committed to carrying out its activities as a responsible corporation, managing its direct impact on its various stakeholders:

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

Investments

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

Future developments

The Notes Issuance Programme dated September 21, 2010, is created at the request of, and in close collaboration with AXA Bank Europe S.A./N.V. (in this Programme AXA Bank Europe S.A./N.V. acts both as potential Issuer together with AXA Belgium Finance (NL) B.V. and as Guarantor) and will support the international business objectives of AXA Bank Europe S.A./N.V. that aim at providing an offer of notes with a broad range of maturities, currencies, structures and sizes, that shall be distributed through local entities of the AXA Group or third party distributors. The Programme allows retail issues, institutional issuances, private placements and reverse inquiry issues (for entities of the AXA Group and third parties) which can be organized under the same Programme throughout Europe AXA Bank Europe S.A./N.V. has requested to prepare the issue process of several new issues in 2017 in Belgium.

Since December 31, 2016, the following Notes are issued (situation April, 2017):

- Optinote ESG Leaders Switchable;
- Optinote Super Region Switchable.

For the rest of 2017, AXA BANK has informed the Company of its intention to distribute a further 3 Notes in Belgium in the period June-September for which they will request the launching by AXA Belgium Finance (NL) B.V. under the Programme.

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As at March 30, 2017 the Company has 53 series of Notes outstanding for an aggregate amount of EUR 963,351,517, NOK 604,960,000, AUD165,122,00 and NZD 186,966,00, of which the proceeds have been lent to AXA Bank Europe S.A./N.V. as bilateral loans. Also at March 30, 2017 the Company and AXA Bank Europe S.A./N.V. signed a Debt Amendment Agreement to amend these bilateral loans into notes in the form of registered securities (obligaties op naam) as a private placement between the Company and, AXA Bank Europe S.A./N.V. and enabling possible transfers to third parties. This amendment changes the form of the onlending arrangements, without affecting the outstanding amounts, the number of such arrangements, the currency or any other feature of the terms and conditions.

Considering that the Company maintains important assets in cash or cash equivalents and has no known specific investment needs within its business model and operational framework, the Management intends to propose the distribution of a dividend to the shareholders.

Apart from these intentions and business objectives, there has been no material adverse change in the financial position or prospects of the Company since December 31, 2016. There are no known further trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the prospects of the Company for the year ended December 31, 2016.

Amsterdam, April 21, 2017

Aernout Veerman, Chairman of the Management Board

Grete Schaekers, Member of the Management Board

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Financial statements

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Statement of financial position as at December 31, 2016

	Note	2016	2015
		EUR000	EUR000
Assets			
Financial assets at fair value through profit or loss	4	1,485,916	1,639,030
Deferred tax assets	5	–	18
Taxes receivable	5	22	–
Other receivables		–	5
Cash and cash equivalents	6	5,570	4,852
Total assets		1,491,508	1,643,905
Shareholder's equity			
Issued share capital	7	1 768	1,768
Retained earnings	8	4,123	3 517
Total shareholder's equity		5 891	5,285
Liabilities			
Financial liabilities at fair value through profit or loss	9	1,485,461	1,638,463
Taxes payable	5	–	17
Other liabilities and accruals	10	156	140
Total liabilities		1,485,617	1,638,620
Total liabilities and shareholder's equity		1,491,508	1,643,905

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Statement of comprehensive income for the year ended December 31, 2016

	Note	2016	2015
		EUR000	EUR000
Interest income	11	39,419	42,382
Interest expense	11	(38,267)	(41,096)
Net interest income		1,152	1,286
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	12	-	-
Foreign exchange gains/(losses)	13	15	(26)
Other income	14	12	38
Net operating income		1,179	1,298
Operating expenses	15	(389)	(343)
Net operating expenses		(389)	(343)
Profit before tax		790	955
Income tax expense	5	(184)	(234)
Profit for the year		606	721
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		606	721

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

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Statement of changes in equity for the year ended December 31, 2016

	Share capital	Retained earnings	Total
	EUR000	EUR000	EUR000
Balance at January 1, 2015	1,768	2,796	4,564
Profit for the year	–	721	721
Other comprehensive income	–	–	–
Total comprehensive income	–	721	721
Transactions with owners	–	–	–
	–	721	721
Balance at December 31, 2015	1,768	3,517	5,285
Profit for the year	–	606	606
Other comprehensive income	–	–	–
Total comprehensive income	–	606	606
Transactions with owners	–	–	–
	–	606	606
Balance at December 31, 2016	1,768	4,123	5,891

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Statement of cash flows for the year ended December 31, 2016

	2016	2015
	EUR000	EUR000
Profit before tax for the year	790	955
Adjustments to reconcile profit before tax to net cash flows:		
Interest income	(39,419)	(42,382)
Interest expense	38,267	41,096
Effect of exchange rate changes	15	(26)
Other movements	24	20
	(323)	(337)
Working capital adjustment.		
Changes in interest receivables, deferred tax assets and other receivables	1,390	5,304
Changes in interest liabilities, taxes payable and other liabilities and accruals	(1 383)	(5 238)
	7	66
Operating activities·		
Loans granted to group companies	(94,534)	(157,011)
Bonds granted to group companies	(46,137)	–
Repayment on loans to group companies	303,947	125,099
Proceeds from issued medium term notes	140,671	157,011
Repayments on issued medium term notes	(303,947)	(125,097)
Interest received	30,903	28,591
Interest paid	(29,654)	(27,387)
Income tax paid	(215)	(229)
	1,034	977
Cash flow from operating activities	718	706
Net increase of cash and cash equivalents	718	706
Cash and cash equivalents as at January 1	4,852	4,146
Cash and cash equivalents as at December 31	5,570	4,852

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

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Notes to the financial statements

1 Corporate information

AXA Belgium Finance (NL) B.V. (the Company) is a limited liability Company ('Besloten Vennootschap met beperkte aansprakelijkheid') under the laws of the Netherlands. At December 31, 2016 the Company is a wholly owned subsidiary of AXA Bank Europe S.A./N.V. The legal address of the parent company is Boulevard du Souverain 25, 1170 Brussels (Watermael-Boitsfort), Belgium. AXA Bank Europe S.A./N.V. shares are held by the ultimate parent company AXA S.A., Paris, France.
It has been decided to change the name of the parent company from AXA Bank Europe S.A./N.V. to AXA Bank Belgium S.A./N.V., as well as to change the legal address of the parent company to Troonplein 1, 1000 Brussels. These changes are planned to be executed during May 2017.

2 Basis of preparation

2.1 *Reporting standards*

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

2.2 *Functional and presentation currency*

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

2.3 *Use of significant accounting judgments, estimates and assumptions*

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

2.4 *Going concern*

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

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3 Accounting policies

3.1 *New Standards, Amendments and Interpretations effective as from 2016*

The Company applied for the first time certain Standards and Amendments, which are effective for annual periods beginning on or after January 1, 2016 (= IFRS and EU effective date):

- Amendments to IFRS 11 – Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations.
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 – Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation.
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 – Agriculture: Bearer Plants.
- Amendments to IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements.
- Amendments to IAS 1 – Presentation of Financial Statements: Disclosure Initiative.
- Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 - Investments in Associates and Joint Ventures: Investment Entities Applying the Consolidation Exception.
- Amendments of the 2012-2014 cycle.

Although these new Standards and Amendments applied for the first time in 2016, they did not have a material impact on the 2016 financial statements of the Company.
The Company has not early adopted any Standard, Amendment or Interpretation that has been issued but is not yet effective.

3.2 *Standards, Amendments and Interpretations issued but not yet effective*

The following Standards issued by the IASB have been endorsed by the EU and will become effective in 2018:

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Contracts with Customers.

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

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (IFRS effective date January 1, 2017).
- Amendments to IAS 7: Disclosure Initiative (IFRS effective date January 1, 2017).
- Clarifications to IFRS 15 Revenue from Contracts with Customers (IFRS effective date January 1, 2018).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (IFRS effective date January 1, 2018).
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (IFRS effective date January 1, 2018).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (IFRS effective dates January 1, 2017 and January 1, 2018).
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (IFRS effective date January 1, 2018).

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- Amendments to IAS 40: Transfers of Investment Property (IFRS effective date January 1, 2018).
- IFRS 16: Leases (IFRS effective date January 1, 2019)

Major expected changes in the IFRS framework as listed above are:

IFRS 9 Financial instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The Standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015
As major part of the financial assets and financial liabilities of the Company are designated and measured at fair value through profit or loss (which can continue under IFRS 9, including the own credit risk on the issued EMTN's in order to avoid an accounting mismatch with the related financial assets), the impact of IFRS 9 on the financial statements of the Company is expected to be low.

IFRS 15 – Revenue
This Standard includes a five-step model to determine when revenue should be recognised.

Step 1 = Identify the contract with the customer
Step 2 = Identify the performance obligations in the contract
Step 3 = Determine the transaction price
Step 4 = Allocate the transaction price to the performance obligations in the contract
Step 5 = Recognise revenue when (or as) the entity satisfies a performance obligation

This Standard is not expected to have a significant impact on the financial statements of the Company.

IFRS 16 – Leases
This Standard introduces a uniform accounting methodology for lessees. The Company is currently assessing the impact of this standard on its financial statements. However, the impact on the financial statements of the Company is not expected to be significant.

3.3 *Summary of significant accounting policies*

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

Foreign currency translation

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

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

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Financial assets at fair value through profit or loss

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

Non-performing loans and receivables

The Company assesses at each reporting date whether there is any objective evidence that a loan or receivable or a group of loans and receivables is impaired. A loan or receivable or a group of loans and receivables is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the loan or receivable or the group of loans and receivables that can be reliably estimated.

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

Other receivables

Other receivables are stated at amortized cost less impairment.

Cash and cash equivalents

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

Other liabilities

Other liabilities are stated at amortised cost.

Financial liabilities at fair value through profit or loss

Medium term notes are initially recognised at fair value. After initial measurement, these liabilities are carried at fair value through profit or loss with all fair value movements directly recognised in profit or loss. The guarantee given by the parent company is both embedded in the CVA calculation on the loans and the DVA calculation of the medium term notes given the fact those adjustments are based on the credit spread of the parent company AXA Bank Europe towards the retail market. Those spreads are a best estimate of the retail market appetite taking into account that those medium term notes are guaranteed by AXA Bank Europe.

Taxes

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

Recognition of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Financial assets

Financial assets are derecognised when:

- contractual rights to receive cash flows from the financial asset expired;
- rights to receive cash flows from the asset were retained but there exists an obligation to pay them in full without material delay to a third party under a specific arrangement transferring substantially all risks and rewards;
- rights to receive cash flows from the asset were transferred;
- all the risks and rewards of the asset, or the control of the asset were transferred substantially.

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

Financial liabilities

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

Repossessed collateral

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

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income

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

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Operating expenses

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

Interest expenses

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

4 Financial assets at fair value through profit or loss

	2016	2015
	EUR000	EUR000
Loans AXA Bank Europe S.A./N.V.	1,391,878	1,597,119
Bonds AXA Bank Europe S.A./N.V.	45,000	–
Interest receivable on loans AXA Bank Europe S.A./N.V.	49,031	41,911
Interest receivable on bonds AXA Bank Europe S.A./N.V.	7	–
Total financial assets at fair value through profit or loss	1,485,916	1,639,030

Movements in these items were as follows:

	AXA Bank Europe S.A./N.V.				
	Loans	Bonds	Interest receivable loans	Interest receivable bonds	Total
	EUR000	EUR000	EUR000	EUR000	EUR000
Book value as at January 1, 2016	1,597,119	–	41,911	–	1,639,030
Loans granted	94,534		–	–	94,534
Bonds granted	–	46,137	–	–	46,137
Repayments	(303,947)	–	–	–	(303,947)
Exchange rate differences	14,179	–	–	–	14,179
Fair value changes	(10,007)	(1,137)	–	–	(11,144)
Interest taken to profit and loss account	–	–	7,120	7	7,127
Book value as at December 31, 2016	1,391,878	45,000	49,031	7	1,485,916

	AXA Bank Europe S.A /N.V.				
	Loans	Bonds	Interest receivable loans	Interest receivable bonds	Total
	EUR000	EUR000	EUR000	EUR000	EUR000
Book value as at January 1, 2015	1,615,038	–	33,427	–	1,648,465
Loans granted	157,011	–	–	–	157,011
Repayments	(125,099)	–	–	–	(125,099)
Exchange rate differences	(5,863)	–	–	–	(5,863)
Fair value changes	(43,968)	–	–	–	(43,968)
Interest taken to profit and loss account	–	–	8,484	–	8,484
Book value as at December 31, 2015	1,597,119	–	41,911	–	1,639,030

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

	2016			
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Loans AXA Bank Europe S.A./N.V.	219,257	567,014	605,607	1,391,878
Bonds AXA Bank Europe S.A./N.V.	–	–	45,000	45,000
Interest receivable on loans AXA Bank Europe S.A./N.V.	9,180	26,178	13,673	49,031
Interest payable on bonds AXA Bank Europe S.A./N.V.	5	–	2	7
Total financial assets at fair value through profit or loss	228,442	593,192	664,282	1,485,916

	2015			
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Loans AXA Bank Europe S.A./N.V.	255,779	706,375	634,965	1,597,119
Interest receivable on loans AXA Bank Europe S.A./N.V.	12,531	13,063	16,317	41,911
Total financial assets at fair value through profit or loss	268,310	719,438	651,282	1,639,030

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Part of the interest rates are fixed between 5.85% and 0.00% and part of the interest rates are variable and are equal to the medium term notes issued by the Company, increased with margins from 0.06% (2015: Part of the interest rates are fixed between 5.85% and 0.00% and part of the interest rates are variable and are equal to the medium term notes issued by the Company, increased with margins from 0.06%).

The change in fair value of the loans attributable to changes in credit risk in the year is negative EUR 3,554 thousand (2015: EUR 38,456 thousand) and cumulative December 31, 2016 EUR 4,477 thousand (2015: EUR 8,031 thousand).
The change in fair value of the bonds attributable to changes in credit risk in the year is positive EUR 361 thousand (2015: N/A) and cumulative December 31, 2016 EUR 361 thousand (2015: N/A).

The loans are not subordinated.

5 Taxation

The charge for taxation as provided in the statement of comprehensive income is based on the profit before tax, using the Dutch corporate tax rate. The applicable tax rate for the financial statements is 20% over a tax profit of EUR 200,000 and 25% over profits exceeding this amount (2015: 20% over a tax profit of EUR 200,000 and 25% over profits exceeding this amount). The effective tax rate is 23.3% (2015: 24.5%).

Deferred tax assets as presented in the statement of financial position:

	2016	2015
	EUR000	EUR000
Balance as at January 1	18	13
Movement for the year	(18)	5
Balance as at December 31	–	18

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

	2016	2015
	EUR000	EUR000
Corporate income tax receivable	22	–
Total taxes receivable	22	–

	2016	2015
	EUR000	EUR000
Corporate income tax payable	–	17
Total taxes payable	–	17

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

	2016	2015
	EUR000	EUR000
Corporate income tax charge, current year	(166)	(239)
Deferred tax, current year	(18)	5
Total income taxes	(184)	(234)

	2016		2015	
	EUR000	%	EUR000	%
Profit before income taxes	790	100.0	955	100.0
Theoretical income tax at the applicable tax rate of 25% (2015: 25%), with a tax rate of 20% (2015: 20%) on the first bracket of EUR 200,000	184	23.3	234	24.5
Tax effect of the expenses not deductible for tax purposes and adjustments previous years	0	0.0	0	0.0
Total income tax expense	184	23.3	234	24.5

6 Cash and cash equivalents

	2016	2015
	EUR000	EUR000
Current accounts AXA Bank Europe S.A./N.V.	5,558	4,818
Current accounts other banks	12	34
Total cash and cash equivalents	5,570	4,852

There are no restrictions on the availability of cash and cash equivalents.

7 Issued share capital

	2016	2015
	EUR000	EUR000
3,897 ordinary shares with a par value of EUR 453.80	1,768	1,768

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

8 Retained earnings

	2016	2015
	EUR000	EUR000
Balance at January 1	3,517	2,796
Result for the year	606	721
Balance at December 31	4,123	3,517

The net profit for the year ended December 31, 2016 amounts to EUR 606,000. Together with the retained earnings of previous years, which amounts to EUR 3,517,000, the net profit available for appropriation amounts to EUR 4,123,000. The Management Board proposes to the Annual General Meeting to distribute a dividend of EUR 3,800,000 to the shareholder and to bring forward the remaining EUR 323,000 to the retained earnings. This dividend will be payable as from April 24, 2017.

9 Financial liabilities at fair value through profit or loss

	2016	2015
	EUR000	EUR000
Medium term notes	1,436,878	1,597,119
Interest payable medium term notes	48,583	41,344
Total financial liabilities at fair value through profit or loss	1,485,461	1,638,463

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

	2016			
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Medium term notes	219,256	567,015	650,607	1,436,878
Interest payable medium term notes	8 934	26,093	13,556	48,583
Total financial liabilities at fair value through profit or loss	228,190	593,108	664,163	1,485,461

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	2015			
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Medium term notes	255,779	706,375	634,965	1,597,119
Interest payable medium term notes	12,176	12 994	16,174	41 344
Total financial liabilities at fair value through profit or loss	267,955	719,369	651 139	1 638,463

Issued medium term notes are unconditionally and irrevocably guaranteed by the parent company AXA Bank Europe S.A./N.V. The movement of the financial liabilities at fair value through profit or loss is similar to the movement of the financial assets at fair value through profit or loss, with the exception of a small difference in the interest rates. Part of the interest rates for notes with maturity exceeding one year are fixed between 5.75% and 0.00% and part of the interest rates are variable (2015: partly fixed between 5.75% and 0.00% and partly variable).

In 2016 the applicable interest rate for notes maturing within one year is depending on the 3 months Euribor rate, with a minimum of 2.5% and a maximum of 5.5% in one case (2015: interest depending on the 3 months Euribor rate, with a minimum of 2.5% and a maximum of 5.5% in one case).

The change in fair value of the medium term notes attributable to changes in credit risk in the year is negative EUR 3,193 thousand (2015: negative EUR 38,456 thousand) and cumulative December 31, 2016 EUR 4,838 thousand (2015: EUR 8,031 thousand).
The contractual repayment amount at maturity is EUR 1,328,171 thousand (2015: 1,477,267 thousand).

10 Other liabilities and accruals

	2016	2015
	EUR000	EUR000
Trade creditors	–	34
Other payables and accruals	156	106
Total other liabilities and accruals	156	140

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11 Net interest income

	2016	2015
	EUR000	EUR000
Interest income on:		
Loans AXA Bank Europe S.A./N.V.	39,419	42,382
Total interest income	39,419	42,382
Interest expense on:		
Medium term notes	(38,267)	(41,096)
Total interest expense	(38,267)	(41,096)
Net interest income	1,152	1,286

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

The fair value gains/losses on loans and receivables of negative EUR 11,145 thousand (2015: negative EUR 43,968 thousand) are mitigated by the fair value gains/losses on medium term notes of positive EUR 11,145 thousand (2015: positive EUR 43,968 thousand)

13 Foreign exchange gains/(losses)

Foreign exchange gains of EUR 15 thousand (2015: losses of EUR 26 thousand) are on a net basis and include gains and losses arising from foreign currency transactions and the effects of translation of foreign currency assets and liabilities.

14 Other income

Other income are related results realized due to repurchase of notes and loans.

15 Operating expenses

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

16 Employee benefit expenses

	2016	2015
	EUR000	EUR000
Salaries	16	–

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17 Number of employees

The Company has only one part time director as own employee (2015: none).

18 Audit fees

	2016	2015
	EUR000	EUR000
Audit fees financial statements	61	55

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

19 Transactions with key management

The directors' remunerations are recorded as general and administrative expenses and amount to EUR 26 thousand (2015: EUR 21 thousand), and include only short-term remunerations of current members of the Management Board. No other benefits, like pension, medical, termination share-based payment transactions, company cars or loans, have been granted.

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

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

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

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

Fair value hierarchy

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

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

Valuation techniques

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

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

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

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

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

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Fair value hierarchy as at December 31, 2016

	Level 1	Level 2	Level 3	Total
	EUR000	EUR000	EUR000	EUR000
Financial assets				
Financial assets at fair value through profit or loss	–	1,013,467	472,449	1,485,916
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	1,013,146	472,315	1,485,461

Fair value hierarchy as at December 31, 2015

	Level 1	Level 2	Level 3	Total
	EUR000	EUR000	EUR000	EUR000
Financial assets				
Financial assets at fair value through profit or loss	–	1,261,467	377,563	1,639,030
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	1,261,007	377,456	1,638,463

The fair values of other financial assets and liabilities are approximated by their carrying amounts.

During 2016 one reclassification occurs from level 3 fair value hierarchy to level 2 fair value hierarchy.

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

	Assets Loans AXA Bank Europe S.A./N.V.	Liabilities medium term notes
	EUR000	EUR000
Balance at January 1, 2015	285,319	285,233
New issues medium term notes / loans	118,255	118,255
Unwindings medium term notes / loans	(10,917)	(10,917)
Net unrealized gains and losses recognised in profit or loss	(15,196)	(15,196)
Interest recognised in profit or loss	102	81
Balance at December 31, 2015	377,563	377,456
New issues medium term notes / loans	73,739	119,876
New bonds	46,137	–
Unwindings medium term notes / loans	(7,096)	(7,096)
Transfers level 3 into level 2 medium term notes / loans	(23,269)	(23,269)
Net unrealized gains and losses recognised in profit or loss	5,261	5,261
Interest recognised in profit or loss medium term notes / loans	107	87
Interest recognised in profit or loss bonds	7	–
Balance at December 31, 2016	472,449	472,315

The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at December 31, 2016 and 2015 are as shown below.

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to the fair value
Financial assets: Loans and receivables	DCF	Volatilities based on historical data*	-10% - 10%	10% increase (decrease) in the growth rate would result in an increase (decrease) in fair value by EUR 19.0 million (2015 EUR 18.0 million)
Financial liabilities: medium term notes	DCF	Volatilities based on historical data*	-10% - 10%	10% increase (decrease) in the growth rate would result in an increase (decrease) in fair value by EUR 19.0 million (2015: EUR 18.0 million)

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

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21 Financial risk review

General

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

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

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

Operational risk

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

Market risk

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

Credit risk

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

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

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

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Despite the current context on financial markets, AXA Bank Europe's ratings at December 31, 2016 are:

- Standard & Poor's: A/A-1 with Positive outlook (15/10/2014);
- Moody's: A2/P-1 with Stable outlook (24/09/2015).

Foreign currency risk

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

Foreign currencies as at December 31, 2016

	AUD	NZD	NOK	EUR	Total
	EUR000	EUR000	EUR000	EUR000	EUR000
Loans	123,784	125,915	85,965	1,056,214	1,391,878
Interest receivable on loans	2,501	1,633	1,338	43,559	49,031
Bonds	–	–	–	45,000	45,000
Interest receivable on bonds	–	–	–	7	7
Deferred tax assets	–	–	–	–	–
Taxes receivable	–	–	–	22	22
Other receivables	–	–	–	–	–
Cash and cash equivalents	292	134	282	4,862	5,570
Total financial assets	126,577	127,682	87,585	1,149,664	1,491,508
Medium term notes	123,784	125,914	85,966	1,101,214	1,436,878
Interest payable medium term notes	2,466	1,609	1,306	43,202	48,583
Taxes payable	–	–	–	–	–
Other liabilities and accruals	–	–	–	156	156
Total financial liabilities	126,250	127,523	87,272	1,144,572	1,485,617

Foreign currencies as at December 31, 2015

	AUD	NZD	NOK	EUR	Total
	EUR000	EUR000	EUR000	EUR000	EUR000
Loans	126,252	105,942	72,976	1,291,949	1,597,119
Interest receivable on loans	2,403	1,222	1,248	37,038	41,911
Deferred tax assets	–	–	–	18	18
Other receivables	–	–	–	5	5
Cash and cash equivalents	200	61	188	4,403	4,852
Total financial assets	128,855	107,225	74,412	1,333,413	1,643,905
Medium term notes	126,251	105,942	72,977	1,291,949	1,597,119
Interest payable medium term notes	2,368	1,191	1,221	36,564	41,344
Taxes payable	–	–	–	17	17
Other liabilities and accruals	–	–	–	140	140
Total financial liabilities	128,619	107,133	74,198	1,328,670	1,638,620

Liquidity risk

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

Year ended as at December 31, 2016 (par values including interest accrual)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	EUR000	EUR000	EUR000	EUR000	EUR000	EUR000
Financial assets						
Financial assets at fair value through profit or loss	–	95,831	129,976	511,128	640,274	1,377,209
Financial liabilities						
Financial liabilities at fair value through profit or loss	–	95,712	129,844	511,043	640,155	1,376,754
Maturity/liquidity gap	–	119	132	85	119	455

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Year ended as at December 31, 2015 (par values including interest accrual)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	EUR000	EUR000	EUR000	EUR000	EUR000	EUR000
Financial assets						
Financial assets at fair value through profit or loss	–	3,209	259,582	631,839	624,547	1,519,177
Financial liabilities						
Financial liabilities at fair value through profit or loss	–	3,113	259,324	631,770	624,404	1,518,611
Maturity/liquidity gap	–	96	258	69	143	566

Offsetting financial assets and financial liabilities

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

22 Commitments and contingencies

No commitments and contingencies.

23 Related party disclosures

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

- Loans and receivables from participants, refer to Note 4;
- Cash and cash equivalents, refer to Note 6;
- Interest income and similar income, refer to Note 11;
- Guarantee by AXA Bank Europe S.A./N.V. that unconditionally and irrevocably guarantees the due and punctual payment of the principal of and interest on the issued notes as well as of any additional amounts which may be required to be paid by the Company;
- AXA Investment Managers fee charges for provided services regarding loans and notes issuance of EUR 8 thousand (2015: EUR 15 thousand);
- Transactions with key management, refer to Note 17.

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24 Profit appropriation according to the Articles of Association

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

25 Appropriation of profit 2016

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

The net profit for the year ended December 31, 2016 amounts to EUR 606,000. Together with the retained earnings of previous years, which amounts to EUR 3,517,000, the net profit available for appropriation amounts to EUR 4,123,000. The Management Board proposes to the Annual General Meeting to distribute a dividend of EUR 3,800,000 to the shareholder and to bring forward the remaining EUR 323,000 to the retained earnings. This dividend will be payable as from April 24, 2017

26 Subsequent events

As at March 30, 2017 the Company has 53 series of Notes outstanding for an aggregate amount of EUR 963,351,517, NOK 604,960,000, AUD165,122,00 and NZD 186,966,00, of which the proceeds have been lent to AXA Bank Europe S.A./N.V. as bilateral loans. Also at March 30, 2017 the Company and AXA Bank Europe S.A./N.V. signed a Debt Amendment Agreement to amend these bilateral loans into notes in the form of registered securities (obligaties op naam) as a private placement between the Company and, AXA Bank Europe S.A./N.V. and enabling possible transfers to third parties. This amendment changes the form of the onlending arrangements, without affecting the outstanding amounts, the number of such arrangements, the currency or any other feature of the terms and conditions.

No events took place after balance sheet date that could have a material effect on the financial position of the Company as at December 31, 2016.

Amsterdam, April 21, 2017

Aernout Veerman, Chairman of the Management Board

Grete Schaekers, Member of the Management Board

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Independent auditor's report

To: the general meeting of AXA Belgium Finance (NL) B V.

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ANNEX 4: 2017 and 2016 IFRS CONSOLIDATED FINANCIAL STATEMENTS AXA BANK BELGIUM SA

(The original signed version is only available in the French or Dutch language and is available free of charge at the office of AXA BANK)

AXA Bank Belgium

2017 IFRS Consolidated Financial Statements

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

The Consolidated Financial Statements of AXA Bank Belgium have been officially filed at the Central Balance Sheet Office of the National Bank of Belgium (NBB). This document in English is a free translation of the Consolidated Financial Statements 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, it is the latter that prevails.

Consolidated Income Statement

Consolidated income statement in '000 EUR	2017.12	2016.12	Disclosure
CONTINUING OPERATIONS			
Financial & operating income and expenses	302.386	361.772	
Interest income	1.606.178	2.318.678	
Financial assets held for trading (if accounted for separately)	1.107.505	1.720.509	
Financial assets designated at fair value through profit or loss (if accounted for separately)			
Available-for-sale financial assets	35.421	99.635	
Loans and receivables (including finance leases)	427.400	463.747	
Held-to-maturity investments			
Derivatives - Hedge accounting, interest rate risk	27.129	21.566	
Other liabilities	50	16	
On liabilities	8.673	13.206	
(Interest expenses)	1.405.792	2.081.903	
Financial liabilities held for trading (if accounted for separately)	1.073.664	1.691.748	
Financial liabilities designated at fair value through profit or loss (if accounted for separately)	31.698	36.760	
Financial liabilities measured at amortised cost	173.331	203.881	
Derivatives - Hedge accounting, interest rate risk	116.506	147.447	
Other liabilities			
On assets	10.592	2.068	
Expenses on share capital repayable on demand			
Dividend income		1.670	
Financial assets held for trading (if accounted for separately)			
Financial assets designated at fair value through profit or loss (if accounted for separately)			
Available-for-sale financial assets		1.670	
Fee and commission income	63.293	53.001	7
(Fee and commission expenses)	53.752	42.441	
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	53.922	261.980	8
Available-for-sale financial assets	44.636	261.089	
Loans and receivables (including finance leases)	3.269	891	
Held-to-maturity investments			
Financial liabilities measured at amortised cost	6.018		
Other			
Gains (losses) on financial assets and liabilities held for trading (net)	-7.528	-1.589	
Equity instruments and related derivatives	-3.205	3.592	
Interest rate instruments and related derivatives	-11.530	15.977	
Foreign exchange trading	7.207	-21.158	
Credit risk instruments and related derivatives			
Commodities and related derivatives			
Other (including hybrid derivatives)			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)	10.604	2.705	9
Gains (losses) from hedge accounting	2.340	-205.650	10
Exchange differences , net	-3.588	23.679	
Gains (losses) on derecognition of assets other than held for sale, net	-242	-34	
Other operating net income	36.951	31.675	11

Consolidated income statement in '000 EUR	2017.12	2016.12	Disclosure
Administration costs	235.467	255.852	
Personnel expenses	88.850	92.421	13
General and administrative expenses	146.617	163.432	14
Depreciation	4.721	4.572	
Property, Plant and Equipment	2.058	2.179	23
Investment Properties			
Intangible fixed assets (other than goodwill)	2.663	2.393	24
Provisions	-13.198	5.740	
Impairment	12.845	12.846	15
Impairment losses on financial assets not measured at fair value through profit or loss	12.845	12.846	
Financial assets measured at cost (unquoted equity)			
Available for sale financial assets			
Loans and receivables (including finance leases)	12.845	12.846	
Held to maturity investments			
Impairment on			
Property, plant and equipment			
Investment properties			
Goodwill			
Intangible fixed assets (other than goodwill)			
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	62.552	82.761	
Tax expense (income) related to profit or loss from continuing operations	21.115	10.558	16
TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	41.437	72.203	
Total profit or loss after tax from discontinued operations		28.395	
TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST	41.437	100.598	
Profit or loss attributable to minority interest			
NET PROFIT OR LOSS	41.437	100.598	

Table CIS.1

Consolidated statement of realised and non-realised results in '000 EUR	2017.12	2016.12	
PROFIT (LOSS) FOR THE YEAR	41.437	100.598	
NON-REALISED RESULTS			
Elements not transferrable to result	-14.403	-10.554	(3)
Actuarial gains (losses) on defined benefit pension plans	10.824	-15.988	
Fair value financial liabilities-own credit risk	-25.633		(4)
income tax related to previous elements	406	5.434	
Transferred to profit or loss	-24.324	-75.706	
Foreign currency translation	-147	142	
Translation gains/losses taken to equity	-147	142	
Transferred to profit or loss			
Other reclassifications			
Cash flow hedges (effective portion)	33.114	-17.105	(1)
Valuation gains/losses taken to equity		-23.035	
Transferred to profit or loss	33.114	5.930	
Transferred to initial carrying amount of hedged items			
Other reclassifications			
Available-for-sale financial assets	-77.961	-93.681	(2)
Valuation gains/losses taken to equity	2.507	818	
Transferred to profit or loss	-80.468	-94.499	
Other reclassifications			
Non-current assets and disposal groups classified as held for sale		-3.040	
Income tax relating to components of other non-realised results	20.670	37.978	
TOTAL NON-REALISED RESULTS FOR THE YEAR	-38.727	-86.260	
TOTAL REALISED AND NON-REALISED RESULTS FOR THE YEAR	2.710	14.338	
Attributable to equity holders of the parent	2.710	14.338	
Attributable to minority interest			

Table CIS.2

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

Cash flow hedges (1)	2017.12	2016.12
Gross	33.114	-17.105
Tax	-11.256	5.814
Net (1)	21.859	-11.291

Financial investments available for sale (2)	2017.12	2016.12
Gross	-77.961	-93.681
Tax	31.925	32.164
Net (2)	-46.036	-61.517

Actuarial gains (losses) on defined benefit plans (3)	2017.12	2016.12
Gross	10.824	-15.988
Tax	-6.002	5.434
Net (3)	4.822	-10.554

Fair value financial liabilities-own credit risk (4)	2017.12	2016.12
Gross	-25.633	
Tax	6.408	
Net (4)	-19.225	

Tabel CIS.3

Consolidated Balance Sheet

Consolidated Balance Sheet - Assets in '000 EUR	2017.12	2016.12	Annexes
Cash and balances with central banks	597.263	657.176	17
Financial assets held for trading	1.247.291	1.643.504	18 / 21
Financial assets designated at fair value through profit or loss			19
Available-for-sale financial assets	2.952.270	4.304.987	20
Loans and receivables	21.921.564	20.650.591	21
Held-to-maturity investments			
Derivatives - hedge accounting	67.552	97.758	22
Fair value changes of the hedged items in portfolio hedge of interest rate risk	334.771	478.032	
Tangible fixed assets	38.015	39.815	
Property, Plant and Equipment	38.015	39.815	23
Investment property			
Intangible fixed assets	11.835	8.537	
Goodwill			
Other intangible assets	11.835	8.537	24
Investments in associates, subsidiaries and joint ventures (accounted for using the equity method- including goodwill)			25
Tax assets	38.759	27.648	
Current tax assets	4.946	4.473	16
Deferred tax assets	33.812	23.175	
Other assets	106.786	98.168	26
Non-current assets and disposal groups classified as held for sale			
TOTAL ASSETS	27.316.107	28.006.217	

Table CBS.1

Consolidated Balance Sheet - Liabilities in '000 EUR	2017.12	2016.12	Annexes
Financial liabilities held for trading	824.596	1.104.317	27
Financial liabilities designated at fair value through profit or loss	1.348.872	1.484.385	28
Financial liabilities measured at amortised cost	22.912.390	22.369.680	29
Deposits from Credit institutions	2.821	48.640	
Deposits from Other than credit institutions	17.873.758	17.863.958	
Debt certificates including bonds	4.214.547	3.457.918	
Subordinated liabilities	39.245	89.042	
Other financial liabilities	782.019	910.121	
Financial liabilities associated with transferred assets	486.026	1.031.061	30
Derivatives - hedge accounting	287.907	401.701	22
Fair value changes of the hedged items in a portfolio hedge of interest rate risk		89.180	
Provisions	212.803	233.169	31
Tax liabilities	35.177	27.945	
Current tax liabilities	28.030	27.945	16
Deferred tax liabilities	7.147		
Other liabilities	45.144	62.466	32
Liabilities included in disposal groups classified as held for sale			
Share capital repayable on demand (e.g. cooperative shares)			
TOTAL LIABILITIES	**26.152.915**	**26.803.904**	

Table CBS.2

Consolidated Balance Sheet - Equity in '000 EUR	2017.12	2016.12	Annexes
Share capital	636.318	681.318	
Paid in capital	636.318	681.318	
Called up share capital			
Share premium			
Other Equity	91.469	91.125	
Equity component of combined financial instruments	90.000	90.000	
Other	1.469	1.125	
Non-realised results	9.188	47.915	
Tangible fixed assets			
Intangible fixed assets			
Hedge of net investments in foreign operations (effective portion)			
Foreign currency translation		147	
Cash flow hedges (effective portion)		-21.859	
Available for sale financial assets	47.794	93.830	
Non-current assets and disposal groups held for sale			
Fair value financial liabilities-own credit risk	-19.225		
Actuarial gains/losses relating to defined benefit plans	-19.381	-24.203	
Reserves (including retained earnings)	384.780	281.356	
<Treasury shares>			
Income from current year	41.437	100.598	
<Interim dividends>			
Minority interest			
Revaluation reserves and other valuation differences			
Other items			
TOTAL EQUITY	1.163.192	1.202.313	35
TOTAL LIABILITIES AND EQUITY	27.316.107	28.006.217	

Table CBS.3

Reconciliation of the available-for-sale revaluation reserve

2017-12	Gross value	Impact on taxes	net value
Opening balance	141.637	-47.806	93.831
Investment brought in prior accounting periods			
Transfer to P&L following sale	-44.636	18.279	-26.357
Transfers to P&L following changes in premium/discount	36.009	-14.746	21.263
Foreign exchange impact	-2	0	-2
Adjustments in the current accounting period	-69.333	28.392	-40.941
Investments bought in the current accounting period			
Adjustements in the current accounting period			
Closing balance	63.675	-15.881	47.794

Table CBS.3

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

Table CBS.4

Consolidated Statement of Changes in Equity

Sources of equity changes 2017.12 in '000 eur	*Paid in capital*	*Equity components of combined financial instruments*	*Other equity instuments*	*Unrealised gains and losses - reserves from foreign currency translations*	*Unrealised gains and losses - cashflow hedges*	*unrealised gains and losses - available for sale financial assets*	*actuarial gains and losses - pension benefits*	*Own credit risk - financial liabilities*	*non current assets and disposal groups - held for sale*	*reserves (including retained earnings)*	*income from current year**	*Total*
Opening balance	**681.318**	**90.000**	**1.125**	**147**	**-21.859**	**93.830**	**-24.203**	**0**	**0**	**281.356**	**100.598**	**1.202.313**
changes in capital												**0**
issuance												**0**
profit (loss)											41.437	**41.437**
Cash dividents declared												**0**
Revaluation change of available for sale financial assets						-46.036						**-46.036**
changes in fair value			344	-147			4.822	-15.833				**-10.815**
cash flow hedges					21.859							**21.859**
releases to retained earnings										103.424	-100.598	**2.826**
capital reduction	-45.000											**-45.000**
other												**0**
Correction								-3.392				
Closing balance	**636.318**	**90.000**	**1.469**	**0**	**0**	**47.794**	**-19.381**	**-19.225**	**0**	**384.780**	**41.437**	**1.163.192**

Table CSCE.2

* of which 41.4 million EUR attributable to the shareholders of the parent company

Sources of equity changes 2016.12 in '000 eur	*Paid in capital*	*Equity components of combined financial instruments*	*Other equity instuments*	*Unrealised gains and losses - reserves from foreign currency translations*	*Unrealised gains and losses - cashflow hedges*	*unrealised gains and losses - available for sale financial assets*	*actuarial gains and losses - pension benefits*		*non current assets and disposal groups - held for sale*	*reserves (including retained earnings)*	*income from current year**	*Total*
Opening balance	**681.318**	**90.000**	**1.120**	**5**	**-10.568**	**155.347**	**-13.649**	**0**	**3.040**	**255.080**	**27.228**	**1.188.922**
changes in capital												
issuance												
profit (loss)											100.598	**95.335**
Cash dividents declared												
Revaluation change of available for sale financial assets						-61.517						**-61.517**
changes in fair value			5	142			-10.554					**-10.406**
cash flow hedges					-11.291							**-11.291**
releases to retained earnings										26.276	-27.228	**-952**
capital reduction												**0**
other									-3.040			**-3.040**
Closing balance	**681.318**	**90.000**	**1.125**	**147**	**-21.859**	**93.830**	**-24.203**	**0**	**0**	**281.356**	**100.598**	**1.202.313**

Table CSCE.2

* of which 100.6 million EUR attributable to the shareholders of the parent company

Consolidated Cash Flow Statement

OPERATING ACTIVITIES	2017.12 in '000 EUR	2016.12 in '000 EUR
Net profit (loss)	**41.437**	**100.597**
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	**26.066**	**10.689**
(Current and deferred tax income, recognised in income statement)		
Current and deferred tax expenses, recognised in income statement	21.115	10.558
Unrealised foreign currency gains and losses	-147	
FV through P&L	5.098	131
INVESTING AND FINANCING	**4.368**	**11.678**
Depreciation	4.721	4.572
Impairment	12.845	12.846
Provisions net	-13.198	-5.740
Other adjustments	**-11.233**	**-14.540**
Cash flows from operating profits before changes in operating assets and liabilities	**60.638**	**108.424**
Decrease (increase) in working capital (excl. cash & cash equivalents):	**-18.950**	**247.359**
Decrease (increase) in operating assets (excl. cash & cash equivalents):	**401.271**	**2.494.156**
Decrease (increase) in balances with central banks		
Decrease (increase) in loans and receivables	-1.283.818	-897.505
Decrease (increase) in available-for-sale assets	1.298.063	3.475.590
Decrease (increase) in financial assets held for trading	396.213	-87.831
Decrease (increase) in financial assets designated at fair value through profit or loss		
Decrease (increase) in asset-derivatives, hedge accounting	30.206	28.368
Decrease (increase) in non-current assets held for sale		
Decrease (increase) in other assets (definition balance sheet)	-39.393	-24.466
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):	**-420.221**	**-2.246.798**
Increase (decrease) in deposits from credit institutions	354.181	83.663
Increase (decrease) in deposits (other than credit institutions)	-240.200	679.154
Increase (decrease) in debt certificates (including bonds)	756.629	208.649
Increase (decrease) in financial liabilities held for trading	-267.431	192.317
Increase (decrease) in financial liabilities designated at fair value through profit or loss	-152.904	-137.812
Increase (decrease) in liability-derivatives, hedge accounting	-37.854	-156.730
Increase (decrease) in other financial liabilities	-823.137	-3.091.117
Increase (decrease) in other liabilities (definition balance sheet)	-9.504,64	-24.922
	41.688	**355.783**
Income taxes (paid) refunded	-586	-2.216
Net cash flow from operating activities	**41.103**	**353.566**

INVESTING ACTIVITIES	2017.12 en '000 EUR	2016.12 en '000 EUR
(Cash payments to acquire tangible assets)	-258	-615
Cash receipts from the sale of tangible assets		
(Cash payments to acquire intangible assets)	-5.961	-4.045
Net cash flow from investing activities	**-6.219**	**-4.660**

FINANCING ACTIVITIES	2017.12 en '000 EUR	2016.12 en '000 EUR
(Dividends paid)		
Cash proceeds from the issuance of subordinated liabilities		
(Cash repayments of subordinated liabilities)	-49.797	-28.765
Cash proceeds from issuing shares or other equity instruments	-45.000	
Net cash flow from financing activities	**-94.797**	**-28.765**
Effect of exchange rate changes on cash and cash equivalents		

	2017.12 en '000 EUR	2016.12 en '000 EUR
NET INCREASE IN CASH AND CASH EQUIVALENTS	**-59.913**	**320.020**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**657.176**	**337.156**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**597.263**	**657.176**
Components of cash and cash equivalents:		
On hand (cash)	58.960	57.389
Cash and balances with central banks	526.735	560.706
Loans and receivables	11.568	39.081
Available-for-sale assets		
Total cash and cash equivalents at end of the period	**597.263**	**657.176**
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	1.606.178	2.318.679
Dividend income received		
Interest expense paid	1.405.791	2.081.904

The cash and cash equivalents decreased by 59.9 million EUR in 2017, mainly as a result of a decrease in current accounts with central banks (-34.0 million EUR) and of short term loans and receivables (-27.5 million EUR).

This decrease was mainly in financing activities (-94.8 million EUR), resulting from the capital reduction of 45 million EUR, and due to the repayment of subordinated loans to an amount of 49.8 million EUR.

Investments resulted in a further decrease of cash and cash equivalents of 6.2 million EUR, mainly situated in the increase in intangible assets (6.0 million EUR).

This evolution was partly offset by operating activities, which had a positive impact on the net cash and cash equivalents of 41.1 million EUR. Cash flows from operating profits also increased by 60.6 million EUR. In addition, cash flows resulting from the asset and liability changes reflected a net increase of 19.0 million EUR. Company assets dropped by 401.3 million EUR, especially in available-for-sale assets (-396.2 million EUR). The company obligations dropped by 420.2 million EUR, mainly due to other financial liabilities (-823.1 million EUR), derivatives for trading purposes (-267.4 million EUR), and deposits from institutions other than credit institutions (-240.2 million EUR), partly offset by the increase in debts evidenced by certificates (+756.6 million EUR), mainly due to the subscription on TLTRO II-loans, and of credit institution deposits (+354.2 million EUR).

The changes in liabilities arising from financing activities are fully due to changes from financing cash flows.

Notes to the Consolidated Financial Statements

1 General

At 31 December 2017, AXA Bank Belgium, a limited company under Belgian law, whose registered office is at 1000 Brussels, Troonplein/place du Trône 1 was a subsidiary 100% owned by AXA SA.

The legal consolidation scope of AXA Bank Belgium comprises the Belgian bank activities, the subsidiaries of AXA Belgium Finance B.V. and AXA Bank Europe SCF (Société de Crédit Foncier) and the SPV Royal Street NV/SA.

The following subsidiaries were not recognised in the consolidation scope during the financial year 2017 given their non-materiality (see more about this under chapter 2.1 *Consolidation Principles*).

- Motor Finance Company NV
- Beran NV

Further information regarding these companies is found under chapter 25 *Investments in Associates, Subsidiaries and Joint Ventures*. The measurement method can be found in chapter 20 *Available-for Sale Financial Assets*.

In Belgium, AXA Bank Belgium 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 Belgium 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.

Furthermore AXA Bank Belgium provides intermediation activities, mainly granting funding, cash management and derivatives to various entities of AXA Group.

2 Accounting Policies

2.1 Consolidation Principles

2.1.1 General

AXA Bank Belgium currently only has subsidiaries, i.e. companies over which it exercises full control, and an associated company, as mentioned under chapter 25 *Investments in Associates, Subsidiaries and Joint Ventures*, that is not consolidated for immateriality reasons.
Typically, all subsidiaries must be fully consolidated.
As a departure from this principle, AXA Bank Belgium 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 sheet during the previous financial year constitutes less than 0.15% of the total balance for AXA Bank Belgium, unless decided otherwise by the Board of Directors.
For more detail refer to chapter 25 *Investments in Associates, Subsidiaries and Joint Ventures*.

2.1.2 Purchase of Entities of the AXA Group

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

2.2 Financial Instruments – Securities

2.2.1 Fixed Income Securities

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

2.2.1.1 Initial Measurement

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 measured at their fair value, i.e., their acquisition value (including paid accrued interests).
Upon their initial recognition, the fixed income securities, depending on the existing options and the measurement objective, are designated in one of the following categories:

(i) Assets at fair value held for trading;
(ii) Assets designated at fair value through profit or loss;
(iii) Assets held to maturity;
(iv) Loans and receivables;
(v) Assets available for sale.

Typically, the incremental transaction costs related to the transaction must be capitalised with the acquisition value for categories (iii), (iv) and (v). Due to the principle of immateriality, AXA Bank Belgium decided to directly include these 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 Belgium 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 fair value changes;
- no distinction is made between capital gains / losses and measurement gains and losses;
- changes in value are netted.

(ii) Assets Designated at Fair Value through Profit or Loss
This classification is used at AXA Bank Belgium in the following three circumstances:

1. The classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them based on different rules. In most cases it involves fixed income securities, which are hedged by derivatives, but where it was not decided to apply hedge accounting.
2. The classification leads to more relevant information since a group of financial assets, i.e., specific categories of investment funds, are managed and their performance evaluated on the basis of their fair value in accordance with a documented risk management or investment strategy.
3. If it involves structured fixed income securities, where no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.

This indication is not possible:

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

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

For the determination of the net profits and net losses:

- a distinction is made between profit margin and fair value changes;
- no distinction is made between capital gains / losses and measurement gains and losses.

(iii) Assets Held to Maturity

In the (rare) circumstance where AXA Bank Belgium would be authorised by its parent company to use this category, it involves fixed income securities with fixed or determinable payments and a fixed maturity which are quoted on an active market and which AXA Bank Belgium 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 within this category only subject to approval by the parent company.

(iv) Loans and Receivables

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

At AXA Bank Belgium, these are promissory notes that AXA Bank Europe SCF acquired from AXA Bank France for its issue of underlying covered bonds.

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

(v) Assets Available for Sale

This category is used for available-for-sale fixed income securities or for fixed income securities, which cannot be assigned to one of the above categories. After initial recognition, only limited reclassifications are possible outside and – subject to approval of the parent company - within this category (in relation to assets held to maturity).

2.2.1.2 Subsequent Measurement

The subsequent measurement takes place as follows:

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

For the categories (i) and (ii), no impairment test is carried out.

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

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

Typically the market value in itself is not enough of an indication that impairment has occurred. AXA Bank Belgium 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 acquisition price. This impairment loss is recognised in the income statement.

The following principles are applied:

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

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

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

If within the categories (iii), (iv) and (v) a derivative is embedded in the basic contract, which is not closely related to the economic features and risks of the basic contract, the said embedded derivative must typically be detached from the basic contract and valued separately as a derivative.
AXA Bank Belgium has decided, in such cases, to designate these contracts at fair value through profit or loss (refer to the discussion of relevant category above).

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

2.2.2 Non-fixed Income Securities

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

2.2.2.1 Initial Measurement

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

(i) Assets at fair value held for trading;
(ii) Assets designated at fair value through profit or loss;
(iii) Assets available for sale.

Typically, for measurement category (iii) the incremental transaction costs related to the transaction must be capitalised on initial recognition at acquisition value. Due to the principle of immateriality AXA Bank Belgium decided to directly include these in the income statement.

(i) Assets at Fair Value Held for Trading
Non-fixed income securities are classified as assets at fair value held for trading if they:

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

For the calculation of net profits and net losses:

- a distinction is made between received dividends and fair value changes;
- no distinction is made between capital gains / losses and measurement gains and losses;
- value changes are netted.

(ii) Assets Designated at Fair Value through Profit or Loss

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

1. the classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them through using a different basis of valuation. In most cases it involves non-fixed income securities, which are hedged by derivatives, but where it was not decided to apply hedge accounting;
2. the classification leads to more relevant information because a group of financial assets, i.e., specific categories of investment funds are managed and its performance evaluated on the basis of the fair value, in accordance with a documented risk management or investment strategy;
3. if it involves structured fixed income securities, where no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.

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

For the determination of the net profits and net losses:

- a distinction is made between received dividends and fair value changes;
- no distinction is made between capital gains / losses and measurement gains and losses.

(iii) Assets Available for Sale

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

2.2.2.2 Subsequent Measurement

The subsequent measurement 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 measurement 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 subject to an impairment test related to individual assessment. The impairment is based on the market value and subsequent counter value in euros, where the unrealised loss is confirmed by a significant or long-term decrease in the fair value of a security compared to its cost price.
Regarding the individual assessment of the major or long-term decreases in value the following rules imposed by the parent company need to be applied

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

The cumulative unrealised loss (including Foreign exchange results) is transferred from Shareholders' equity and is recognised on the income statement as impairment loss.
Once impairment on non-fixed income securities has become permanent at the end of a period, it cannot be reversed; the cost is adjusted from the date of the impairment to the decreased amount (regardless of the scope of reason for the depreciation) and at the same time this becomes the new cost for a potential subsequent further depreciation. Every additional depreciation is immediately recorded in the profit and loss account.
If it is not possible to determine a share's fair value, it is only valued at cost. In relation to the impairment test, the rules for non-fixed income securities remain in full force.
If within category (iii) a derivative is embedded in the basic contract, and it is not closely related to the economic features and risks of the basic contract, this embedded derivative shall be separated from the basic contract and valued separately as a derivative.
AXA Bank Belgium has decided, in such cases, to designate these contracts at fair value through profit or loss (see discussion of relevant category above).
The dividends are recognised as income when the company secures the right to collect these dividends.
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 (taking into account any deferred income or expenses) is recognised in the income statement as a realised capital gain or loss.

2.3 Financial Instruments – Loans and Receivables

2.3.1 Performing Loans and Receivables

The credits granted by the company to its clients are recognised at fair value in the balance sheet on the date they are made available. They are assigned to the category 'Loans and receivables' measured at amortised cost.
Within this category there are currently no derivatives embedded in basic contracts, which are not closely related to the economic features and risks of the basic contract and consequently must be separated from the basic contract and valued separately as a derivative. Should this still be the case, such contracts shall be fully valued at fair value through the profit-and-loss account (see the description of the relevant category within fixed income securities).

At initial recognition, all marginal transaction costs are added and all remunerations received are deducted from the initial fair value:

- the acquisition costs on credit files are added to the acquisition price and spread over the duration of the loans based on the effective interest rate;

- the file costs charged on the mortgages and investment loans are deducted from the acquisition price and also spread over the duration of the loans based on the effective interest rate;
- the reinvestment remunerations charged on the refinanced mortgages are deducted from the acquisition price and spread over the average duration of the mortgages.

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

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

For the determination of the net profits and net losses:

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

2.3.2 Non-performing Loans and Receivables

Risks of a doubtful and uncollectible nature are:

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

Risks with uncertain outcome are:

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

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

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

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

AXA Bank Belgium makes use of a separate provision account, which reflects the impairment, undergone by the underlying financial asset as a result of credit losses. This provision account also takes into account the impact of the time value.
Negative differences between the calculated recoverable amounts and the carrying amount are recognised in the income statement as an impairment loss.
The recoverable amount takes into account the time value of the funds, where the expected cash flows are updated at the contract's original actual interest rate. Each decrease in provision due to the time value is recognised in the income statement as interest yield.
Each increase due to a downswing is recognised through the addition for impairment accounts in the income statement.
Each decrease due to objective indicators that show that the recoverable amount increases as a result of an improvement in the assessed recoverable cash flow is accounted for through the write-back of impairments in the income statement account. However, it shall never lead to an amortised cost, which would be higher than the amortised cost if no impairment depreciation had taken place.
After the impairment was booked the interest yield is recognised in the income statement on the basis of the actual interest of the underlying contracts.
The provisions are directly booked against the receivables if there is no possibility of recovery.
Loans with the status 'normal progression' are valued on a collective basis based on latent indicators (the model 'incurred but not yet reported losses') and the expertise of AXA Bank Belgium. Where appropriate, provisions for credit lines not included are applied for loans in the status 'normal progression'.

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

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

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

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

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

For determining the net profits and losses:

- a distinction is made between the interest margin and realised capital gains and losses;
- the results are presented net.

2.3.3 Loans and Receivables – Forbearance Measures

Forbearance measures consist of concessions towards a borrower facing or about to face financial difficulties. Forbearance measures can be taken only if there is a mutual agreement between the borrower and the bank on these measures.
Concessions are changes in the modalities of a credit facility or a total or partial refinancing in favour of the borrower, which are granted, when the borrower is in financial difficulties. This favour wouldn't be granted if the debtor is not experiencing financial difficulties. Concessions may (and not must) entail a loss for the lender and typically imply a change in the terms and conditions of the credit contract.
Triggered by specific events, the bank's credit exposure on a borrower is reviewed. On that occasion, a risk assessment is made by experts who can be assisted by rating models.

This assessment is ultimately submitted to the competent decision level. From the moment a concession will be or is granted to a borrower, the following situations must be seen as important indicators that the borrower is in financial difficulties. Financial difficulties refer to the situation in which the debtor is considered to be unable to comply with the terms and conditions of a credit ('troubled debt'). Financial difficulties must always be assessed on a client level.
The concession is thus to be classified as a forbearance measure when:

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

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

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

2.4 Treasury

2.4.1 Regular Interbank Investments and Interbank Deposits

The interbank investments and interbank deposits are initially recognised in the balance sheet on the availability date at fair value (i.e., the value at which the funds were provided or obtained).
The interest revenues and the interest expenses are recognised pro rata temporis in the income statement by making use of the effective interest rate method.
Derecognition takes place on the due date.

2.4.2 Structured Investments and Structured Deposits

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

If the derivatives embedded in the contract due to the close connection between the economic features and the risks do not have to be separated from the basic contract, the same rating rules apply as mentioned above for regular interbank investments and deposits without impairment to the application of the following paragraphs.
In the case of structured investments and liabilities where the closed derivatives are not closely linked to economic characteristics and risks of the basic contract, the derivatives must be bifurcated from the host contract.
In both cases, IFRS allows for the whole contract to be valued based on the fair value including the processing of value changes to the income statement on the condition that this classification leads to more relevant information because it eliminates or limits considerably inconsistency in the valuation of the inclusion (accounting mismatch) that would otherwise occur due to valuing of assets and liabilities or the inclusion of the profits and losses based on the different bases. The bank opts, on a case-by-case basis, to apply a fair value designation if a structured liability is fully covered by a derivative instrument but without the use of any hedge model.
Such investments and deposits are initially recognised at fair value in the balance sheet on the date they become available.

Next, the changes are included at their fair value in the income statement but split into an interest rate margin and a net difference when compared to the fair value. The changes in the fair value take into account any changes to the creditworthiness of the issuer (which is AXA Bank Belgium in the case of liabilities).
Day one gains or losses should be deferred if the fair value was established on the basis of non-observable prices. This gain or loss must be written off over the term of the underlying instrument or until such time that observable prices are available. If material, day one gains and losses are deferred. This adjustment shall then be written off over the life of the underlying instrument or until the observable prices become available.
Amortisation takes place either on the due date or on the date of availability in the event of early repayment. In the latter situation the difference between the received/paid commission and the carrying amount is recognised in the income statement as a realised capital gain or loss.

2.4.3 Derivatives

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

Other derivatives:
All other derivatives are recognised in the balance sheet at their fair value on the transaction date.
Changes in fair value are recognised directly in the income statement, except for derivatives used in cash flow hedges (see chapter 2.4.4 *Hedge Accounting*).

2.4.4 Hedge Accounting

The following types of hedges are possible:

- A portfolio interest rate fair value hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of the interest rate risk of the underlying hedged instrument. The effectiveness of the hedge is checked periodically through prospective and retrospective testing.

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

During each ineffective period no fair value change is booked on the underlying financial instruments; The fair value change of the relevant derivatives is directly recognised in the income statement.

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

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

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

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

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

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

2.4.5 Repos and Reverse Repos

All repos and reverse repos satisfy the condition for being considered as financing transactions.
When entering reverse repos in the balance sheet the amounts paid are recorded as an investment with pledging of securities.
The measurement principles 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.
Derecognition takes place on the due date.
When recognising repos in the balance sheet the amounts received are recognised as borrowings with securities collateral.
The measurement principles 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.
Derecognition takes place on the due date.

2.4.6 Securities Lending and Borrowing

Securities borrowing is not recognised on the balance sheet.
When the borrowed security is sold, the same rules apply as for a reverse repo (see 2.4.5).
Securities lending is not recognised on the balance sheet, as the securities which were lent remain in the underlying securities portfolio for accounting purposes. There is no accounting transfer to another line.

2.4.7 General

For the determination of the net profits and net losses:

- a distinction is made between interest rate margin and capital gains and losses;
- the results are not netted.

2.5 Fee Income and Financial Guarantees

2.5.1 Fee Income

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

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

2.5.2 Financial Guarantees Provided

The initial recognition of financial guarantees provided in the balance sheet takes place on the contract date. It takes place at fair value, which typically corresponds to the received commission for the provision of the financial guarantee. If the premium received does not correspond to market practices, the difference with the fair value is included directly in the income statement.
For the present, the received premium is amortised pro rata temporis over the term of the contract. This takes place on a per-contract basis.
It is subsequently checked (on the portfolio basis) whether a provision is to be created for potential or certain execution. This provision is discounted if the impact is tangible.
Derecognition takes place at maturity date or in the event of execution. The provided guarantee shall be booked for the guaranteed amount, which was built up through the provision.

2.6 Equity

Equity components are assessed at cost.
Treasury shares are deducted from the equity at acquisition price, including directly assignable incremental transaction expenses.
Dividends are deducted from equity when they become due.

2.7 Financial Liabilities and Bank Deposits

(i) Financial Liabilities Measured at Amortised Cost

Operational debts are recognised in the balance sheet on the date they become available. They are assigned to the 'Deposits and debts' valuation category and measured 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 acquisition price, taking into account premiums, discounts and impact of step-up and step-down coupons.
The acquisition commissions related to deposit certificates are not amortised on an individual basis through the effective interest rate, but debited monthly in the form of an outstanding debt commission (which does not differ materially from the approach to the effective interest rate per individual transaction) and spread over the contractual term as interest expenses.
Deposits and deposit certificates are amortised on the expiry date or earlier in the event of early repayment. In the latter case the difference between the paid commission (deducting any penalties) and the amortised cost outstanding at the time of repayment is recognised in the income statement as a realised capital gain or loss.

For the determination of the net profits and net losses:

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

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

In the case of structured deposits where the closed derivatives are not closely linked to economic characteristics and risks of the basic contract, they must be set apart.
In such case, IFRS allows for the whole contract to be designated at fair value through profit or loss if this classification leads to more relevant information because it eliminates or limits inconsistency considerably in the valuation of the inclusion (accounting mismatch) that would otherwise occur due to the valuing of assets and liabilities or from the inclusion of the profits and losses with regard to this based on different rules. The bank opts, on a case-by-case basis, to apply a fair value designation if a structured liability is fully covered by a derivative instrument but without the use of any hedge model.

(ii) Liabilities Designated at Fair Value through Profit or Loss

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

1. the classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them based on different rules;
2. if it involves structured certificates, where no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.

   This indication is not possible :

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

At AXA Bank Belgium, 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 fair value changes;
- no distinction is made between capital gains / losses and measurement 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 fair value changes are included in the income statement and the changes in the credit risk of the liability (DVA, debit value adjustment) in other comprehensive income. AXA Bank Belgium has early adopted this policy in 2017 as allowed by IFRS 9 – *Financial Instruments*.

The fair value at acquisition of a financial instrument is usually the transaction price agreed. However, if AXA Bank Belgium considers that the fair value is different from this transaction price and if the fair value was determined by unobservable elements, these are deferred by day 1 changes. This change must then be amortised over the term of the underlying instrument or until the time when observable prices are available.
Amortisation takes place on the due date or on the date of availability in the event of early repayment. In the latter situation, the difference between the received/paid commission and the carrying amount is recognised in the income statement as a realised capital gain or loss.

2.8 Foreign Currency Translation

2.8.1 Principle

Both the presentation and the functional currency of AXA Bank Belgium is the euro.

2.8.2 Conversion of Monetary Components into a Functional Currency

Monetary components are currency units held as well as assets and liabilities which must be received or paid in a fixed number or a number to be determined of currency units. This concerns in particular fixed rate securities, loans and accounts receivable as well as the deposits and debts.
When recognised in the balance sheet, monetary components in foreign currency are converted into the functional currency at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.
Each month a monetary measurement process takes place on the basis of the balance, where the total outstanding monetary balance in foreign currency is converted at the closing rate. All positive and negative differences are recognised in the income statement, regardless of the rating category to which the monetary components belong.
Upon derecognition, 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.

2.8.3 Conversion of Non-monetary Components into a Functional Currency

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

1. for non-monetary components valued at cost, once the conversion into euros has taken place, this value in euros is maintained until derecognised from the balance sheet;
2. for non-monetary components belonging to the measurement categories 'Assets and liabilities held for trading' or 'Designated at fair value through profit or loss', a regular revaluation of the fair value applies, which consists of two components: the fair value difference and the foreign exchange result. Both components are recognised in the income statement;
3. for non-monetary components belonging to the measurement category 'Assets available for sale', the periodic revaluation to fair value consists of two components: the fair value difference and the foreign exchange result. Both components are deferred in equity. If a negative revaluation must be booked as an impairment, both components will be transferred from equity to the income statement.

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

2.9 Contingent Assets and Liabilities and Provisions

2.9.1 Contingent Assets and Liabilities

Contingent assets are not recognised in the balance sheet; they are, however, included in the disclosures if an inflow of economic benefits is probable.
Contingent liabilities are not recognised in the balance sheet; they are, however, included in the disclosures, except in the very unlikely event of the possibility of an outflow of means including economic advantages.

2.9.2 Provisions

Provisions are only created if a liability exists as a result of a past event that can be reliably assessed and where a provision is necessary for a likely expense.
The existing liability can be either legally enforceable or be an actual liability.
The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties and any future events; they are discounted if the impact of the time value is material.
Compensation to be received in connection with the provisions made is recorded as an asset.

On each balance sheet date provisions are reassessed and adjusted, either to take into account the time value (accrued through financial charges), either to increase it (failing adequate provisions) or to reverse it (in the event of surplus provisions).
The provision shall only be used for the expenditure for which it was created.

2.10 Employee Benefits

Employee benefits are accounted for in the income statement in the year in which the services were provided.
For short-term employee benefits, which are paid within one year of the closing date, such as salaries, social security payments, sick leave, holiday pay and bonuses, provisions are created that are not discounted.
For long-term employee benefits not including benefit plans, such as career breaks, bonuses for 25 and 35 years of service, bonuses or other remuneration, only paid more than one year following the closing date, the calculation of cash value of gross liabilities applies. The actuarial differences as a result of the periodic revision of valuations and assumptions are recognised directly in the income statement.
At AXA Bank Belgium, pension plans fall under the defined benefit plan category.
The amount recognised as a net liability on the basis of defined benefit rights consists of the net total of the following amounts:

1. cash value of gross liability on the basis of allocated pension rights as at the balance sheet date, where the 'projected unit credit' method is used;
2. less the fair value on the balance sheet date of any fund investments from which the liabilities must be settled directly.

The latter fund investments can involve both assets and insurance contracts.
Assumptions and estimates are periodically revised and adjusted.
Profits or losses on the major curtailment or settlement of an allocated pension regulation are recognised at the time the curtailment or settlement takes place.
Redundancy payments, including early retirement, are only recognised upon acquiring legal effect with regard to third parties. Discounting is also applied if the payment is more than one year from the balance sheet date.

2.11 Income Taxes

2.11.1 Current Taxes

Taxes due and tax refunds receivable over the current reporting period relating to current and previous periods are recognised as a liability, provided they have not yet been paid.
If the amount already paid, with respect to current and previous periods, is greater than the amount owed for these periods, the balance is recognised as an asset.

2.11.2 Deferred Taxes

Deferred tax liabilities are recognised on 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 recognised on the balance sheet if the temporary differences can be settled in accordance with local tax legislation.
Other deferred tax assets are always recognised on the balance sheet since it is assumed that these temporary differences shall always be able to be recuperated.
At each closing date, the recoverability of the deferred tax asset is assessed. If the deferred tax asset cannot be recovered, impairment is accounted for. This impairment is reassessed at each closing date and adjusted, if needed, if additional information on the recoverability is obtained.
For accounting purposes netting takes place between deferred tax assets and deferred tax liabilities only inasmuch as the nature of the tax expense and the expiry date are similar for each fiscal entity.
For presentation purposes, netting between deferred tax assets and deferred tax liabilities occurs per fiscal entity.
The outstanding balance of the deferred tax assets or deferred tax liabilities is periodically revalued to take into account the changes in tax rates and/or tax legislation of the fiscal entity.
Assets or liabilities as a result of tax on profits are not discounted.

2.11.3 Estimate of Deferred Taxes

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

Deferred tax through Other Comprehensive Income

These tax assets are booked on:

- adjustments with regard to the actuarial assumptions used for the calculation of the provisions related to pension schemes;
- the measurement results on derivatives used for cash flow hedging;
- the measurement results on securities that are classified under the 'available for sale' category.

AXA Bank Belgium anticipates expected IFRS changes and volatile markets and manages the 'available for sale' portfolio in these cases, by following a different strategy. Deferred tax is only entered for this category to the degree in which a larger or equal deferred tax liability is entered with regard to this portfolio that is also linked to the same underlying portfolio and to the same period.
As no impairment is noted on the receivable, no credit losses on debt instruments are expected. Therefore, the receivable is considered as fully recoverable.

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

A deferred tax asset is recognised insofar as future accounting profits will be available to both recover the deferred tax asset and for the unused tax credit balance that can be offset.

2.12 Property, Plant and Equipment and Intangible Assets

2.12.1 Property, Plant and Equipment

There is no capitalisation of tangible fixed assets secured under an operating lease and rental expenses are accounted for on a linear basis and included in the income statement over the term of the lease.
The initial recognition of tangible fixed assets obtained under a financial lease takes place for the fair and cash value of the minimum lease payments. Initially directly assignable expenses related to the acquisition are also capitalised. Financing expenses are recognised in the income statement on the basis of the implicit interest rate.
The initial recognition of tangible fixed assets acquired takes place at acquisition 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 Belgium has decided not to apply the component split for the time being.
On each reporting date, the impairment test for buildings and land compares the cost after deduction of any depreciation accounted for with the value in use determined on the basis of an independent survey:

- if the unrealised loss is less than 15%, no special impairment depreciation is booked;
- if the unrealised loss is more than 15% the 'discounted future cash flow' method is applied

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

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

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

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

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

Subsequently the outstanding amortisation table is adjusted.

Tangible fixed assets held for sale are valued at the lowest carrying amount (cost minus previously booked depreciations) and the fair value less selling costs.
Such tangible fixed assets are no longer amortised and are presented separately on the balance sheet.
The linear depreciation method is used.

Depreciation booked during the financial year according to their economic life expectancy (linear method):

- land for own use: not depreciated
- buildings for own use: 3%
- building design: 10%
- IT equipment: 20%
- furniture, facilities: 10%
- non-IT machines and rolling equipment: 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 acquisition value, including additional expenses and directly attributable transaction costs. Software for which an annual license is paid is not capitalised.

The intangible assets are amortised on a linear basis over their economic life.
In the event of internally generated software, an intangible asset resulting from the development (or out of the development phase of an internal project) is recognised if and only if all conditions below are met:

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

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

Definitions:

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

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

Intangible fixed assets are subject to an impairment test.

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

Depreciation booked during the financial year according to their economic life expectancy (linear method):

- set-up expenses: accounted for in the income statement in the financial years in which they were spent
- software for own use, purchased from third parties: 10 to 20%
- software internally developed: 10 to 20%

2.13 Other Assets and Liabilities

Non-operational debtors and creditors are recognised in the balance sheet on the date they become available.
Other assets are recognised at the nominal value of the claim less any impairment.
Other liabilities are recognised at the nominal value of the debt.

2.14 Supplementary Information

2.14.1 Events After the Balance Sheet Date

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

2.14.2 Interim Financial Reporting

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

2.14.3 Changes in Accounting Policies and Accounting Estimates

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

3 Application of IFRS by AXA Bank Belgium

The Consolidated Financial Statements of AXA Bank Belgium were drawn up in compliance with the International Financial Reporting Standards (IFRSs) – including the International Accounting Standards (IASs) and Interpretations - at 31 December 2017 as accepted within the European Union.
Accounting policies that are not specifically mentioned comply with the IFRSs as accepted within the European Union.

3.1 Change in the Accounting Policies

The accounting policies as applied by AXA Bank Belgium in the 2017 Consolidated Financial Statements are unchanged compared to last year, except for the accounting for DVA ('Debit Value Adjustments') on financial liabilities designated as at fair value through profit or loss (issued EMTNs), where AXA Bank Belgium will include the changes in own credit risk (DVA) in OCI (other comprehensive income) instead of in profit or loss. AXA Bank Belgium has early-adopted this policy in 2017 as allowed by IFRS 9 – *Financial Instruments*.

The impact amounts to -19.2 million EUR net on OCI (of which -3.4 million EUR relates to the period prior to 2017 and -15.8 million EUR to the financial year 2017).

3.2 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 Belgium, whose parent company is AXA Bank Belgium.

Standards, Amendments to Standards, Interpretations and Amendments to Interpretations that have been published, accepted within the European Union and for the first time applicable on 1 January 2017:

- Amendments to IAS 7 – *Statement of Cash Flows: Disclosure Initiative*

  These amendments require splitting the changes in liabilities arising from financing activities into cash and non-cash (such as evolutions in foreign currencies). These amendments have been applied in the Consolidated Financial Statements of the Group (see additional disclosure below the cash flow statement).

- Amendments to IAS 12 – *Income Taxes: Recognition of Deferred Taxes for Unrealised Losses*

  The amendments clarify the following:

  - Unrealised losses on debt instruments measured at fair value under IFRS and at cost for tax purposes can give rise to deductible temporary differences. Realisation of the carrying value by use or sale does not make any difference.
  - The carrying value of an asset does not limit the estimation of probable future taxable profits.
  - Estimations of future taxable profits do not take into account tax reductions from reversals of deductible temporary differences.
  - Deferred tax assets should be analysed as a whole. If tax laws limit the use of tax losses, the entity should analyse the deferred tax asset together with other deferred tax assets of the same nature.

  The Group has applied those amendments in the Consolidated Financial Statements without material impact.

- Annual Improvement Cycle 2014 – 2016 – IFRS 12 – *Disclosure of Interests in Other Entities*

  Scope clarification to indicate that the disclosures are also applicable to interests held for sale and discontinued operations.

This amendment did not lead to any change in the Consolidated Financial Statements of the Group.

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

- IFRS 9 – *Financial Instruments* was published on 24 July 2014. A small change was published on 12 October 2017: '*Pre-payment Features with Negative Compensation*'. The IFRS 9 standard is applicable as from the financial year 2018.

  See chapter 3.3 *IFRS 9*.

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

  This IFRS is expected to have a minimal impact on the Consolidated Financial Statements of the Group.

- the new Standard IFRS 16 – *Leases*, published on 13 January 2016 and applicable for the IASB as from 1 January 2019. This Standard introduces a uniform accounting methodology for lessees. The Group is currently assessing the impact of this Standard on the Consolidated Financial Statements.

Other Changes:

Standards, amendments to standards, interpretations and amendment to interpretations as published by the IASB are first subject to an endorsement process in the European Union before they are applicable in the Consolidated Financial Statements of AXA Bank Belgium. Currently a number of amendments are still in the pipeline of that EU endorsement process, of which the most important is:

- the new Standard IFRS 17 – *Insurance Contracts*, published on 18 May 2017 and applicable for the IASB as from 1 January 2021. This Standard establishes the principles of recognition, measurement, presentation and disclosures of insurance contracts falling within the scope of the Standard. The Group is currently assessing the impact of this Standard on the Consolidated Financial Statements.

3.3 IFRS 9

IFRS 9 – *Financial Instruments* contains three phases.

1. Classification and Measurement

Principle
The first phase relates to the classification and measurement of financial instruments. IFRS 9 requires measuring all financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The measurement category is determined based on the business model used by the bank and the so-called SPPI test ('Solely Payments of Principal and Interest'). IFRS 9 does not introduce any changes for financial liabilities, except for the recognition of the DVA ('Debit Value Adjustments') in other comprehensive income (OCI) on financial liabilities designated at fair value through profit or loss.

Impact
Under IFRS 9, the following business models and related portfolios will be used on the financial assets side by AXA Bank Belgium:

- a business model 'hold to collect', whose objective is to hold financial assets in order to collect contractual cash flows and for which the contractual terms of the underlying financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  After initial recognition, these financial assets will be measured at amortised cost.

  Under this business model, the following portfolios will be classified:

- all loans and receivables. As these are currently (under IAS 39) also measured at amortised cost, it is expected that the new classification will have no impact on retained earnings as at 1 January 2018.
- part of the bonds portfolio held to match the estimated duration of liabilities without stated maturity (such as savings accounts) and for interest yield purposes. Under IAS 39, these are currently classified as 'available for sale' and measured at fair value through other comprehensive income.

Therefore it is expected that the new classification and measurement at amortised cost instead of measurement at fair value through other comprehensive income will lead to a net increase as at 1 January 2018 of other comprehensive income of 10.2 million EUR.

- a business model 'hold to collect and sell', whose objective is achieved by both collecting contractual cash flows and selling financial assets and for which the contractual terms of the underlying financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  After initial recognition, these financial assets will be measured at fair value through other comprehensive income.

  Under this business model, the following portfolio will be classified:

  - part of the bonds portfolio held for liquidity purposes, for balance sheet management and for optimisation of the risk-return relationship. As this is currently (under IAS 39) also measured at fair value through other comprehensive income, it is expected that the new classification will have no impact as at 1 January 2018.

- a business model 'trading', unchanged compared to the current IAS 39 classification and measurement requirements (fair value through profit or loss).

As it is already the case under IAS 39, AXA Bank Belgium does not intend to use a portfolio 'designated at fair value through profit or loss'.

Equity instruments will be measured at fair value through other comprehensive income. In limited circumstances, cost price may be a valid indication of the fair value.

There will also be no change in the classification and measurement of derivatives.

For financial liabilities, there are no changes under IFRS 9, except for the accounting for debit value adjustments on financial liabilities designated at fair value through profit or loss (EMTN's issued), for which AXA Bank Belgium will include the fair value changes in the income statement and the changes in the credit risk of the liability (DVA, debit value adjustment) in other comprehensive income. AXA Bank Belgium has early adopted this policy in 2017 as allowed by IFRS 9.

2. Impairment

Principle

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

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

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

'Stage 3' or non-performing includes financial instruments that have objective evidence of impairment and is equal to all defaulted instruments.

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

Basic Definitions and Methodology

Significant Increase in Credit Risk

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

The criteria that AXA Bank Belgium will use in order to identify a significant increase in the credit risk of a financial instrument at the reporting date in the retail book will be based on the probability of default. AXA Bank Belgium will transfer all financial instruments for which the probability of default over 12 months between origination date and reporting date will have increased by a relative amount and to an absolute fixed level. Additional triggers will be when the contractual payments are more than 30 days past due and in the case of forbearance or in case of negative mentioning in the Belgian Central credit register. For the non-retail book, the significant increase in credit risk identification is based on the rating of the financial instruments which has to deteriorate by a minimum number of notches since the acquisition date and to an absolute fixed level (in general below investment grade).

Definition of Default

AXA Bank Belgium's default definition is in line with Regulation (EU) No 575/2013, the EBA guidelines on forbearance and non-performing exposures and the Basel III Capital Requirements Regulation. AXA Bank Belgium has aligned the definition of default, credit-impaired and non-performing.

AXA Bank Belgium will consider a financial asset in the non-retail book to be in default when an event of default has occurred as per the terms of the contract.

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

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

Assumptions used for the cure rate:

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

Probation period:

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

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

Write-off Policy

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

could still be subject to enforcement activities in order to comply with the AXA Bank Belgium's procedures for recovery of amounts due.

Inputs, Assumptions and Estimation Techniques

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

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

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

For the non-retail book, these parameters are derived from historical data and adjusted to statistically meaningful parameters. It should be highlighted that the non-retail portfolio consists solely of high investment grade and often secured exposures: sovereign and supranational bonds, reverse repos and secured loans. As a consequence expected credit losses are immaterial.

Two types of PDs will be used for calculating ECLs:

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

For the retail book, AXA Bank Belgium will derive the 12-month marginal PD from the IRB (Internal Ratings Based) model under Basel, adjusted such that it does not contain any conservative elements and such that it incorporates forward-looking elements.

The lifetime PD will be determined by forecasting the marginal PDs for the different time steps by including forward-looking macro-economic information (regression model). Beyond the forecasting horizon of the macro-economic variables, a long term target PD estimate will be used to which the marginal PD will converge after some time. The typically decreasing PD behaviour, due to ageing, for certain portfolios such as mortgage loans, will be taken into account.

EAD for the retail book will be determined based on an estimate of the exposure at a future default date, whereas the non-retail book will use the gross carrying amount.

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

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

Expected credit losses will be calculated as a probability-weighted outcome probably based on 3 scenarios: a medium up-turn scenario, a base scenario and a medium down-turn scenario.

Forward-looking Information

AXA Bank Belgium will include 3 years of forward-looking information.

Impact

Based on the current portfolios and information, AXA Bank Belgium expects that the application of the new IFRS 9 impairment methodology will have a limited impact of less than 10 million EUR on the outstanding impairments as at 1 January 2018 (opening balance) via retained earnings.

3. Hedge Accounting

Principle

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

Impact

Based on the option foreseen in IFRS 9, AXA Bank Belgium has decided to continue hedge accounting in 2018 based on IAS 39. The methodology is unchanged compared to 2017.

4 Risk Management

4.1 General

In 2017, AXA Bank Belgium has continued to build towards coherent and prudent risk management. The bank has broadly implemented robust strategies, policies, processes and systems for identifying, measuring, managing and monitoring its risks.

AXA Bank Belgium has continuously adapted risk policies in order to stay on track in a constantly changing environment. AXA Bank Belgium believes its risk management arrangements are adequate with regard to the bank's profile and strategy.

The European Central Bank (ECB) is the competent authority for prudential supervision of AXA Bank Belgium. This supervision was effectively carried out by the Joint Supervisory Team (JST) that consists of members of the ECB and the national supervisory body. Regular exchanges took place with the relevant supervisors by means of on-site inspections, workshops, interviews and reports.

In 2017, AXA Bank Belgium also took part in a 'Supervisory Review and Evaluation Process' (SREP), led by the JST. During this process, the supervisor assessed the bank's risks and decided on minimum capital requirements for the bank in 2018, as well as a number of qualitative recommendations with which the bank will have to comply in the future.

In 2018, AXA Bank Belgium will perform the EU-wide stress test exercise where the resilience of the bank to economic shocks will be assessed. The result of this exercise will serve as input to the Supervisory Review Evaluation Process (SREP) where the additional 'capital guidance' for the bank will be set.

In 2017 the degree of refinancing of Belgian mortgages returned to a more moderate level. After 2 years of high volumes of refinancing, AXA Bank Belgium managed to reduce the pressure on profitability by achieving a significant new production of good quality mortgage loans.

In addition to retail business, AXA Bank Belgium acted as an intermediary in providing financial services, mainly derivatives to various entities in the AXA Group. Although a large volume of derivatives was traded in 2017 with entities in the AXA Group, the total notional on AXA Bank Belgium off-balance remained relatively stable due to the regular compression of derivatives. These are mostly traded with LCH as central counterparty. In addition, fewer derivatives were needed to cover the interest rate risk in the bond portfolio since the portfolio has been significantly reduced.

The liquidity position of AXA Bank Belgium remained at a comfortable level in 2017.

The bank's solvency position remains high, benefiting from a prudent investment and credit underwriting strategy. The balance sheet total has dropped further in part due to a significant decrease in our investment portfolio, resulting in a positive impact on our leverage ratio.

AXA Bank Europe SCF, subsidiary of AXA Bank Belgium created for the purpose of issuing covered bonds for the benefit of AXA Bank Belgium, was transformed in December 2017. The new structure is more efficient and allows AXA Bank Europe SCF to issue covered bonds by directly buying mortgages from AXA Bank Belgium, without Royal Street as an intermediary anymore.

Risk Appetite

The permanent identification and quantification of the bank's material risks are at the heart of AXA Bank Belgium risk policy. These risks are measured, limited and constantly tracked using an internal risk appetite framework (Risk Appetite Framework or abbreviated RAF).

In 2017, AXA Bank Belgium updated the RAF, developed in 2017 as a strategic tool. A strategic risk appetite is determined for the main areas (capital, profitability, economic value and liquidity), taking the stress sensitivity of these domains into account and in line with the guidelines of the AXA Group. This strategic risk appetite is translated into functional risk limits and forms a guide for the daily activities in the various risks and product lines. This risk appetite model was approved by the Board of Directors and is used by this management body and the Management Committee as a central tool for managing the risks in the bank.

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

The prospects in the strategic plan and the budget are checked against the RAF limits. The strategic plan undergoes multiple iterations until equilibrium is reached between both profitability and risks. The strategic plan is designed so all risks fall within the risk appetite and the regulatory limits, while taking new and existing regulations into account to meet the regulatory requirements.

The risks are also subject to an economic capital model that generates forecasts covering different horizons. The economic capital is then distributed to all activities of the bank, and this based on the AXA Bank Belgium risk objectives. The management of AXA Bank Belgium imposes a limit on the total economic capital applied so as to ensure the bank has sufficient financial resources at all times. AXA Bank Belgium's risk appetite framework must set the appropriate governance, reporting requirements, limits, controls and decision processes to drive management decisions.

AXA Bank Belgium's risk appetite is documented and reported in various reports for internal and external use (supervisor, AXA Group Risk Management, external and internal audit). Any breach of alerts limits must be escalated to the member of the Management Board or the Board of Directors in order to, if needed, take corrective actions.

In the following sections, we will focus more on the important risk categories to which AXA Bank Belgium was exposed to in 2017, namely credit, market, liquidity, and operational risks. All these risks have a potential impact on the bank's objectives in terms of solvency, liquidity and profitability.

The other risks of the bank are described in the AXA Bank Belgium report 'Pillar 3 Risk Disclosure'. This report contains all relevant tables and templates for AXA Bank Belgium, following the 'EBA Guidelines for Pillar 3 Disclosures (EBA/GL/2016/11)' and is publically available on our website.

In line with its Public Disclosure policy, AXA Bank Belgium aims to be as open as possible when communicating to the market about its exposure to risk. The Risk management information that is provided in this section of the 2017 Consolidated Financial Statements of AXA Bank Belgium , is only a summary of the extensive communication in the Risk Disclosure report.

4.2 Credit Risk

4.2.1 *Credit Risk Management*

AXA Bank Belgium defines credit risk as the negative consequences associated with the default[1] or deterioration in credit quality[2] of counterparties in lending operations.

The goal of credit risk management is to ensure that a (set of) credit event(s) would not significantly threaten the bank's solvency nor profitability. In order to reach this objective, credit risk exposures are maintained within strict boundaries. The effective management of credit risk is a critical component of a comprehensive approach to risk management and is essential to the long term success of any banking organization.

Within AXA Bank Belgium, credit risks are categorised as either retail credit risks or non-retail credit risks and managed accordingly. Non-retail risks comprise credit risk other than retail and counterparty credit risk.

4.2.1.1 Retail Credit Risk

AXA Bank Belgium's main business is to provide credit facilities to private individuals, professionals and small businesses. These facilities are offered in Belgium only.

4.2.1.1.1 Risk policy, limit framework and reporting

The purpose of credit risk management is to prevent one or more credit events from affecting the solvency or profitability of the bank.

To achieve this objective, loan portfolios must remain within certain predetermined limits. These limits are determined by a previously elaborated risk appetite framework (RAF) in which functional limits are defined. These functional limits are translated into operational limits and these limits are used on a daily basis to ensure the credit activity operates within the risk appetite defined by the Board of Directors. One can get a good understanding of the risk-evolutions because of these and other extensive reports by Risk Management on risk factors in the Belgian retail loan portfolio.

The risks on AXA Bank Belgium's mortgage loans, personal loans and professional credits are managed in four phases (acquisition, management, remedy and recovery) based on retail credit policies.

[1] Counterparty not able to fulfil contractually agreed financial obligations.
[2] Potential loss due to change in the fair value of credit exposures as a result of rating transitions of counterparties.

Retail credits are accepted on the basis of a set of acceptance standards and policy rules. The acquisition scoring models developed in the framework of Basel II play a supporting role here. Moreover, Risk management set up in 2015 a risk-adjusted return on capital (RAROC) framework for mortgage lending activity. In 2016, the RAROC framework was extended to the professional and consumer lending activities. This RAROC framework has become an essential element in the risk-return analysis of the retail activities.

In 2017 a methodology for determining the lifetime expected credit loss was developed within the Risk department as foundation for the new upcoming accounting rules under IFRS 9. This new methodology which enables AXA Bank Belgium quantifying the lifetime credit risk as from the origination moment will help further evolving credit risk management.

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

In compliance with regulatory expectations, AXA Bank Belgium performs stress testing for retail credit risk. The main goal is to assess the sensitivity of credit losses for the existing credit portfolio as well as to assess the solvency of the bank under stressed situations.

The evolution of the credit risk is actively tracked as part of the reporting for the Retail Risk Committee which reviews the risk on a regular basis. All these principles lead to a highly effective risk management system with control processes that prevent undesired manipulations. This system is strongly integrated into the operations of the 'Retail Credits' division and is subject to continuous monitoring.

4.2.1.1.2 Risk Mitigation Techniques

AXA Bank Belgium defines in its credit policies the need to establish collaterals to mitigate the credit risk.

Policies and Processes for Collateral Valuation and Management

At the moment of establishing a mortgage inscription/mandate, a valuation of the underlying real estate is done.

Two types of valuations are allowed. On the one hand, the valuation of the real estate is done by means of an independent external assessment. On the other hand, the valuation can be done by relying on official sales agreements. The latter method is only allowed for financing projects where the risk for an incorrect valuation is mitigated. Once the collateral is established, a yearly revaluation of the underlying real estate is done based on the statistics how Belgian's real estate market is evolving.

This valuation technique is applied on residential as well as commercial real estate, yet the valuation of commercial real estate is done in a more prudent way given the higher volatility.

Main Types of Collateral Received

Based on the product there are different types of collaterals given.

Collateral for Mortgage Loans

The credit must be secured by a mortgage (registration or mandate) on an immovable property (full ownership). The properties should be normally marketable. The mortgage that must be provided can be reused in the context of potential subsequent mortgage loans. All collaterals complementing mortgage must be provided before the official registration of the loan (this also therefore applies for additional movable guarantees).

Collateral for Professional Loans

These collaterals are the following:

- Tangible collaterals 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 collaterals regularly used for professional credits at AXA Bank Belgium can be found in chapter 34 *Contingent Assets and Liabilities*.

Collateral for Consumer Loans

For consumer credits only one type of collateral is used:

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

4.2.1.2 Non-retail Credit Risk

Besides retail related credit risk, AXA Bank Belgium incurs credit exposure to high quality counterparties and issuers through its treasury, intermediation and asset & liability management activities. The first area where credit risk is incurred is the investment portfolio under management of the ALM department. Secondly, AXA Bank Belgium is designated by AXA Group to act as a centralised platform which provides AXA insurance entities access to financial markets. Various insurance entities within AXA Group use this platform, which provides two services. First and foremost, AXA Bank Belgium acts as an intermediary for derivatives such as interest rate swaps, used by the insurance entities to cover the market risk of their life insurance policies. Secondly, AXA Bank Belgium provides the insurance entity in Belgium with liquidity via standardised money market transactions (reverse repos).

4.2.1.2.1 Risk Policy, Limit Framework and Reporting

Strategies and Processes

It is AXA Bank Belgium's strategy to optimise the risk/return relationship in its non-retail activities, as well as making sure it fits within AXA Group's risk appetite. We explain how this translates into the 2 axes of the non-retail credit risk: investment portfolio and derivatives/repo activities.

The investment portfolio of AXA Bank Belgium serves as a buffer for liquid assets as well as a way to capture the interest rate and credit risk premium to generate profits. To make sure this remains within AXA Bank Belgium's risk appetite, risk management monitors its investment portfolio in terms of:

1. Adequacy of securities for calculation of the liquidity coverage ratio (see chapter 4.5 *Liquidity Risk*), where AXA Bank Belgium limits itself almost exclusively to assets of the highest liquidity class as defined by Basel III.

2. Adequacy of securities for calculation of the solvency ratio, where AXA Bank Belgium limits itself almost exclusively to assets of 0% risk weight as defined by Basel III.

3. Adherence to Group limit and AXA Bank Belgium's own concentration limits.

As for the derivatives and repo activities, it is AXA Bank Belgium's strategy to minimise credit risk by collateralising as well as possible exposure to reduce the loss given default, which is the potential negative market evolution of positions in case of a counterparty default. At the same time, only well rated counterparties are used in order to reduce the probability of default. The increasing use of a central counterparty fits in this strategy as well. Counterparties need to be approved by AXA Group as well.

Non-retail Credit Risk Framework

In 2017 the Wholesale credit risk framework and the Wholesale credit risk charter were fully reviewed and approved.

The basis is the Risk Appetite Statement (RAS) set by the Board of Directors. Further concentration limits and minimum quality requirements are set by the Management Board. A regular follow up and management is done by the WRC.

This framework is described in detail in the risk disclosure report.

Reporting and Measurement Systems

AXA Bank Belgium maintains two complementary reporting and measurement systems: regulatory and internal management.

Regulatory Measurement and Reporting

AXA Bank Belgium is subject to the large exposures limit framework described in part IV of the CRD/CRR regulation. On a quarterly basis, a large exposure report is submitted to AXA Bank Belgium's regulator. AXA Bank Belgium measures its minimum regulatory requirements for non-retail credit risk in the Standardised Approach (SA) on a quarterly basis.

Internal Measurement and Reporting

Besides the regulatory measures, AXA Bank Belgium measures its counterparty credit risk exposures with a method developed by AXA Group. In particular for derivatives and repos, this method represents a different view on the exposure as it is based on measuring the sensitivity of all positions per counterparty to market shocks rather than the simple use of add-on per position as done in the regulatory stream. The exposure under this method is measured twice per day across all instrument classes and is reported to the Wholesale Risk Committee on a monthly basis and the Board of Directors on a quarterly basis. It also forms the basis of the counterparty credit limit framework for derivatives and repo counterparties.

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

4.2.1.2.2 Policies for Hedging and Risk Mitigation

AXA Bank Belgium applies a two-step approach to achieve maximum mitigation of counterparty credit risk: firstly implementing the legal framework to net opposite exposures, secondly collateralising the remaining net exposure.

Offsetting

In the contractual documentation with all of its counterparties, AXA Bank Belgium has ensured it is allowed to reduce positions with positive market value by deducting those with negative value and only exchange the net amount. This goes beyond the scope of 'accounting offsetting' under IAS 32 – *Financial Instruments - Presentation*, which requires more conditions to be met and which can only apply on the derivative transactions with the largest client from AXA Group and the central counterparty. However, the offsetting AXA Bank Belgium applies, is recognised from a regulatory perspective and we consider it to be sufficient as a risk mitigant on all counterparties.

Collateral

Policies and Processes for Collateral Valuation and Management

In order to further mitigate the counterparty credit risk exposure on the derivatives and repo activity, AXA Bank Belgium has foreseen in the exchange of collateral in the contracts with its counterparties. It is AXA Bank Belgium's policy (respecting also AXA Group's policy) to implement collateral agreements with the following properties:

- Cash collateral (EUR, GBP, USD, JPY, CHF) or high investment grade rated government paper (with application of haircuts). This ensures AXA Bank Belgium's ability to quickly realise the collateral with a minimum of loss upon counterparty's default.
- Daily measurement of exposure and exchange of collateral.
- No threshold and a minimum transfer amount of maximum 1 million EUR.
- Re-use of collateral is allowed, which greatly reduces the burden on AXA Bank Belgium's liquidity.

AXA Bank Belgium does have a limited number of cases which divert from the above principles: one collateral agreement has a daily exposure monitoring but only weekly exchange of collateral as long as the exposure remains below a certain level and one collateral agreement allows for a threshold. However this threshold has been negotiated with the counterparty and removed from the legal documentation beginning of 2018.

AXA Bank Belgium's back office manages the collateral valuation and margin call process using the integrated front-to-back IT application. It issues margin calls, reviews margin calls received by counterparties and involves middle office and risk management in case of more complex valuation discussions. Front, middle and back office meet together with risk management on a biweekly basis to discuss any issues around the collateralisation process and decide on an action plan. The Wholesale Risk Committee is informed on a monthly basis on the most significant points.

Main Types of Collateral

AXA Bank Belgium receives mostly cash collateral under derivative contracts, avoiding any concentration issues on that side. For repo/reverse repo transactions the bond leg of the transactions are restricted to high quality government bonds in EUR. This strict policy in terms of eligible collateral may result in some concentration risk but AXA Bank Belgium believes this is acceptable given the quality of the issuers. We also note that all collateral is 'eligible financial collateral' as defined by the Basel Committee.

4.2.1.3 Policies establishing Credit Reserves

Since end of 2017, the Impairment Committee has been integrated in the Wholesale Risk Committee (WRC). With the replacement of the current 'incurred loss' model under IAS 39 by IFRS 9 as from 1st January 2018, the amount of expected credit loss calculated on the non-retail portfolio is presented to the WRC. This committee is responsible for the model of expected credit losses of the non-retail portfolio including the management overlay. This committee discusses model design documents and model validation documents and takes model decisions (including staging logic). More information related to IFRS 9 can be found in chapter 3.3 *IFRS 9*.

4.2.2 *Credit Risk Exposure*

4.2.2.1 Retail Credit Risk

For the majority of Belgian credit loans credit risk measurement is done by means of Internal Rating Based (IRB) models. A residual proportion of loans are measured by the Standardised Approach.

Portfolio

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

The Belgian loan portfolio consists mainly of mortgages, consumer loans and professional loans, with mortgage loans representing the most important share.

Given the good collateral coverage and the low probability of this loan portfolio, the risk profile of the total credit portfolio is low.

The mortgage portfolio has once more risen strongly in 2017 thanks to the high new production of mortgages which was of good quality. After the years 2015 and 2016 with a high volume of refinancing, 2017 was characterised by a more moderate level of refinancing.

For the consumer loan portfolio we noticed a slight decrease in 2017. The production was not sufficient to compensate for the natural erosion of the portfolio.

As from 2016, the professional loans portfolio of AXA Bank Belgium is increasing. Also in 2017 the portfolio increased significantly. This is in line with AXA Bank Belgium's strategic initiatives to intensify the relationship in the professional segment.

Portfolio Quality

In 2013 it was decided to implement a more selective acceptance policy and even today the consequences of that decision are still visible. In 2017 the new production was again characterized by a high quality and the entire credit portfolio showed an improved credit quality in 2017.

Performing

The credit losses amounted to a total of 0.4 million EUR in 2017, compared to 3.6 million EUR in 2016. Whereas 2016 was already a year with a relatively low level of credit loss, the credit loss in 2017 was even lower than the one on 2016. The credit loss in 2017 is low for the following reasons:

- Since the credit restrictions in 2013 the quality of the credit portfolio improved significantly. Furthermore, the Belgian macro-economic environment, where AXA Bank Belgium is operating, showed a positive evolution also contributing to a low level of credit losses.

- The sale of already written off credits keeps playing an additional source of income. There is an appropriate appetite within the Belgian market for this type of debts resulting in higher than expected prices.

An overall decrease of the observed default rates[3] (over a one year horizon) in the Belgian portfolio was observed which evidences the quality reinforcement and improved product mix of credits in Belgium.

The 12M default rate for mortgage loans slightly decreased from 0.5% in December 2016 to 0.45% observed in December 2017. The vintage curves (default rates within the first 12/24 months after realisation on the new production) are still decreasing and therefore it is expected that this decreasing trend continues at a more moderate speed when economic conditions remain unchanged.

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

The 12M default rate for loans to professionals and small businesses dropped from 1.7% observed in December 2016 to 1.5% in December 2017. This decrease shows that the growth in professional loans is done in a sustainable way where special care is taken for maintaining the quality of the total credit portfolio.

Also for consumer loans a decrease in the 12M default rate is observed (from 1.2% in December 2016 to 1.1% in December 2017) thanks to a better risk selection and an evolution of the product mix to loans with a particular purpose.

Non–performing

AXA Bank Belgium's definition of default on the retail loan portfolio is fully in line with the European Regulation (EU) No 575/2013 and other regulation of the European Banking Authority. AXA Bank Belgium has chosen to implement a very strict definition of default, which has been reflected in an increase of the amount of 'unlikely to pay' loans and the relevant provision amounts, without the quality of the underlying portfolio being changed.

AXA Bank Belgium considers a client/facility to be in default if one or more of the following conditions is fulfilled:

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

In case a client/facility is categorised under one of the first two categories in the above list, but is not doubtful, it is also referred to as 'possible loss'.

When a client/facility becomes defaulted, it is considered to be impaired and thus a specific (collectively or individually assessed) provision has to be accounted for. At that moment an evaluation should always be made if this default has an impact on the estimated future cash flows of the financial asset, and if accordingly an impairment loss should be recognised.

Furthermore, the default status is fully aligned with the 'non-performing' and 'impaired' statuses.

4.2.2.2 Non-retail Credit Risk

AXA Bank Belgium applies the Standardised approach for non-retail credit risk exposures.

4.2.2.2.1 Investment Portfolio

The market value of the investment portfolio dropped further, from 4.3 billion EUR at the end of 2016 to 2.9 billion EUR in December 2017 mainly due to forward bond sales settlement and maturing of government bonds.

This further decrease of the portfolio was initiated to improve AXA Bank Belgium's leverage ratio and to partially offset (through capital gains) hedge accounting inefficiencies on the retail mortgages book (due to the severe prepayment wave of former years).

The investment portfolio of AXA Bank Belgium mainly consists of high quality government bonds (55%) and supra-national bonds (39%). The next graph illustrates the exposures in AXA Bank Belgium's investment portfolio.

Moreover, the credit ratings and market price changes of positions of AXA Bank Belgium are being carefully monitored to examine the vulnerability of the credit portfolio for a number of adverse developments. There is no single position with a rating below investment grade.

Geographically, the investment portfolio credit risk is limited to countries that are members of the European Union.

Breakdown of the Investment Portfolio (December 2017)

AXA Bank Belgium maintained the close monitoring of its exposure to PIIGS countries. AXA Bank Belgium's exposure remained quite stable and is now limited to government bonds of Spain and Italy. The table below shows the market value (in '000') of the exposure to PIIGS countries on 31 December 2017.

Country	Instrument type	Market Value		
		31/12/2017	31/12/2016	% Change
Italy	Sovereign bonds	329.034	331.585	-0,77%
Spain	Sovereign bonds	150.616	151.378	-0,50%

4.2.2.2.2 Counterparty Credit Risk of the Dealing Room Activity

AXA Bank Belgium offers a centralised platform for the entities of AXA Group to access financial markets. Several insurance entities within AXA Group use this platform, which offers two services.

First of all, AXA Bank Belgium is an intermediary for pure derivatives such as interest rate swaps that the AXA Group's insurance entities use to hedge market risk on their life insurance. In order to measure the counterparty credit risk of these derivatives, we take into account the possible future evolution of the derivative value in case of counterparty default. To achieve this, the derivatives are valued after applying market shocks. The losses that are caused by these market shocks should stay under the allowed limit for the counterparty.

Secondly, AXA Bank Belgium provides liquidity to AXA Belgium (insurance company) via standardised money market transactions ('reverse repos') in which AXA Bank Belgium buys high-quality government bonds and commits to sells these bonds again at a specific future date and price. The volume of this activity amounted to 1 billion EUR end 2017, with maturities up to maximum 1 year. The value of the bonds should be 10% above the cash value for these transactions. This protects AXA Bank Belgium from a loss due to negative price evolution of the bonds in case of a counterparty default.

Exposure of AXA Bank Belgium to derivatives and money market transactions, including the transactions within the AXA Group, which are described in the previous paragraph, is limited via a very strict policy regarding collateral requirements. Exposures to such transactions are subject to a daily credit risk monitoring and collateralized on a daily basis with both market counterparties and AXA Group counterparties (exceptions to this policy are mentioned in chapter 4.2.1.2.2) Guarantees exchanged are limited to cash and high quality securities in order to ensure adequate limitation of credit exposures.

Use of External Credit Assessment Institutions (ECAIs)

In terms of use of the ECAIs, AXA Bank Belgium follows the standard association published by the European Banking Authority.

The counterparties for the dealing room activity of treasury and derivatives are selected based on external ratings of three rating agencies (Fitch, Moody's and Standard & Poor's) which results in an internal AXA-rating. In order to qualify as an active partner, counterparties should have an AXA-rating of at least A–.

There are also 'passive' counterparties which have a rating of at least BBB+. With these counterparties, there are still open positions from the past, but no new trades are allowed unless new trades actively reduce exposure. These counterparties are monitored closely.

For all derivatives, it is mandatory to enter into an 'ISDA Master Agreement' and a 'Collateral Service Agreement' (CSA). These CSAs should be compliant with the EMIR regulation. New trades are not allowed with counterparties with whom no EMIR compliant CSA was signed. For repo transactions, it is mandatory to enter into a 'Global Master Repurchase Agreement'. Each new counterparty should be presented to and approved by the Wholesale Risk Committee.

Exposure at default

In this section, we give an overview of our exposure at default of a counterparty related to the dealing room activity for both derivatives and (reverse) repos. The regulatory definition is used, that takes into account the nature of the instruments and simulates the exposure amount in case of counterparty default. This exposure is used to calculate the risk weighted assets and the capital requirements.

(i) Repo & Reverse Repo

On 31 December 2017 AXA Bank Belgium traded with two counterparties for its (reverse) repo activity. AXA Belgium and LCH Clearnet Ltd, the ideal counterparty for these transactions. On the AXA Belgium side (reverse repo) there is no exposure at default as AXA Bank Belgium receives sufficient collateral to cover the exposure on AXA Belgium. On LCH Clearnet side (repo) there is exposure (27 million EUR) considering that LCH Clearnet requires additional collateral from all its members.

(ii) Derivatives

The regulatory method to determine exposure at default for derivative counterparties includes the following steps:

a) Transactions are grouped in 'netting sets', in which it is legally possible to net positive and negative market values, collateral received and collateral given. The outcome of this calculation is the net replacement cost, capped at zero in case of a negative sum
b) For each transaction a risk factor is determined, which reflects the possible negative evolution of the transaction value in case of counterparty default;
c) (a) and (b) are added The outcome of this calculation gives the exposure at default per counterparty.

Furthermore, we split the exposure between exposure on bilateral counterparties and exposure on central clearing platform (CCP) for interest rate swaps which we access via two clearing brokers, i.e. HSBC and Credit Suisse International, given the difference in the nature of exposure.

The aggregated results as at 31 December 2017 are displayed step by step below.

a) The sum of all positive market values amounts to 3,954 million EUR. These positive market values amounts are neutralised by negative market values (4,275 million EUR of negative market values). AXA Bank Belgium emphasises here that this neutralisation goes beyond purely accounting netting off balance sheet items that is discussed in chapter 33 *Offsetting* based on legally enforceable netting rights. Chapter 34 *Contingent Assets and Liabilities* elaborates on the nature of the collateral. In total, AXA Bank Belgium pledged 1,492 million EUR collateral and received 1,122 million EUR collateral. This leads to a net replacement cost of 130 million EUR.
b) The sum of the risk factors amounts to 377 million. To clarify: this is the regulatory prescribed calculation of a negative evolution of the derivatives portfolio at the simultaneous default by all counterparties in stressed market conditions.
c) We arrive at a total exposure at default of 507 million EUR in stressed market conditions and at the simultaneous default by all counterparties. Under stable conditions, this exposure still amounts to 130 million EUR. It is important to note that 100 million EUR in these figures stems from the high collateral requirements of the central counterparty LCH Clearnet.

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

Concentration Risk

AXA Bank Belgium follows the regulatory requirements regarding the limitation of large exposures, where exposure to a group of affiliated counterparties may not exceed 25% of the eligible capital. Due to the diversification of counterparties, the exposure to AXA Group is the only exposure that exceeds 10% of the eligible capital.

As of end of December 2017, this exposure represents 20.5% of our capital. This exposure is actively monitored and some mitigation actions are on-going in order to reach a lower level of concentration risk on AXA Group.

4.3 Market Risk

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

4.3.1 *Interest Rate Risk Banking Book*

Interest rate risk in the banking book is defined as the risk of a decrease in economic value or net interest income of the banking book as a result of changes in interest rates and spreads.

Interest rate risk at AXA Bank Belgium arises mainly from the following products/activities:

- As a primarily retail bank, AXA Bank Belgium attracts retail deposits (mainly saving and sight accounts) and grants retail loans (mainly mortgage loans); the former typically with shorter maturities than the latter. The mismatch in maturities of those products gives rise to interest rate risk; more specifically yield curve risk.

- The bulk of AXA Bank Belgium retail deposits are non-maturing with rates, although discretionary by nature, linked indirectly to market rates as a result of a strongly competitive banking environment. Furthermore, saving accounts in Belgium benefit from a legal floored rate of 11 bps. These features are captured in dedicated models which are incorporated in AXA Bank Belgium's overall yield curve risk management but which, in turn, give risk to model risk.

- Belgian mortgage loans, which constitute the bulk of AXA Bank Belgium's retail loans, all feature a legal rather inexpensive for the customer prepayment option. Over the last few years, this feature translated into important prepayment waves. This prepayment risk is also captured in dedicated models which are incorporated in AXA Bank Belgium's overall interest rate risk management.

- Another specificity of the Belgian mortgage loans market is the variable rate mortgage loans which are legally capped and indexed on OLO rates. Those features do create both basis risk and option risk.

4.3.1.1 Interest Rate Risk Management

4.3.1.1.1 Risk Policy, Limits Framework and Reporting

Risk Framework

Interest rate risk in the banking book is extensively covered in AXA Bank Belgium's risk appetite framework:

- AXA Bank Belgium's most strategic risk appetite statements on solvency, earnings and value defined the buffer to be held above regulatory requirements in function of, amongst others, the sensitivity of AXA Bank Belgium's net interest income.

- Dedicated functional risk appetite statements set limits both on the economic value and the net interest income sensitivity of AXA Bank Belgium's banking book.

On top of those limits, Treasury activities included in AXA Bank Belgium's banking book are also subject to sensitivities and VAR limits monitored on a daily basis.

Risk Reporting

AXA Bank Belgium's main reporting on interest rate risk in the banking book is the monthly ALCO report. This report includes the following risk indicators:

- Sensitivity of the economic value of the banking book to various rate scenarios: parallel shifts from -200bps to +300bps, steepening and flattening scenarios.
- Sensitivity of the net interest income of the banking book to various rate scenarios: parallel shifts from -200bps to +300bps, steepening and flattening scenarios.
- Repricing gaps
- Regulatory economic and net interest income sensitivity indicators.
- 99.9% Monte-Carlo Value at Risk (VAR) analysis
- Dedicated indicators for cap risk, model risk, OLO basis risk and Euribor basis risk.

This set of indicators provides the ALCO with a comprehensive view of all sub-components of IRRBB. They are produced by a dedicated IRRBB management tool (QRM) managed in coordination between Finance, ALM and Risk Management departments.

4.3.1.1.2 Policies for Hedging and Risk Mitigation Techniques

AXA Bank Belgium applies the following hedging policies to mitigate the interest rate risk in its banking book:

- To keep the interest rate sensitivities within the regulatory and internal limits, the bank is actively managing a portfolio of derivatives within its banking book activities. Monthly production of retail assets and liabilities (including pipeline) is hedged systematically to keep AXA Bank Belgium's exposure levels within the desired range.
- Cap risk embedded in variable rate mortgage loans is hedged via an active purchasing policy of market caps.
- OLO basis risk embedded in variable rate mortgage loans is hedged via the maintenance of an OLO portfolio: declining OLO spreads generating lower revenues on mortgage loans are then compensated by capital gains on OLOs.
- Prepayment risk is managed via a dedicated model including natural and rate-driven prepayments and a permanent adjustment of AXA Bank Belgium's overall interest rate risk position to the desired level (delta hedging).

4.3.1.2 Exposure to Interest Rate Risk in the Banking Book

The banking book of AXA Bank Belgium including its branches mainly consists of retail loans and investments on the asset side, retail savings and deposits and non-retail long term funding including covered bonds and EMTNs on the liability side.

The largest share of retail loans are Belgian mortgage loans, from which 71% have a fixed interest rate and 29% floating interest rate. The interests of the variable rate mortgages are linked to the evolution of the OLO[4] rates. The Belgian law imposes a cap on the variable interest rates of these loans but, given the historical low OLO rates, the embedded value for the client of this cap and the corresponding risk for the Bank are currently small.

[4] OLO stands for 'Obligation Linéaire/Lineaire Obligatie' which is the abbreviation of Belgian Government Bonds

The following table lists the values for 2 internal indicators: the Bank SI ('Solvency Indicator') and the Bank NII ('Net Interest Income').

The absolute Bank SI gives the impact of a parallel 1% rise in market interest rates on the economic value of the banking book. The relative Bank SI expresses this impact as a percentage of the regulatory capital.

The Bank NII gives the impact of a parallel 10 basis points upward and downward shift in market interest rates on the interest result of the banking book.

Indicators (x 1000 Eur)	31/12/2017	31/12/2016
Bank SI (absolute)	-33.138	-240.583
Bank SI (relative)	-3,5%	-22%
Bank NII (up 10 bp)	1.316	5.040
Bank NII (down 10 bp)	-5.635	-6.414

4.3.2 *Market Risk Trading Book*

The market risk in AXA Bank Belgium's trading book is the risk of loss arising from adverse movements in interest rates, market prices or exchange rate fluctuations of the trading book.

4.3.2.1 Market Risk Management

4.3.2.1.1 Risk Policy, Limits Framework and Reporting

AXA Bank Belgium maintains a very conservative approach to market risk of its trading book. The trading activities of AXA Bank Belgium derive mainly from its role as centralised platform for access to the derivatives markets for the insurance entities of AXA Group. The market risk is strongly limited because all positions that are taken with entities of AXA Group are mirrored by positions with external counterparties on back-to-back basis.

Market risk exposures are the object of a continuous follow-up. These exposures are compared to an overall economic capital limit covering all of AXA Bank Belgium's market risks. This risk appetite limit is completed by different VaR and sensitivity limits. Alert triggering and escalation processes are also used by AXA Bank Belgium's Risk Management department to ensure that AXA Bank Belgium remains within its conservative risk appetite for market risk.

To meet the Basel III minimum regulatory capital requirements, AXA Bank Belgium uses the Standardised Approach defined in Title IV of the CRD/CRR regulation to measure, monitor, report and manage its market risks. This approach measures the following components of market risks:

- General interest rate risk
- Specific interest rate risk
- Foreign exchange risk

The standardised approach for foreign exchange risk applies to all bank positions meaning positions from both AXA Bank Belgium's trading and banking books.

4.3.2.1.2 Policies for Hedging and Risk Mitigation Techniques

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

Furthermore, AXA Bank Belgium's risk limit framework ensures that the VaR with a 99% confidence level and a holding period of 1 day does not exceed 0.25% of T1 capital as requested as well by the Belgian banking law.

4.3.2.2 Exposures to Market Risk

AXA Bank Belgium's market risk consists mainly of interest rate risk. In addition, the equity risk arising from the emission of Euro Medium Term Notes (EMTN) is low, since AXA Bank Belgium hedges this exposure in the financial markets. Furthermore, AXA Bank Belgium is not involved in any trading activities related to commodities.

The activities mentioned in the previous paragraph are closely monitored by the Risk Management department from AXA Bank Belgium within a very strict limit framework. The VaR for all activities related to the trading book is limited to 2.2 million EUR. The VaR with a confidence level of 99.5% and a time horizon of 10 days is calculated on a daily basis using 5000 Monte Carlo simulations. The VaR for all trading book activities at the end of 2017 is equal to 0.7 billion EUR and therefore well below the predefined limit. Finally, this model is subject to the appropriate yearly back testing and validation by an external auditor in order to preserve the accuracy and relevance of the model.

4.4 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in exchange rates. AXA Bank Belgium operates a policy to minimise exposure to currency risk. Any material residual positions are hedged systematically. This risk was followed up and hedged on a monthly basis in ALCO in 2017. In addition, there is a capital charge for this risk when the total net position represents more than 2% of the equity.

4.5 Liquidity Risk

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

AXA Bank Belgium's Risk Taxonomy considers the following two aspects of liquidity risk which all fall within the scope of liquidity risk management:

- Short Term Liquidity Risk defined as the risk that AXA Bank Belgium cannot meet its financial liabilities when they come due (within a month), at a reasonable cost and in a timely manner. It results from short term cash and collateral positions (intraday, overnight, one day to one month)

- Structural Liquidity Risk defined as the risk that AXA Bank Belgium cannot meet its financial liabilities when they come due on a medium and long term horizon (more than one month), at a reasonable cost and in a timely manner.

4.5.1 *Liquidity Risk Management*

4.5.1.1 Risk policy, limit framework and reporting

In recent years, liquidity management was one of the key priorities of AXA Bank Belgium. It has resulted in a suitable framework for liquidity risk which is based on both regulatory and internal indicators.

In order to evaluate and manage its consolidated liquidity risk, AXA Bank Belgium's ALCO monitors 2 kinds of indicators:

1. Internal indicators : Internal Liquidity Stress indicator
2. Regulatory indicators : LCR and NSFR

All these indicators are underpinned by a common approach: guarantee that AXA Bank Belgium's liquidity buffer is sufficient to cope with a range of stress events. More specifically, AXA Bank Belgium's own Internal Liquidity Indicator has been designed to ensure that AXA Bank Belgium maintains an adequate liquidity cushion to be able to withstand combined idiosyncratic and market stresses over a one year horizon.

Internal Liquidity Stresses (ILS)

AXA Bank Belgium has developed two tailor-made stress scenarios in order to assess the adequacy of AXA Bank Belgium's liquidity buffer. The stress scenarios are developed in collaboration with AXA Group risk management. The internal scenarios are more restrictive than the LCR scenarios, which results in a lower liquidity excess under the internal scenarios.

The ILS scenarios cover multiple time horizons (overnight, 1 week, 1 month, 3 month, 6 month and 1 year) and the indicators are expressed in term of liquidity excess in euro after the scenario. The stock of liquid assets under the ILS indicators only retains ECB eligible assets. The liquidity excess is the difference between the stock of liquid assets minus the stressed in- and outflows under both scenarios.

Scenario 1 assumes a parallel downshift of interest rates while scenario 2 assumes an upward shift of the interest rates. Both scenarios imply a credit spread increase for the Bank and a downgrade of the Bank's rating.

The Excess Liquidity indicator is defined as the worst liquidity position, over all time horizons and stress scenarios.

in thousands of EUR	31/12/2017	Limit	Buffer
Internal Liquidity Stress indicator	1,276,949	500,000	2.235.782

Regulatory Indicators

AXA Bank Belgium monitors the LCR and NSFR of the Basel III framework.

LCR (Liquidity Coverage Ratio) became binding in October 2015 while NSFR (Net Stable Funding Ratio) will become binding with the introduction of CRD V.

4.5.1.2 Policies for Hedging and Risk Mitigation Techniques

The AXA Bank Belgium'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. This has led to a stronger awareness of liquidity risk at all management levels, as well as a more rigorous follow-up. Regular forward-looking projections of the main liquidity ratios support the active management of the liquidity risk within AXA Bank Belgium.

4.5.2 *Liquidity Buffer Assessment*

AXA Bank Belgium enjoys a very robust liquidity position as demonstrated by its strong liquidity buffer that clearly exceeds regulatory and internal limits.

Both Basel III indicators are well above the minimum requirements at the end of 2017 (100% limit) thanks to a comfortable stock of liquid assets and a solid financing structure.

Ratio	31/12/2017	31/12/2016	Limit
LCR	175%	169%	100%
NSFR	139%	139%	100%

AXA Bank Belgium has successfully adapted its strategy to meet these required indicators. This strategy includes the bank's investment policy that is limited to quite liquid assets and attracting long-term stable funding.

Funding

The main sources of stable funding for the bank are retail deposits (17.9 billion EUR on 31 December of 2017) and covered bonds (4.2 billion EUR on 31 December 2017). More detail can be found in the table below.

Maturity Analysis

2017 (in '000 EUR)	< 3 months	< 12 months	> 12 months	Total
Central Bank financing	0	0	600.000	600.000
Loans from financial customers	549.226	653	694	550.573
Unsecured funding (savings & current accounts of 'other financial corporates' + CIFP)	82.799	653	694	84.146
Repurchase Agreements	466.427	0	0	466.427
Secured loans	0	0	0	0
Retail funding:	15.968.605	189.712	1.719.940	17.878.257
Non maturing retail funding (savings and current accounts)	15.681.998	0	0	15.681.998
Maturing retail funding (deposits with agreed maturity, EMTN for retail, customer saving certificates)	286.607	189.712	1.719.940	2.196.259
AXA Group Financing:	11.646	5.519	599.440	616.605
Unsecured financing	3.691	0	0	3.691
EMTN	7.955	5.519	599.440	612.914
Other counterparties	13.475	0	4.200.756	4.214.231
Unsecured funding from non-financial customers	13.475	0	130	13.605
Covered bonds	0	0	4.200.626	4.200.626
Total	**16.542.953**	**195.884**	**7.120.829**	**23.859.666**

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

Covered Bonds

SPV Royal Street and AXA Bank Europe SCF are two entities that are used by AXA Bank Belgium to attract structural long term funding via the issuance of covered bonds. While Royal Street issues RMBSs, AXA Bank Europe SCF uses the senior tranches of these notes to issue covered bonds. Both entities were integrally included in the AXA Bank Belgium consolidation scope.

At the end of 2017, some changes were made to the above-mentioned SPV structure. The SPV Royal Street has sold most of its mortgage loans portfolio to AXA Bank Belgium. AXA Bank Belgium then sold the biggest part of that portfolio back to AXA Bank Europe SCF. Royal Street, consisting previously of three parts, will from now on only consist of RS 1, which still contains a small amount of RMBS's. As mentioned in chapter 25 *Investments in Associates, Subsidiaries and Joint Ventures*, the existing Royal Street RS-2 and RS-3 compartments were terminated at the end of November 2017. The formal liquidation of these compartments was finalised during the first quarter of 2018.

Originally, AXA Bank Belgium created AXA Bank Europe SCF for issuing covered bonds. Its principal business activity was to issue covered bonds to refinance residential mortgage loans through Royal Street. After the so-called that is described above, the new structure of AXA Bank Europe SCF will be far more efficient and flexible, in that it will allow AXA Bank Europe SCF to issue covered bonds by directly buying mortgages from AXA Bank Belgium, without Royal Street as an intermediary. The interest payments of the mortgages held by AXA Bank Europe SCF are transferred with yield-maintenance swaps between AXA Bank Belgium and AXA Bank Europe SCF. This will also allow executing a secured loan transaction between AXA Bank Belgium and AXA Bank Europe SCF with mortgages as underlying collateral in order to issue covered bonds with a shorter time to market thanks to the lightweight structure.

The strong underlying quality of AXA Bank Belgium's retail mortgage portfolio in Belgium is the ideal collateral for a covered bond program. This program enables the bank to manage its liquidity risk. It provides AXA Bank Belgium with diversification in funding sources and minimises funding concentrations in time buckets. The covered bond program gives AXA Bank Belgium access to the covered bond market, allowing AXA Bank Belgium to reduce the cost of long-term institutional funding. This program offers the bank access to funding markets that remain open in times of market stress. The bank launched its first covered bond in November 2010. The covered bond program amounts to 5.7 billion EUR in 2017 of which 4.2 billion EUR remains on a consolidated level: 3.4 billion EUR are placed in the market, and 0.9 billion EUR of these covered bonds are subscribed by AXA Banque France. The 1.5 billion EUR retained by AXA Bank Belgium were eliminated in the consolidated balance sheet.

4.6 Operational Risk

AXA Bank Belgium defines operational risk, as the risk of loss resulting from inadequate or failed internal processes, or from employees or systems. The failure or inadequacy may result from both internal and external causes.

In the Basel framework, operational risk is divided into 7 categories:

i. **Internal Fraud**: fraudulent financial reporting, improper of fraudulent financial activity as well as misappropriation of assets and other internal frauds
ii. **External Fraud**: theft and fraud as well as information system fraud
iii. **Employment Practices and Workplace Safety**: employee relations, diversity and discrimination, safe environment, loss of key staff and talent management
iv. **Clients, Products and Business Practices**: suitability, disclosure and fiduciary, improper business or market practices, incl. advisory activities, breach of regulation and legislation, unauthorized activity, product flaws
v. **Damage to Physical Assets**: natural disasters, vandalism, terrorism, etc.
vi. **Business Disruption and Systems Failures**: system disruptions and breach of information security
vii. **Execution, Delivery and Process Management**: data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets, etc.

For AXA Bank Belgium, the definition of Operational Risk also includes Compliance Risk; which is defined as the risk of loss resulting from the failure of an institution to adopt appropriate policies, procedures or controls, to comply with its legal obligation arising from laws, regulations, or any other type of binding contracts.

For AXA Bank Belgium, the definition of Operational Risk excludes Reputation Risk and Strategic Risk. However when assessing the impacts of operational risks the potential damages to AXA's reputation[5] are considered by a qualitative indicator while major damages are followed by the Group.

4.6.1 *Operational Risk Management*

4.6.1.1 Risk Policy, Limit Framework and Reporting

For the regulatory capital AXA Bank Belgium applies the Basis Indicator approach (i.e. equals to 15% * of the mathematical average of the sum of all positive operational results over the last 3 annual exercises) and is only updated at the end of each year.

For its economic capital, AXA Bank Belgium has implemented an internal model that has been developed by AXA Group. This model is similar to AMA. The economic capital computation is then a yearly process based on risk assessments that identifies and quantifies the relevant and material operational risks faced by AXA Bank Belgium.

Just as in past years, there was a major focus in 2017 on detecting and combating fraud and cyber risks (hacking, phishing and cyber-attacks) and regulatory risks (related to MIFID, AML, GDPR, PSDII,..). The cooperation with the other control lines (Audit, Compliance, Information Security) is well established in AXA Bank Belgium. The team of Operational Risk works continuously on the 'risk awareness' within the entire organisation (by organizing training courses for the different business lines, participating in major projects and product launches, etc.). In 2017, a lot of effort was put both in the 'Loss Data Collection' process and the 'Operational Risk Cycle' process; these processes have been optimised and ensure uniformity and maturity throughout the whole organization. In 2018, these efforts will continue, with a special focus on a structural framework for 'risk responses' (action plans, risk acceptance). The team of operational risk is also developing a risk appetite framework, in which the playing field for operational risk in AXA Bank Belgium's processes is defined and monitored.

4.6.1.2 Policies for Hedging and Risk Mitigation Techniques

Mitigating actions are defined for our most important operational risks. Different options are possible:

- Transfer the risk (e.g.: we have insurance contracts for fire incidents, cyber incidents, agent fraud).

- Action plans to strengthen the process at risk, and – to reduce the risk to a lower/acceptable level. These action plans are defined by the business, challenged and monitored (quarterly) by the Operational Risk team. The Management Board is informed as well.

[5] Using the framework of the Group: no impact, impact (not yet assessed), insignificant (minor isolated stakeholder concerns/impacts), minor (serious segmented stakeholder concerns/incidents), moderate (broader and more vocalized concerns within the industry), major (negative public exposure with significant impact), and severe (dramatic loss of stakeholder confidence – extensive negative public exposure).

AXA Bank Belgium is monitoring its operation risk by means of an operational risk dashboard in which key risk indicators (KRI's) are measured on a quarterly basis. This dashboard is presented to the Management Board each quarter.

The team of Internal Financial Control is in charge of performing 2nd line controls of the main risks in our processes. Note that in 2017, AXA Group has started the roll out of an IC program. AXA Bank Belgium will start implementing this program as of 2018. Goal is to identify for each process in the bank the major key and killer risks, and to define and implement the required control objectives and controls to mitigate these risks.

4.7 Capital Management

4.7.1 *Management*

Under the EU Capital Requirements Regulation and Directive (CRR/CRD IV) as well as the Basel accords, AXA Bank Belgium must maintain a minimum level of own funds to cover their credit, market and operational risks. This obligation is known as the 'Pillar 1 Minimum Regulatory Capital Requirement'. Banks must also have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed to. This obligation is known as the 'Pillar 2 Economic Capital Requirement' and is assessed in the context of the supervisory review. The Internal Capital Adequacy Assessment Process also known as 'the ICAAP' (which also quantifies the economic capital requirement) participates to the Pillar 2 requirements.

Both for regulatory and economic capital, the 'available capital' of banks is compared to measured 'capital requirements'. The differences between the two pillars are due to their measurement methodologies[6] and the scope of the risks that are covered[7].

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

The capital base is carefully monitored by the 'Asset & Liability Committee' (ALCO). The committee is supported in this mission by a working group: the Capital Management Committee (CMC). The CMC oversees the new regulations ('regulatory watch'), follows up on the current and projected solvency ratios, anticipates and manages the economic and regulatory capital requirements.

The calculations for regulatory capital are reported to the supervisor (COREP) on a quarterly basis.

The bank reports the required economic capital to the supervisor in an annual ICAAP file. The ICAAP is the internal review process of the institution itself, which allows it to assess the adequacy of its capital in light of its risk profile and its organisation.

4.7.2 *Regulatory Environment*

The EU introduced stricter rules around capital requirements for banks in the aftermath of the financial crisis that are based on the Basel III accords. The requirements for banks are set out in the 'Capital Requirements Regulation' (CRR) and the 'Capital Requirements Directive' (CRD IV). The CRR/CRD IV was gradually introduced since 1 January 2014 and will be fully in force in 2019.

The minimum capital ratios (Pillar 1 requirements) which are to be met according to CRR/CRD IV are 4.5% for the core capital (CET1), 6.0% for the tier 1 capital ratio and 8.0% for the total capital ratio.

Besides the minimum own funds requirements of the CRR, AXA Bank Belgium should also comply with the various buffers that can be imposed in accordance with CRD IV.

The CRD IV provides for a capital conservation buffer. In times of an economic boom, this can be up to 2.5%. The premise is to reserve additional capital in times of financial prosperity. In times of financial stress, the institution will be able to use this capital. The condition is then that the institution may not pay out a dividend to shareholders. This buffer phases in and amounted 1.25% in 2017.

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

[6] Under Pillar 1, the methods are defined by the regulator whilst the methods are defined by AXA Bank Belgium under Pillar 2.
[7] Only three risks are covered under Pillar 1, whilst all material risks must be covered under Pillar 2.

The Belgian regulator has appointed AXA Bank Belgium as O-SII or 'Other Systemically Important Institution' and therefore subject to an additional core Tier 1 capital requirement (O-SII buffer) of 0.75%. The introduction of this buffer is phased in over a 3 year period from 1 January 2016 until 1 January 2018. This means that an additional capital requirement of 0.5% was imposed on AXA Bank Belgium in 2017, which will be increased by 0.25% in 2018.

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

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

4.7.3 *Own Funds*

The own funds for solvency requirements is slightly different from the equity in accounting.

The accounting core capital will be adjusted with:

- prudential filters, which exclude certain items of own funds, such as changes in the value of own credit risk and additional value adjustments in the context of prudent valuation; and
- other deductions, such as intangible fixed assets, the deferred tax assets which are based on future profitability, deficits in terms of provision of 'Internal Rating Based approach' (IRB). When the IRB approach is applied to calculate the credit risk, banks are required to compare their actual provisions with their expected losses. Any shortfall should be deducted from Tier 1 while an excess will be eligible for inclusion in Tier 2 capital subject to a cap.

The reconciliation of the accounting equity based on IFRS with the own funds for solvency requirements can be seen in the table below.

COMPOSITION OF USEFUL CAPITAL	**31/12/2017**	**31/12/2016**
(in '000 Eur)		
Paid in capital instruments	636.318	681.318
Reserves (including retained earnings)	384.780	281.356
Result of the current year	41.437	95.335
Other reserves	1.469	1.125
Accumulated other comprehensive income	9.188	47.915
ACCOUNTING COMMON EQUITY TIER 1 CAPITAL	**1.073.192**	**1.112.313**
Prudential filters	11.006	(26.221)
Value adjustment of own credit risk	*16.937*	*(18.672)*
Value adjustment of prudent valuation	*(5.931)*	*(7.550)*
Deductions of Common Equity Tier 1 capital	(42.390)	(71.919)
Regulatory adjustments accumulated other comprehensive income	(9.559)	*(35.518)*
Immaterial fixed assets	*(11.835)*	*(8.537)*
Deferred tax assets that rely on future profitability	*0*	*(11.073)*
other reductions	*(2.965)*	*0*
IRB provison shortfall	*(18.032)*	*(16.791)*
Elimination of DTL accounting correction		**(20.478)**
USEFUL CAPITAL COMMON EQUITY TIER 1 (CET1)	**1.041.807**	**993.695**

The accounting CET1 amounts of December 2016 have been adjusted based on the corrections mentioned in chapter 42. For the COREP reporting this adjustment of deferred tax liabilities was eliminated in the useful equity and was only added in the reserves as at 31 December 2017.

The CET1 amounts to 1,042 million EUR in 2017 versus 994 million EUR in 2016.

AXA Bank Belgium is allowed to include the consolidated net profit for 2017 (41.4 million EUR) in the core Tier 1 capital. This result strengthens the equity of AXA Bank Belgium compensating the reduction of capital of 45 million EUR realised during the year. This capital reduction – partially – reflects the reduction of the exposures of commercial activities of AXA Bank Belgium abroad. The CET1 figures of December 2017 increased also due to the correction of deferred tax liabilities, as referred to in chapter 42 *Correction Previous Financial Statements*. The evolution of CET1 is further determined by the movements in accumulated other comprehensive income and the value adjustments.

The total own funds for solvency requirements include:

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

TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	31/12/2017	31/12/2016
Core Tier 1 capital	**1.041.807**	**993.695**
Additional Tier 1 capital	**90.000**	**90.000**
TIER 1	**1.131.807**	**1.083.695**
TIER 2	**13.801**	**21.202**
Subordinated debts	5.830	11.636
Perpetual subordinated debts	7.972	9.566
	15.943	*15.943*
	(7.972)	*(6.377)*
TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	**1.145.609**	**1.104.897**

The total own funds evolves from 1,105 million EUR in 2016 to 1,145 million EUR in 2017.

4.7.4 *Regulatory Capital Requirements*

The regulatory requirements are based on the concept of Risk Weighted Assets (RWA) Pillar 1 minimum regulatory capital requirements calculation methods are defined specifically in the regulation. The risk weighted assets are calculated according to the specific Basel calculation rules for weighted risks for which AXA Bank Belgium has received approval. In most cases the Standardised Approach (SA) is used by the bank. The Internal Rating Based Approach (IRB) is only applied for the Belgian retail activity. The requirement concerning the operational risk follows the BIA ('Basic Indicator Approach').

The RWA for AXA Bank Belgium under the Basel III rules amounted to 5,289 million EUR on December 2017.

RISK WEIGHTED ASSETS	31/12/2017	31/12/2016
(in '000 EUR)		
Risk weighted assets for credit risk	4.368.646	3.733.507
Risk weighted assets for market risk	177.835	135.603
Risk weighted assets for operational risk	675.882	736.386
Risk exposure amount for credit valuation adjustment (CVA-risk)	66.309	86.709
TOTAL RISK WEIGHTED ASSETS	**5.288.672**	**4.692.204**

The Belgian regulator has requested[8], for all Belgian banks using IRB models, an add-on of 5 % from all Belgian mortgage loans. This additional capital requirement, calculated as a 5% add-on on the IRB RWA for mortgages covering residential real estate in Belgium, is represented in the RWA for credit risk.

The RWA increased from 4,692 million EUR in 2016 to 5,289 million EUR in 2017 mainly driven by the risk weighted assets for credit risk. In December 2017, AXA Bank Belgium decided to adjust its internal model for mortgage loans by introducing a finer segmentation of its portfolios from a risk management perspective.

[8] This law, published on 8/12/2013 and applicable as of 31/12/2013 results in an additional own fund requirement for AXA Bank Belgium's mortgage portfolio.

4.7.5 *Capital Ratios*

The regulatory solvency ratios compare the own funds of AXA Bank Belgium to its risk weighted assets.

AXA Bank Belgium shows high solvency ratios thanks to its prudent investment and credit underwriting strategy.

CAPITAL RATIOS	31/12/2017	31/12/2016
Core T1 ratio	19,7%	21,2%
T1 ratio	21,4%	23,1%
CRD ratio	21,7%	23,5%
Fully loaded Core T1 ratio	19,9%	21,9%
Fully loaded T1 ratio	21,6%	23,8%
Fully loaded total Capital ratio	21,7%	24,0%

The Common Equity T1, T1 and total capital ratio shall consider the transitional provisions of Basel III.

All solvency ratios declined over the year. This is largely explained by the significant increase in risk weighted assets in 2017. As per 31 December 2017, AXA Bank Belgium's Tier 1 ratio stands at 21.4% (23.1% in 2016) and total capital ratio at 21.7% (23.5% in 2016).

These same ratios fully loaded, i.e. calculated as if Basel III were already in full force, amounted to 21.6% and 21.7% respectively (23.8% and 24.0% in 2016).

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

4.7.6 *Leverage ratio*

The leverage ratio is a supplementary measure to the Basel framework. It is defined as Tier 1 capital over the bank's total exposure measure, which consists of both on and off-balance sheet items.

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

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

In connection with the contemplated implementation of the non-risk based leverage ratio, AXA Bank Belgium has further decreased its balance sheet essentially through a reduction of the investment portfolio. As a consequence, the bank's leverage ratio according to current CRR legislation ('Delegated Act') has improved in 2017 to 4.3% at the end of December 2017 (4.1% in 2016) or 4.3% (4.2% in 2016) when fully loaded.

In light of the low risky assets of AXA Bank, this level offers a comfortable buffer.

LEVERAGE RATIO	31/12/2017	31/12/2016
Phase -in ratio	4,3%	4,1%
fully loaded ratio	4,3%	4,2%

5 Fair Value of Financial Assets and Liabilities

5.1 Fair Value - Retail Activities

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

- first, future cash flows are calculated based on product features (client's interest rate, payment frequency, etc.);
- these cash flows are subsequently adjusted for retail credits in order to take into account early repayments (2.5% on an annual basis for mortgage loans, 4% for investment credits, 10% on an annual basis for instalment loans);
- the calculation of the fair value, based on the Monte Carlo technique, includes the caps and floors embedded in floating mortgage loans. In this methodology, a group of interest rate scenarios are generated. The cash flows of the mortgage loans are simulated in each of these scenarios while taking into account the caps and floors. For example, the customer reset rate will depend on the simulated market rate, but shall not be higher than the contractually embedded cap linked to the mortgage loan. The fair value of the portfolio is determined by taking the average of the discounted cash flows in the Monte Carlo scenario.

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

5.2 Fair Value - Financing Activities (Treasury)

The financial instruments are subdivided into 3 categories.

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

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

In the absence of an active market for a specific instrument or if market prices are not available or are not regularly available, valuation techniques will be used on the basis of the present value of future cash flows and the price will be determined on the basis of option models. These valuation techniques use market data such as yield curves, dividend yield, index levels and volatility. AXA Bank Belgium uses information from Bloomberg, Markit and/or Interactive Data or provided by a reliable intermediary. These prices are then subject to an internal validation or are valued using internal rating techniques.

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

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

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

AXA Bank Belgium uses a decision table in order to justify the level assigned to each class of instrument on the basis of these criteria.

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

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

The second category includes the following elements:

Assets

Receivables from other bankers

Receivables from other bankers include interbank investments and reverse repo transactions.
The estimated fair value is based on discounted cash flows at current market conditions.

Loans and receivables from clients

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

Liabilities

Deposits and borrowings

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

Issued debt instruments

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

The third category includes:

Assets

Financial assets held for sale

Shares recognised for their acquisition value as the best estimate of the market value.

Financial assets held for trading

Derivative transactions within the 'hub' activities of AXA Bank Belgium (access to the market for the main insurance entities of the AXA Group).

Liabilities

Financial liabilities held for trading

Derivative transactions within the 'hub' activities of AXA Bank Belgium (access to the market for the main insurance entities of the AXA Group).

Financial liabilities designated at fair value through profit or loss

EMTNs issued – the fair value was determined on the basis of the 'discounted cash flow' method, where volatilities on historical data were used as non-observable inputs. An increase (decrease) of 10% would lead to an increase (decrease) in fair value by 18.6 million EUR (2016: 19.0 million EUR).

Overview of assets and liabilities measured at fair value

Assets / Liabilities 2017.12 in '000 EUR	*Recognised or disclosed fair values*	*Fair Value detemined on the basis of stock market prices*	*Fair Value detemined on the basis of observable data other then stock market prices*	*Fair Value not detemined on the basis of market data*
Trading assets	1.247.291	6	1.217.176	30.109
Financial assets designated at fair value through profit or loss				
Available-for-sale financial assets	2.952.270	2.944.563	978	6.730
Assets derivatives - hedge accounting	67.552		67.552	
Financial liabilities held for trading	824.596	99	813.099	11.398
Financial liabilities designated at fair value through profit or loss	1.348.872		802.499	546.373
Liablitities derivatives - hedge accounting	287.907		287.907	

Table FVAL.1

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

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

Table FVAL.2

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

See also chapter 33 *Offsetting*.

Level 3 fair value of financial assets / liabilities (in EUR '000)		(a) Net gains and losses included in:				
31.12.2017	RW Level 3 OPENING BALANCE	W&V	OCI	(b) Purchases, Sales and Settlements	(c) Net transfer in and out of Level 3	RW Level 3 CLOSING BALANCE
Assets available for sale	6.730	0	0	0	0	6.730
Financial assets at fair value with fair value through profit and loss	0	0	0	0	0	0
Financial assets held for trading	25.856	4.102	0	151	0	30.109
Financial liabilities held for trading	-484.250	-1.335	-14.899	-57.287	0	-557.771
Total level 3 financial assets / liabilities	**-451.664**	**2.767**	**-14.899**	**-57.136**	**0**	**-520.933**

Table FVAL.3

Level 3 fair value of financial assets / liabilities (in EUR '000)		(a) Net gains and losses included in:				
31.12.2016	RW Level 3 OPENING BALANCE	W&V	OCI	(b) Purchases, Sales and Settlements	(c) Net transfer in and out of Level 3	RW Level 3 CLOSING BALANCE
Assets available for sale	6.731	0	0	0	-1	6.730
Financial assets at fair value with fair value through profit and loss	0	0	0	0	0	0
Financial assets held for trading	21.448	3.997	0	364	47	25.856
Financial liabilities held for trading	-392.504	-1.476	0	-113.140	22.871	-484.250
Total level 3 financial assets / liabilities	**-364.326**	**2.521**	**0**	**-112.776**	**22.917**	**-451.664**

Table FVAL.4

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

FV 2017 Delta	Level 1	Level 2	Level 3
Purchase/Sale/repurchase	-1.277.526	0	0
From Level 2 to Level 1	0	0	0
From Level 3 to Level 2	0	0	0
Delta compared to evolution Market Value	-75.191	0	0
TOTAL	-1.352.717	0	0

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

Fair value hierarchy: financial instruments at amortised cost

Asset/Liability 2017.12 In '000 eur	*carrying amount (if different from fair value)*	*Recognised or disclosed fair values*	*Fair Value detemined on the basis of stock market prices*	*Fair Value detemined on the basis of observable data other then stock market prices*	*Fair Value not detemined on the basis of market data*
Loans & receivables	21.921.564	23.681.062			23.681.062
Debt securities					
Loans and advances	21.921.564	23.681.062			23.681.062
Held-to-maturity investments					
Debt securities					
Loans and advances					
Financial liabilities measured at amortised cost	23.398.416	23.478.145		4.289.462	19.188.683
Deposits	18.362.605	18.362.605			18.362.605
Debt securities issued	4.253.792	4.333.521		4.289.462	44.059
Other financial liabilities	782.019	782.019			782.019

Table.FVAL.7

Fair value hierarchy: financial instruments at amortised cost

Asset/Liability 2016.12 In '000 eur	*carrying amount (if different from fair value)*	*Recognised or disclosed fair values*	*Fair Value detemined on the basis of stock market prices*	*Fair Value detemined on the basis of observable data other then stock market prices*	*Fair Value not detemined on the basis of market data*
Loans & receivables	20.650.591	22.476.946			22.476.946
Debt securities					
Loans and advances	20.650.591	22.476.946			22.476.946
Held-to-maturity investments					
Debt securities					
Loans and advances					
Financial liabilities measured at amortised cost	23.400.741	23.566.539		3.597.950	19.968.589
Deposits	18.943.659	18.943.659			18.943.659
Debt securities issued	3.546.961	3.712.759		3.597.950	114.809
Other financial liabilities	910.121	910.121			910.121

Table.FVAL.8

The estimated fair value of loans and receivables results from own calculations of the discounted amount of the loan cash flows using the 6 months swap curve.
Financial liabilities measured at amortised cost are covered bonds for which the fair value is based on information obtained from more than 20 market participants or obtained from Bloomberg.

5.3 Day One Results

No day one results were recognised during the 2017 financial year.

5.4 Application of CVA and DVA on the Derivative Portfolio

Based on internal assessment by AXA Bank Belgium, management believes that the impact of the application of CVA (Credit Value Adjustment) and DVA (Debit Value Adjustment) on the derivative portfolio amounted to gross CVA of 6.5 million EUR and gross DVA of 3 million EUR. The net impact (earnings) thus came to 3.5 million EUR (before tax).

IFRS 13 – *Fair Value* defines the concept of fair value. Concerning derivatives in particular, this standard requires integrating a measure of credit risk in the calculation of fair value through a CVA and a DVA. The CVA measures credit risk incurred by AXA Bank Belgium on its counterpart while the DVA measures the credit risk incurred by the counterpart on AXA Bank Belgium.

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

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

The subpart 'current exposure' changes over time. For the first 10 days, it corresponds to the difference between the fair value of the positions on the closing date and the value of the collateral exchanged on that date. From the 11th day, this current exposure is replaced by the current maximum exposure as defined in the collateral contract (CSA Threshold and Minimum Transfer Amount) adjusted with a coefficient reflecting the average exposure during the 3 last months, increased with a potential initial margin that is paid/received on the closing date and with a potential structural difference between de delivered/received collateral and the measurements of AXA Bank Belgium. At the end of 2017 no structural differences were observed between the collateral and the measurements of AXA Bank Belgium.

Furthermore the decrease of CVA (DVA) between 2016 and 2017 is also linked to a change in methodology in 2 phases:

The efforts made in the enhancement of the methodology can be summarised in 2 points:

- A first development launched as from the second quarter of 2017 consists in a development of an internal model for the calculation of probability of defaults (based on the model of JP Morgan) and the use of an internal VaR model for the calculation of the potential future exposure. The decrease of the CVA for an amount of 15 million EUR is for the largest part due to this first development.

- A second development launched as from the fourth quarter of 2017 consists in a best estimate of the current exposure. As mentioned above a part of the current exposure lies in an exposure after the 10th day, replacing the maximum exposure as defined in the collateral agreement (Minimum Transfer Amount) and the exposure in average fair value observed over a history of 3 months on a daily basis. The decrease of the CVA for an amount of 3 million EUR is for the largest part due to this second development.

5.5 Application of DVA on EMTNs issued

See chapter 28 *Financial Liabilities designated at Fair Value through Profit or Loss*.

6 Critical Accounting Estimates and Judgements

AXA Bank Belgium uses estimates and judgements when drawing up its Consolidated Financial Statements on the basis of IFRS. These estimates and judgements are continuously tested and are based on past experience and other factors, including an acceptable assessment of future events based on currently known conditions.

Estimates and judgements take place primarily in the following areas:

- estimation of the realisable value for impairments on loans and receivables (see chapter 2.3 *Financial Instruments – Loans and Receivables*), available-for-sale financial assets (see chapter 20 *Available-for-Sale Financial Assets*) and property, plant and equipment and intangibles (see chapter 2.12 *Property, Plant and Equipment and Intangible Assets*)
- determination of the fair value of non-quoted financial instruments (see chapter 5 *Fair Value of Financial Assets and Liabilities*)
- estimation of impairment for loan losses (see chapter 2.3 *Financial Instruments – Loans and Receivables*)
- estimate of deferred tax assets (see chapters 2.11.3 *Estimate of Deferred Taxes* and 16 *Income Taxes*)
- valuation of CVA and DVA (see chapters 5.4 *Application of CVA and DVA on the Derivative Portfolio* and 28 *Financial Liabilities Designated at Fair Value through Profit or Loss*)
- estimate of provisions for pension obligations (see chapter 13.2 *Pension Commitments and Other Benefits*)
- estimate of current obligations resulting from past events when determining the level of provisions (see chapter 31 *Provisions*)
- judgement on the classification of financial instruments (see chapters 2.2 *Financial Instruments - Securities*, 2.3 *Financial Instruments – Loans and Receivables*, 2.4 *Treasury* and 2.7 *Financial Liabilities and Bank Deposits*) and the mapping to the levels for determining the fair value (see chapter 5 *Fair Value of Financial Assets and Liabilities*)
- estimation of the useful life for property, plant and equipment and intangible assets (see chapter 2.12 *Property, Plant and Equipment and Intangible Assets*).

7 Fee and Commission Income (Expenses)

Fee and commission income and expenses in '000 EUR	2017.12	2016.12
Fee and commission income		
Securities	30.591	20.057
Issued	28.222	18.169
Transfer orders	100	101
Other	2.270	1.787
Clearing and settlement		
Trust and fiduciary activities	906	977
Asset management		
Custody	906	977
Other fiduciary transactions		
Loan commitments		
Payment services	7.177	7.138
Structured finance		
Servicing fees from securitization activities		
Other	24.619	24.829
TOTAL	**63.293**	**53.001**
Fee and commission expenses		
Commissions to agents (acquisition costs)	44.271	32.267
Clearing, settlement and consignment	781	898
Other	8.700	9.276
TOTAL	**53.752**	**42.441**

Table FCIE.1

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

Net income from financial instruments not classified as fair value through profit or loss 2017.12 in '000 EUR	*Net*
Available-for-sale financial assets	44.636
Loans and receivables (including finance leases)	3.269
Held-to-maturity investments	
Financial liabilities measured at amortised cost	6.018
Other	
TOTAL	53.922

Table GLNPL.1

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

Table GLNPL.2

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

Net income from financial instruments designated at fair value 2017.12 in '000 EUR	*Net*	*Amount of change in FV due to changes in the credit risk*
Financial assets designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	10.604	
TOTAL	10.604	

Table GLFVPL.1

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

Table GLFVPL.2

10 Gains (Losses) from Hedge Accounting

Net income from hedging activities 2017.12 in '000 EUR	*Net*
Fair value changes of the hedging instrument [including discontinuation]	127.325
Fair value changes of the hedged item attributable to the hedged risk	-124.986
Ineffectiveness in profit or loss from cash flow hedges	
Ineffectiveness in profit or loss from hedges of net investments in foreign operations	
TOTAL	2.340

Table GLHA.1

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

Table GLHA.2

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

11 Other Operating Net Income

Other operating income and expenses in '000 EUR	2017.12	2016.12
INCOME	**38.417**	**33.382**
Tangible assets measured using the revaluation model		
Investment property	166	
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	38.251	33.382
EXPENSES	**1.467**	**1.707**
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	1.465	1.705
Other	2	1
TOTAL	**36.951**	**31.675**

Table OONI.1

12 Operational Lease Agreements

Leasing activities do not belong to the set of activities of AXA Bank Belgium.
As lessee, AXA Bank Belgium only has operational lease contracts.
Regarding operational lease arrangements, the tables below show the lease agreements of both company cars and corporate buildings.

Assets held under an operating lease as a lessee 2017.12 in '000 EUR	*Total amount of future minimum lease payments under non-cancellable operating leases*	*Total amount of future minimum sublease payments expected to be received under non-cancellable subleases*	*Minimum lease payments recognized as expense*	*Contingent lease payments recognized as expense*	*Sublease payments recognized as expense*
For the lessee - residual maturity					
< 1 year	1.079		1.465		
> 1 year ≤ 5 year	1.710				
> 5 year	53				
TOTAAL NOMINAL AMOUNT	**2.842**		**1.465**		

Table OLA.1

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

Table OLA.2

13 Personnel Expenses

13.1 Breakdown of Personnel Expenses

Employee benefits in '000 EUR	2017.12	2016.12
Wages and salaries	59.257	60.974
Social security charges	22.888	24.645
Pension and similar expenses	1.850	-49
Share based payments		
Other	4.855	6.851
TOTAL	88.850	92.421

Table PE.1

13.2 Pension Liabilities and Other Benefits

13.2.1 General Principles

13.2.1.1 Defined Benefit Plans

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

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

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

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

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

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

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

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

	2017	2016	2015	2014	2013
Discount rate	1,45%	1,50%	2,30%	1,80%	3,40%
Inflation rate	1,60%	1,60%	1,60%	0,02	2,00%
Percentage of salry increase	2,30%	2,60%	2,60%	0,03	3,50%

Table PE.2

Health care costs increase at an estimated 2% yearly.

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

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

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

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

Table PE.3

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

- The discount rate is determined at the closing date from the AA corporate bond market rates in the Eurozone and depending on the duration and characteristics of the plans. The duration of the liabilities is about 10.4 years at the end of 2016 compared to about 11 years at the end of 2015.
- A decrease of 0.5% in the discount rate would change the total DBO (defined benefit obligation) to +5.7% and service costs during the period of +6%.
- An increase of 0.5% discount rate would reduce the total DBO by -5.2% and service costs during the period by -5.5%.
- An increase of 0.5% in the inflation rate would change the total DBO by +3.3% and service costs during the period would increase by +4.2%.
- An increase of 0.5% in the inflation rate for medical costs would give rise to an increase in total DBO of +0.4% and service costs during the period would increase by +0.6%.
- An increase of 0.5% in salaries would increase the total DBO by 7.0% while service costs during the period would increase by +8.2%.

13.2.1.2 Variation Annual Pension Liabilities and Other Benefits

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

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

13.2.2 Information Presented in the Balance Sheet

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

In addition, and in accordance with IAS 19 *Employee Benefits*, an asset class, called 'separate assets' is presented in the balance sheet. IFRS has created the concept of 'separate assets' which are assets that cannot be deducted from the actuarial debt. At AXA Bank Belgium, separate assets are insurance contracts issued by certain subsidiaries to cover their defined benefit plans. In accounting terms, the result of separate assets is an increase in the provision recorded or a decrease in the prepaid charge. These assets are presented in a separate section of the following table. These assets are available to potential creditors only in case of bankruptcy. Their economic nature is thus similar to that of Plan Assets on a going-concern basis. However, this is because these assets are made available through an insurance policy that IFRS requires to recognise them in the category 'separate assets', despite their economic nature.
Following IAS 19, AXA Bank Belgium recognises all actuarial gains and losses in a special line in other comprehensive income (OCI).

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

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

The table below shows the changes in the benefit obligation and changes in plan assets for pension plans and other benefits under the categories 'plan assets' and 'separate assets' at 31 December 2017.

(In '000 EUR)	12.2017	12.2016
Changes in the commitment		
Actuarial liability at the start of the period	161.193	145.792
Service cost	5.728	5.133
Interest on the actuarial liability	1.792	2.699
Employee contributions.	343	447
Modification, curtailment, (incl. acquisitions and disposals, etc.)		
Actuarial profits and losses due to changes to experience.	-2.195	599
Actuarial differences resulting from change in the hyp for Demographics	-2.018	
Actuarial differences resulting from change in the hyp for Financials	-3.876	17.511
Benefits paid	-8.591	-10.888
Benefits paid directly by the employer.	-84	-100
Inclusion of DC plans		
Curtailments and settlements		
Actuarial liability at the end of period (A)	**152.292**	**161.193**
Evolution of plan assets hedging		
Fair value of assets at beginning of period	10.860	10.106
Implicit return on assets	115	187
Actual return on plan hedging assets, excluding the implicit return on assets	285	576
Employer contributions.		639
Employee contributions.	9	5
Incoming (outgoing) transfers (incl. acquisitions and disposals)		
Benefits paid	-841	-653
Effect of exchange rate changes		
Fair value of assets at end of period (B)	**10.428**	**10.860**
Changes in separate assets		
Fair value of assets at beginning of period	91.412	91.908
Implicit return on assets	1.000	1.666
Actual return on plan hedging assets, excluding the implicit return on assets	2.450	1.548
Employer contributions.	6.528	6.183
Employee contributions.	334	442
Incoming (outgoing) transfers (incl. acquisitions and disposals)		
Benefits paid	-7.834	-10.335
Effect of exchange rate changes		
Recording of DC plans		
Fair value of assets at end of period	**93.891**	**91.412**
Funding of liabilities		
Underfunded plans (plan by plan)	-141.864	-150.333
Overfunded plans (plan by plan)		
Unfunded commitments (B) - (A)	-141.864	-150.333
Unrecognised past service cost		
Cumulative impact of asset ceiling		
Liabilities recorded in the statement of financial position (excluding separate assets)		
Recognised assets		
Provisions recorded	-141.864	-150.333
Net position (excluding separate assets)	**-141.864**	**-150.333**
Net economic funding		
(including: separate assets)		
Net position (excluding separate assets)	-141.864	-150.333
Fair value of separate assets at end of period	93.891	91.412
Net economic funding (including: separate assets)	**-47.973**	**-58.921**

Table PE.4

This variation is mainly explained by changes in financial and demographic assumptions (see chapter 13.2.1.1 *Defined Benefit Plans*).

13.2.3 Annual Pension and Other Benefits Expense

Annual pension and other benefits expense recorded in the income statement (included in 'cost of pension obligations and other benefits') is presented below at 31 December 2017 and 31 December 2016:

(In '000 EUR)	12.2017	12.2016
Annual pension expense and other benefits		
Service cost	6.071	5.580
Curtailments and settlements		
Employee contributions	-343	-447
Interest on the actuarial liability	1.792	2.699
Implicit return on plan assets/separate assets	-1.115	-1.853
Total annual pension expense and other benefits	**6.405**	**5.979**

Table PE.5

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

Change in the provision recorded on the balance sheet between 1 January 2017 and 31 December 2017 only presents the change of the provision recognised in the accounts of AXA Bank Belgium. This reconciliation does not include 'separate assets'. It thus does not fully represent the economic reality. The table below shows the detailed changes in the liabilities recorded on the balance sheet with separate assets added at the end of each financial year.

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

The change in net economic funding commitments between 1 January 2017 and 31 December 2017 reflects the changes in the provision recognised in the accounts of AXA Bank Belgium and the changes in separate assets.

(in '000 EUR)	12.2017	12.2016
Evolution of the provision on the balance sheet		
Provision recorded in the balance sheet at beginning of the period	**-150.333**	**-135.686**
Annual pension expense and other benefits	-7.739	-8.087
Employer contributions.		639
Employer benefits	84	100
Benefits paid by separate assets	7.750	10.235
Actuarial gain/losses recognised in OCI	8.374	-17.534
DC plans		
Provision recorded in the balance sheet at the end of the period	**-141.864**	**-150.333**
Fair value of separate assets at end of the period	93.891	91.412
Net economic funding for commitments at the end of the period	**-47.973**	**-58.921**

Table PE.6

13.2.5 Upcoming Outflows (Benefits Paid and Employer Contributions)

Estimated future benefit payments

Expected future benefits amounted to 1.7 million EUR for 2018 and 2.4 million EUR for 2019. These amounts may vary depending on differences between assumptions and reality in future years.

Expected employer contributions to plan assets and separate assets

Entities must annually pay the cost to benefits for which the contributions are determined as a percentage of pensionable salary depending on the age or the seniority of the beneficiaries. The estimated amount of employer contributions payable in 2018 for pension commitments is 6.4 million EUR. This amount may vary depending on differences between assumptions and reality in future years and represents contributions not directly related to the IFRS annual pension expense and other benefits.

13.2.6 Pension Assets

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

The plan assets of AXA Bank Belgium 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 was a pension fund until 31 December 2017. The financial assets of the fund were realised end 2017. The transfer of the active members to a group insurance of AXA Belgium was done beginning of 2018.

13.3 Share-based Payments

13.3.1 General Principles

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

13.3.2 Stock Options AXA SA

Until 2016, the Senior Executives of AXA Group could receive shares from AXA within the framework of the share option schemes of the company. The conditions for each option grant could vary. Last year, the options (i) were 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. The options are valid for at least 10 years and they can generally be exercised in tranches of 33.33% per year from the third up to the fifth anniversary of the option allocation date.
For beneficiaries, the stock options granted have been unconditionally acquired for the first two tranches while the third tranche can be exercised if a performance condition for AXA shares is met when compared to the 'DowJones Europe Stoxx Insurance' benchmark index.

The following table provides an overview of current options.

2017.12	Options (in '000 EUR)	Average Price (in '000 EUR)
Outstanding at 1/1	402,4	
Allocations	0,0	
Capital increases	0,0	
Excercised	-28,8	13,99
Options expired and cancelled	-75,8	14,89
Correction	-72,3	
Other movements	-111,1	
Outstanding at 31.12	**114,4**	**18,91**

Table PE.7

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

Table PE.8

The number of options in circulation and the number of options that can be exercised at 31 December 2017 are shown thereafter in accordance with the expiry date:

Date of Grant	Excercise Price	Outstanding	Exercisable
2008-04-01	21,00 €	18.363,00	18.363,00
2009-03-20	9,76 €	6.654,00	6.654,00
2010-03-19	15,43 €	8.830,00	8.830,00
2011-03-18	14,73 €	15.543,00	15.543,00
2012-03-16	12,22 €	7.000,00	7.000,00
2013-03-22	13,81 €	4.800,00	4.800,00
2014-03-24	18,68 €	17.470,00	11.646,67
2015-06-19	22,90 €	16.831,00	5.610,33
2016-06-06	21,52 €	18.886,00	0,00

Table PE.9

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

13.3.3 Shareplan AXA SA

AXA gives its employees the option of becoming shareholders thanks to a special issue that is reserved for them. In the countries that meet legal and tax requirements, two investment options are proposed: the traditional shareholder plan and the plan with leverage.
The traditional plan gives employees the option to subscribe to AXA shares based on the initial contribution (through the mutual investment fund of the company or through shares held directly) with a maximum discount of 20%. These shares are unavailable for 5 years (unless there is an accelerated release as provided by the applicable regulations). Employees carry the risk of all share evolutions when compared to the subscription price.
The leverage plan gives employees the option to subscribe to AXA shares based on 10 times their initial contribution (through the mutual investment fund of the company or through shares held directly) with a discount of 8.98%. 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 20.19 EUR for the traditional plan (20% discount when compared to the reference price of 25.23 EUR calculated based on the average of the 20 closing prices on the stock exchange before the date of the announcement) and 22.96 EUR for the leverage plan (8.98% discount when compared to the reference price) during the past financial year. The AXA Bank Belgium employees subscribed for an amount of 0.7 million EUR.

	2017		2016	
	Traditional	Leveraged	Traditional	Leveraged
Plan maturity (in years)	5	5	5	5
[A] Discount to face value	20.00%	8,98%	20.00%	8.63%
Reference price (in '000' EUR)	25,23	25,23	19,4	19,4
Subscription price (in '000' EUR)	20,19	22,96	15,53	17,73
Interest rate on employee loan	6,64%	7,16%	6,85%	7,26%
5-year risk-free rate (euro zone)	0,23%	0,23%	-0,07%	-0,07%
Dividend yield	5,53%	5,53%	7,18%	7,18%
Early exit rate	1,43%	1,43%	2,63%	2,63%
Debit interest rate	0,00%	0,00%	-0,39%	-0,39%
Retail/institutional volatility spread	N/A	2,50%	N/A	2,77%
[B] Cost of the lock-up for the employee	19,61%	8,95%	18,72%	8,57%
[C] Opportunity gain	0,00%	1,92%	0,00%	1,91%

Tableau PE.10

13.3.4 AXA Miles

AXA (the controlling parent company of AXA Bank Belgium) allocated 50 free shares to each employee of the Group on 16 March 2012. This allocation and its 4+0 scheme also benefited AXA Bank Belgium employees (therefore, a period of 4 years for acquiring the rights without a non-transferability period).

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

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

13.3.5 Performance Shares

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

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

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

14 General and Administrative Expenses

Other operating expenses in '000 EUR	2017.12	2016.12
Marketing expenses	7.921	8.794
Professional fees	38.261	44.228
IT expenses	4.664	5.076
Rents to pay or to receive	-1.498	-1.656
Other	97.270	106.990
TOTAL	146.617	163.432

Table GAE.1

Banking taxes

The taxable basis for the banking tax is the arithmetic mean of the monthly amount of 'debt towards clients' in the Schema A reporting of the year preceding the tax year. The tax rate at this moment is 0.13231% (the tax rate shall be adapted on a yearly base, based on new data concerning the taxable base and the target budgetary purposes). As such, the 2017 banking tax amounts to 47.9 million EUR for AXA Bank Belgium.

Contribution to the Single Resolution Mechanism

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

In 2016, the contributions are based on a combination of 2 guidelines:

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

These percentages will gradually evolve during the next years to become 100% based on the Banking Union target by 2023.

The contributions to be paid by each institution are determined in proportion to its relative risk profile, based on a detailed calculation methodology. As such, the 2017 contribution for AXA Bank Belgium amounts to 6.8 million EUR.

Furthermore, in application of the EU regulations, the SRB has decided to accept that 15% of the 2017 payment obligation of institutions may take the form of irrevocable payment commitments (IPCs).

IPCs can be defined as an obligation on the part of credit institutions to pay their contributions in the future. The IPCs are mandatorily backed by a cash collateral for the same amount as the IPCs. The SRB is entitled to call for payment of the IPC by sending a notice to the credit institution.

Contrary to cash contributions, which are reflected in the profit and loss statement (P&L) upon their payment, the IPCs and the cash collateral are considered as contingent liabilities under IFRS. Contingent liabilities are not recognised on the balance sheet nor in the income statement, but – if the possibility of any outflow in settlement is not remote – they are disclosed.

As from the moment of providing the cash collateral to the SRB, the cash is transferred on the balance sheet from 'Cash and balances with central banks' to 'Other assets'.

As there are currently no indications that the SRB would call for cash payment (and so no present obligation), no provision has been set up.

AXA Bank Belgium has used IPCs as payment of its 2016 contributions for an amount of 1 million EUR.

15 Impairment

2017.12 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*
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	1.171.131	41	25	30	245.119	63.522	17.579
Central governments	20						
Credit institutions							
Non credit institutions	23.658	0	0	1	8.217	1.727	
Corporate	51.505	0	4	10	17.080	11.662	146
Retail	1.095.948	41	22	19	219.822	50.133	17.434
Bills & own acceptances							
Finance leases							
Securitized loans							
Consumer Credit	118.418				6.839		5.030
Mortgage loans	957.317	10			208.090	36.678	9.566
Term loans	16.808				2.039	6.522	2.621
Current accounts	3.405	31	22	19	2.851	4.974	217
Other					3	1.959	
Other financial assets							
TOTAL	**1.171.131**	**41**	**25**	**30**	**245.141**	**63.522**	**17.579**

Allowances for incurred but not reported losses on financial assets							6.842
Non specifically attributable collaterals							

Table IMP.1

2016.12 in '000 EUR	*Overdue ≤ 90 days*	*Overdue > 90 days & ≤ 180 days*	*Overdue > 180 days & ≤ 1 year*	*Overdue > 1 year*	*Net carrying amount of the impaired assets*	*Specific allowances for individually assessed financial assets*	*Specific allowances for collectively assessed financial assets*
Equity instruments					23		
Quoted							
Unquoted but FV determinable					23		
Equity instruments at cost							
Debt instruments							
Central governments							
Credit institutions							
Non credit institutions							
Corporate							
Loans & advances	1.096.040	39	46	37	255.707	70.973	19.327
Central governments	236						
Credit institutions							
Non credit institutions	26.239		0	1	5.214	1.670	70
Corporate	50.612	0	4	11	17.318	12.865	420
Retail	1.018.953	38	42	26	233.174	56.439	18.836
Bills & own acceptances							
Finance leases							
Securitized loans							
Consumer Credit	111.936				11.431		7.728
Mortgage loans	882.106	5			215.107	39.856	9.480
Term loans	14.797				2.726	7.382	1.415
Current accounts	10.115	33	42	26	3.801	7.208	213
Other					107	1.992	
Other financial assets							
TOTAL	**1.096.040**	**39**	**46**	**37**	**255.707**	**70.973**	**19.327**

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

Table IMP.2

Overview of impairment 2017.12 in '000 EUR	*Additions*	*Reversals*	*Total*
Impairment losses on financial assets not measured at fair value through profit or loss	44.529	31.684	12.845
Financial assets measured at cost (unquoted equity and related derivatives)			
Available for sale financial assets measured at fair value through equity			
Loans and receivables measured at amortized cost (including finance leases)	44.529	31.684	12.845
Held to maturity investments measured at amortized cost			
Impairment on			
Property, plant and equipment			
Investment properties			
Intangible fixed assets			
Goodwill			
Other			
Investments in associates and joint ventures accounted for using the equity method			
Other			
TOTAL	44.529	31.684	12.845
Interest income on impaired financial assets accrued in accordance with IAS 39			

Table IMP.3

Overview of impairment 2016.12 in '000 EUR	*Additions*	*Reversals*	*Total*
Impairment losses on financial assets not measured at fair value through profit or loss	47.184	34.338	12.846
Financial assets measured at cost (unquoted equity and related derivatives)			
Available for sale financial assets measured at fair value through equity			
Loans and receivables measured at amortized cost (including finance leases)	47.184	34.338	12.846
Held to maturity investments measured at amortized cost			
Impairment on			
Property, plant and equipment			
Investment properties			
Intangible assets			
Goodwill			
Other			
Investments in associates and joint ventures accounted for using the equity method			
Other			
TOTAL	47.184	34.338	12.846
Interest income on impaired financial assets accrued in accordance with IAS 39			

Table IMP.4

Allowances movements for credit losses 2017.12 in '000 EUR	*Opening balance*	*Increases due to amounts set aside for estimated loan losses*	*Decreases due to amounts reversed for estimated loan losses during the period*	*Decreases due to amounts taken against allowances*	*Transfers between allowances*	*Other adjustments*	*Closing balance*
Specific allowances for individually assessed financial assets	-70.973	-10.304	4.866	11.977		912	-63.522
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-1.670	-280	132	326		-235	-1.727
Corporate	-12.865	-1.892	893	2.199		2	-11.662
Retail	-56.439	-8.132	3.840	9.452		1.145	-50.133
Specific allowances for collectively assessed financial assets	-19.327	-11.851	6.512	7.086			-17.579
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-70		70				
Corporate	-420	-98	314	59			-146
Retail	-18.836	-11.753	6.128	7.028			-17.434
Allowances for incurred but not reported losses on financial assets	-7.286	-731	1.176				-6.842
TOTAL	**-97.586**	**-22.886**	**12.554**	**19.063**		**912**	**-87.943**

Tabel IMP.5

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

Table IMP.6

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

Credit exposure 2017.12 in '000 EUR	*Maximum credit exposure*
Equity	7.778
Debt instruments	2.946.296
Loans & advances (balance)	21.921.564
Loans & advances (credit margin on credit lines)	1.033.676
Derivatives	1.313.039
Other	106.786
TOTAAL	27.329.140

Carrying amount of financial assets pledged as collateral for	3.347.672
Liabilities	1.973.071
Contingent liabilities	1.374.601

Table IMP.7

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

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

Table IMP.8

For the rules applied regarding the accounting of impairments we refer to section 2.2 *Financial Instruments - Securities* and 2.3 *Financial Instruments – Loans and Receivables* above.

More details on collateral and guarantees received can be found in chapter 34 *Contingent Assets and Liabilities*.

16 Income Taxes

In the 2017 financial year, the taxable base did not result in any corporation tax owed. The total notional interest deduction (deduction for risk capital) of the current financial year, amounting to 1.9 million EUR, was used. It was nevertheless not possible to use (a part of) the stock accrued from previous financial years up to and including 2011. The limitation of transferability means the stock of transferable notional interest deduction is further reduced to 26.4 million EUR. This amount is still usable in 2018 (2019 tax year). The transferability stops after this date.

The DBI reduction of the current year (3.6 million EUR) has been appropriated. No DBI deduction is carried over to next year.

Significant elements of the tax estimate:

- Accounting result based on Belgian accounting rules ('Belgian GAAP'): 52.8 million EUR
- Rejected expenses: 5.2 million EUR
- Taxed reserves movements: -4.1 million EUR
- Taxed depreciations: 4.6 million EUR
- DBI deduction: 3.6 million EUR
- Deduction for risk capital: 1.9 million EUR
- Imputation of transferable fiscal losses: 52.9 million EUR

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

Based on the budget exercise over a five-year time horizon of AXA Bank Belgium, with a margin concerning uncertainties in the assumptions used being taken into account, a deferred tax on the assets was included for a section of non-employed fiscal transferable losses (79.2 million EUR).

The Belgian government announced in July 2017 an important corporate tax reform which will decrease the corporate tax rate in Belgium of 33.99% down to 29.58% in 2018 and 25% as from 2020. The Act affecting the reform has been voted by Parliament in December 2017 which, by virtue of the guidance in IAS 12, is considered as substantively enacted. Therefore, deferred taxes on temporary differences will have to be calculated based both on the new tax rates and the timing of their expected reversals. In this regard, management has exercised judgement in deciding which temporary differences are expected to reverse before 2020, on which the tax rate of 29.58% is applicable, and those temporary differences expected to reverse after 2020 to which the tax rate of 25% is applied. The impact on the income statement is estimated at 6.6 million EUR loss.

In terms of paying corporate tax, this reform will initially (in 2018) have a negative impact of 6.7 million EUR and over the next 4 years, a budgeted positive impact of 50.0 million EUR.

Reconciliation of statutory tax to effective tax 2017.12 in '000 EUR	*Net amount*	%
1. Tax expense using statutory rate	21.261	
1.1. Net profit before taxes	62.552	
1.2. Statutory tax rate		33,99%
2. Tax impact of rates in other jurisdictions	925	
3. Tax impact of non taxable revenues	-572	
4. Tax impact of non tax deductible expenses	654	
5. Tax impact of utilisation of previously unrecognised tax losses	-8.799	
6. Tax impact on tax benefit not previously recognised in profit or loss	-5.709	
7. Tax impact from reassessment of unrecognised deferred tax assets		
8. Tax impact of change in tax rates	9.905	
9. Tax impact from under or over provisions in prior periods	284	
10. Other increase (decrease) in statutory tax charge	-922	
11. Tax expense using effective rate	21.115	
11.1. Net profit before taxes	62.552	
11.2. Effective tax rate		33,76%

Table IT.1

Reconciliation of statutory tax to effective tax 2016.12 in '000 EUR	*Netto bedrag*	%
1. Tax expense using statutory rate	37.298	
1.1. Net profit before taxes	109.732	
1.2. Statutory tax rate		33,99%
2. Tax impact of rates in other jurisdictions	-4.034	
3. Tax impact of non taxable revenues	-8.586	
4. Tax impact of non tax deductible expenses	479	
5. Tax impact of utilisation of previously unrecognised tax losses		
6. Tax impact on tax benefit not previously recognised in profit or loss	-5.264	
7. Tax impact from reassessment of unrecognised deferred tax assets		
8. Tax impact of change in tax rates		
9. Tax impact from under or over provisions in prior periods	-5.314	
10. Other increase (decrease) in statutory tax charge	-15.802	
11. Tax expense using effective rate	9.134	
11.1. Net profit before taxes	109.732	
11.2. Effective tax rate		8,32%

Table IT.2

The tax claim recognised by AXA Bank Belgium 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 Belgium 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:

Analysis of deferred tax assets and liabilities	31/12/2017 Net deferred tax assets	31/12/2017 Net deferred tax liabilities	31/12/2017 Net deferred taxes
Deferred taxes through result	111.527	81.358	30.169
Deferred taxes through revaluation reserve for financial assets available for sale	3.592	19.474	-15.882
Deferred taxes through cash flow hedge revaluation reserve	0	0	0
Deferred taxes through profit and losss on defined benefit plans	6.460	0	6.460
Deferred taxes on reserves for income through Stock Option Plan	0	490	-490
Deferred taxes on reserves for fair value changes on own credit risk financial liabilities	6.408	0	6.408
Total deferred taxes	127.987	101.322	26.665

Table IT.3

Uitgesteide belastingen via reserves voor reeële waardeaanpassingen m.b.t. eigen kredietrisico op financiële verplichtingen

Analysis of deferred tax assets and liabilities	31/12/2016 Net deferred tax assets	31/12/2016 Net deferred tax liabilities	31/12/2016 Net deferred taxes
Deferred taxes through result	112.247	64.403	47.844
Deferred taxes through revaluation reserve for financial assets available for sale	5.185	52.992	-47.807
Deferred taxes through cash flow hedge revaluation reserve	11.255	0	11.255
Deferred taxes through profit and losss on defined benefit plans	12.463	0	12.463
Deferred taxes on reserves for income through Stock Option Plan	0	579	-579
Total deferred taxes	141.150	117.974	23.176

Table IT.4

The deferred taxes through result are principally related to

- invested financial assets: deferred tax assets of 64.3 million EUR in 2017 (26.5 million EUR in 2016) and deferred tax liabilities of 59.9 million EUR in 2017 (62.8 million EUR in 2016)
- tax losses: deferred tax assets of 23.4 million EUR in 2017 (36.1 million EUR in 2016)
- other liabilities: deferred tax assets of 12.6 million EUR in 2017 (32.7 million EUR in 2016) and deferred tax liabilities of 21.0 million EUR in 2017 (1.0 million EUR in 2016).

Income tax expense current and deffered in '000' EUR	2017.12	2016.12
Current income tax expense, net	4.977	7.743
Deferred tax expense, net	16.138	2.815
Total	21.115	10.558

Table IT.5

Deferred tax assets per expected date of utilization

31/12/2017	*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	16.647	6.784	0	0	0	0	0	0	0	23.431
Other deferred tax assets	98	233	0	0	20.314	8.152	13.220	62.539	0	104.556
TOTAL DTA	**16.745**	**7.017**	**0**	**0**	**20.314**	**8.152**	**13.220**	**62.539**	**0**	**127.987**

Table IT.6

Deferred tax assets per expected date of utilization

31/12/2016	*Deferred tax asset- expected date of utilization 1 year*	*Deferred tax asset- expected date of utilization 2 year*	*Deferred tax asset- expected date of utilization 3 year*	*Deferred tax asset- expected date of utilization 4 year*	*Deferred tax asset- expected date of utilization 5 year*	*Deferred tax asset- expected date of utilization 6 year*	*Deferred tax asset- expected date of utilization Between 7 and 11 years*	*Deferred tax asset- expected date of utilization > 11 years*	*Deferred tax asset- expected date of utilization No date determined*	***TOTAL***
Deferred tax asset on taxable transferred losses	3.943	3.721	5.078	10.984	12.384					36.110
Other deferred tax assets	15.048	715	704	614	31.318	8	189	56.444		105.040
TOTAL DTA	**18.991**	**4.436**	**5.782**	**11.598**	**43.702**	**8**	**189**	**56.444**	**0**	**141.150**

Table IT.7

Deferred tax assets as on the last use date

31/12/2017	*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	23.431	23.431
Other deferred tax assets	11	2	0	0	0	0	64	3.528	100.951	104.556
TOTAL DTA	**11**	**2**	**0**	**0**	**0**	**0**	**64**	**3.528**	**124.382**	**127.987**

Table IT.8

Deferred tax assets as on the last use date

31/12/2016	*DTA last use date 1 year*	*DTA last use date 2 year*	*DTA last use date 3 year*	*DTA last use date 4 year*	*DTA last use date 5 year*	*DTA last use date 6 year*	*DTA last use date Between 7 and 11 years*	*DTA last use date > 11 years*	*DTA last use date No due date*	***TOTAL***
DTA on taxable transferred losses									36.110	36.110
Other deferred tax assets	11.268	13	2				181	5.004	88.572	105.040
TOTAL DTA	**11.268**	**13**	**2**	**0**	**0**	**0**	**181**	**5.004**	**124.682**	**141.150**

Table IT.9

Deferred tax liabilities per expected date of utilization

31/12/2017	*Deferred tax liability- expected date of utilization 1 year*	*Deferred tax liability- expected date of utilization 2 year*	*Deferred tax liability- expected date of utilization 3 year*	*Deferred tax liability- expected date of utilization 4 year*	*Deferred tax liability- expected date of utilization 5 year*	*Deferred tax liability- expected date of utilization 6 year*	*Deferred tax liability- expected date of utilization Between 7 and 11 years*	*Deferred tax liability- expected date of utilization > 11 years*	*Deferred tax liability- expected date of utilization No date determined*	***TOTAL***
Other deferred tax liabilities	125	1.186	6.081	7.026	27.233	1.789	1.034	56.359	490	101.323
TOTAL DTL	**125**	**1.186**	**6.081**	**7.026**	**27.233**	**1.789**	**1.034**	**56.359**	**490**	**101.323**

Table IT.10

Deferred tax liabilities per expected date of utilization

31/12/2016	*Deferred tax liability- expected date of utilization 1 year*	*Deferred tax liability- expected date of utilization 2 year*	*Deferred tax liability- expected date of utilization 3 year*	*Deferred tax liability- expected date of utilization 4 year*	*Deferred tax liability- expected date of utilization 5 year*	*Deferred tax liability- expected date of utilization 6 year*	*Deferred tax liability- expected date of utilization Between 7 and 11 years*	*Deferred tax liability- expected date of utilization > 11 years*	*Deferred tax liability- expected date of utilization No date determined*	***TOTAL***
Other deferred tax liabilities	1.625	4.414	5.822	10.730	52.160	6.235	10.637	25.772	579	117.974
TOTAL DTL	**1.625**	**4.414**	**5.822**	**10.730**	**52.160**	**6.235**	**10.637**	**25.772**	**579**	**117.974**

Table IT.11

Deferred tax liability as on the last use date

31/12/2017	*DTL last use date 1 year*	*DTL last use date 2 year*	*DTL last use date 3 year*	*DTL last use date 4 year*	*DTL last use date 5 year*	*DTL last use date 6 year*	*DTL last use date Between 7 and 11 years*	*DTL last use date > 11 years*	*DTL last use date No due date*	***TOTAL***
Other deferred tax liability	125	1.186	6.081	7.026	27.233	1.789	1.034	1.046	55.803	101.323
TOTAL DTL	**125**	**1.186**	**6.081**	**7.026**	**27.233**	**1.789**	**1.034**	**1.046**	**55.803**	**101.323**

Table IT.12

Deferred tax liability as on the last use date

31/12/2016	*DTL last use date 1 year*	*DTL last use date 2 year*	*DTL last use date 3 year*	*DTL last use date 4 year*	*DTL last use date 5 year*	*DTL last use date 6 year*	*DTL last use date Between 7 and 11 years*	*DTL last use date > 11 years*	*DTL last use date No due date*	***TOTAL***
Other deferred tax liability	1.625	635	5.822	10.730	55.939	6.235	10.637	843	25.508	117.974
TOTAL DTL	**1.625**	**635**	**5.822**	**10.730**	**55.939**	**6.235**	**10.637**	**843**	**25.508**	**117.974**

Table IT.13

17 Cash and Balances with Central Banks

	2017.12 en '000 EUR	2016.12 en '000 EUR
Components of cash and cash equivalents		
On hand (cash)	58.960	57.389
Cash and balances with central banks	526.735	560.706
Loans and receivables	11.568	39.081
Available for sale assets		
TOTAL	597.263	657.176

Table CBCB.1

18 Financial Assets Held for Trading

Counterparty breakdown Carrying value in '000 EUR	2017.12	2016.12
Derivatives held for trading	1.245.487	1.642.004
Equity instruments		
Quoted		
Unquoted but FV determinable		
Equity instruments at cost		
Debt instruments issued by	1.804	1.499
Central governments		
Credit institutions	1.797	1.488
Non credit institutions	6	3
Corporate		8
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income (if accounted for separately)		
TOTAL	1.247.291	1.643.504

Table FATRA.1

19 Financial Assets Designated at Fair Value through Profit or Loss

Counterparty breakdown Carrying value in '000 EUR	2017.12	2016.12
Equity instruments		
Quoted		
Unquoted but FV determinable		
Debt instruments issued by		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income if accounted for separately		
TOTAL	0	0

Table FAFVPL.1

20 Available-for-Sale Financial Assets

Counterparty breakdown 2017.12 in '000 EUR	*Fair value of unimpaired assets*	*Fair value of impaired assets*	*Total net carrying amount*	*< Impairment >*
Equity	7.755	23	7.778	11
Quoted	71		71	
Unquoted but FV determinable	978		978	
Equity instruments at cost				
	6.707	23	6.730	11
Debt instruments issued by	2.944.492		2.944.492	
Central governments	2.408.063		2.408.063	
Credit institutions	536.429		536.429	
Non credit institutions				
Corporate				
Loans & advances to				
Central governments				
Credit institutions				
Non credit institutions				
Corporate				
Retail				
Accrued income (if accounted for separately)				
TOTAL	**2.952.247**	**23**	**2.952.270**	**11**

Table FAAVS.1

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

Table FAAVS.2

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

21 Loans and Receivables

Counterparty breakdown 2017.12 in '000 EUR	*Unimpaired assets*	*Impaired assets (total carrying amount)*	*of which forbearance measurements*	*< Allowances for individually assessed financial assets >*	*< Allowances for collectively assessed financial assets >*	*Total net carrying amount*	*Average net carrying amount*
Debts instruments issued by							
Central governments							
Credit institutions							
Non credit institutions							
Corporate							
Loans and receivables to	21.676.445	333.061	243.743	-63.522	-24.421	21.921.564	21.678.714
Central governments	384					384	446
Credit institutions	1.417.049					1.417.049	1.581.867
Non credit institutions	1.546.183	9.944	14.780	-1.727		1.554.400	1.532.795
Corporate	953.557	28.888	13.631	-11.662	-146	970.636	931.330
Retail	17.759.273	294.230	215.332	-50.133	-24.275	17.979.095	17.632.276
Accrued income (if accounted for separately)							
TOTAL	**21.676.445**	**333.061**	**243.743**	**-63.522**	**-24.421**	**21.921.564**	**21.678.714**

Table LR.1

Counterparty breakdown 2016.12 in '000 EUR	*Unimpaired assets*	*Impaired assets (total carrying amount)*	*of which forbearance measurements*	*< Allowances for individually assessed financial assets >*	*< Allowances for collectively assessed financial assets >*	*Total net carrying amount*	*Average net carrying amount*
Debts instruments issued by							
Central governments							
Credit institutions							
Non credit institutions							
Corporate							
Loans and receivables to	20.394.884	353.293	214.487	-70.973	-26.613	20.650.591	20.495.990
Central governments	677					677	508
Credit institutions	1.120.614					1.120.614	1.449.243
Non credit institutions	1.603.557	6.954	11.593	-1.670	-70	1.608.772	1.674.128
Corporate	867.559	30.603	14.218	-12.865	-420	884.877	863.851
Retail	16.802.478	315.736	188.676	-56.439	-26.123	17.035.652	16.508.260
Accrued income (if accounted for separately)							
TOTAL	**20.394.884**	**353.293**	**214.487**	**-70.973**	**-26.613**	**20.650.591**	**20.495.990**

Table LR.2

Loans and receivables with maturity > 1 year: 17,215 million EUR (2017) and 16,838 million EUR (2016).

Loans and receivables (excluding credit institutions) 2017.12 in '000 EUR	*Central governments*	*Non credit institutions*	*Corporate*	*Retail*
Bills & own acceptances				
Finance leases				
Reverse repo		1.015.494		
Consumer Credit		4.003	4.371	792.896
Mortgage loans	371	68.722	982	16.803.198
Term loans	12	313.472	948.965	243.185
Current accounts	1	2.906	16.317	85.573
Other		149.802		54.243
TOTAL	384	1.554.400	970.636	17.979.095

Table LR.3

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

Table LR.4

22 Derivatives

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

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

Fair Value Hedge

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

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

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

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

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

   Based on this check, an overhedge of a nominal amount of 72 million EUR has been observed at the end of 2016. Therefore, interest rate swaps have been closed early, for a notional amount of 557 million EUR in 2016 and 1434 million EUR in 2017. All these proactively early-closed swaps have been replaced by swaps at new market conditions in order to keep the interest rate position of AXA Bank Belgium unchanged.

   AXA Bank Belgium has also continued to monitor the hedging of mortgage loans in 2017, with the conclusion that no potential new overhedge is expected, even when the proactively early-closed swaps are included in the test.

   The part of the outstanding hedging reserve related to these swaps (31.3 million EUR) is amortised in the income statement until the initial maturity date of the closed swaps or until the establishment of a possible new additional overhedge, because the swaps continue to be part of the hedge construction. The negative impact for 2017 is 11.7 million EUR.

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

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

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

   AXA Bank Belgium has purchased interest caps on the market in order to hedge the margin of the mortgages portfolio with floating interest rate. AXA Bank Belgium hedges the risk of the fair value fluctuations of the caps in the mortgages that could be performed depending on the importance of the increase in the Euribor interest rate. This hedge occurs in the form of a dynamic portfolio hedge. This model is regularly analysed in order, if necessary, to add new hedge instruments to it, and considering the new allocation of mortgage loans or to early-close caps, fully or partially, when an overhedge occurs in an individual hedge bucket. A regression analysis on a quarterly basis provides an efficiency test of the model. This model has been applied since July 2010.

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

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

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

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

Cash Flow Hedge

A hedge of latent surplus value on a part of the investment portfolio, the interest risk of which was not hedged by interest swaps, was terminated by concluding long-term sale contracts with maturity dates running up to 2017. This involves micro hedge relationships in the strict sense with the aim of safeguarding the cash flows received by AXA Bank Belgium. These transactions (all matured) have delivered a positive result in 2017 of 30.5 million EUR.

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

Fair Value Option

The EMTNs issued by AXA Belgium Finance are classified as fair value option because they contain embedded derivatives for which the economic features and risks are different from the host contract.

Freestanding Derivatives

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

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

Derivatives – Held for Trading Purposes

By nature	By type 2017.12 in '000 EUR	*Notional amount*	*Carrying amount Assets*	*Carrying amount Liabilities*
Interest rate	Option / Cap / Floor / Collar / Swaption	7.972.687	282.479	23.360
	IRS	65.921.507	830.636	755.688
	FRA			
	Forward			
	Interest future	1.358.135		
	Other	430.510		
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other	6.847.022	118.303	17.699
Currency (FX)	FX forward	1.912.128	13.651	13.133
	FX future			
	Cross currency swap	272.085	419	14.617
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
Accrued income / expenses (if accounted for separately)				
TOTAL		84.714.075	1.245.487	824.497

Table DHA.1

By nature	By type 2016.12 in '000 EUR	*Notional amount*	*Carrying amount Assets*	*Carrying amount Liabilities*
Interest rate	Option / Cap / Floor / Collar / Swaption	7.305.535	354.450	21.178
	IRS	61.045.884	1.068.036	950.536
	FRA			
	Forward			
	Interest future	270.002		
	Other	665.799		
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other	7.235.778	115.165	10.229
Currency (FX)	FX forward	4.096.225	93.557	94.143
	FX future			
	Cross currency swap	329.866	10.796	28.231
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
Accrued income / expenses (if accounted for separately)				
TOTAL		**80.949.088**	**1.642.004**	**1.104.317**

Tabel DHA.2

Derivatives – Hedging Activities (Micro Hedging)

By type of risk	By instrument 2017.12 in '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption IRS FRA Forward Interest future Other	63.460	41.954	5.582.500
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		63.460	41.954	5.582.500
Cash flow hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption IRS FRA Forward Interest future Other			
Equity instruments	Equity forward Equity future Equity option Warrant Other			
Currency (FX)	FX forward FX future Cross currency swap FX option FX forward rate agreement Other			
Credit	Credit default swap Credit spread option Total return swap Other			
Commodity				
Other				
FULL Cash flow hedge	Forward Sale debt security			
TOTAL				
Hedges of a net investment in a foreign operation				
TOTAL		63.460	41.954	5.582.500

Table DHA.3

By type of risk	By instrument 2016.12 in '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption IRS FRA Forward Interest future Other	89.564	57.853	4.858.500
Equity instruments	Equity forward Equity future Equity option Warrant Other			
Currency (FX)	FX forward FX future Cross currency swap FX option FX forward rate agreement Other			
Credit	Credit default swap Credit spread option Total return swap Other			
Commodity				
Other				
TOTAL		**89.564**	**57.853**	**4.858.500**
Cash flow hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption IRS FRA Forward Interest future Other			
Equity instruments	Equity forward Equity future Equity option Warrant Other			
Currency (FX)	FX forward FX future Cross currency swap FX option FX forward rate agreement Other			
Credit	Credit default swap Credit spread option Total return swap Other			
Commodity				
Other				
FULL Cash flow hedge	Forward Sale debt security		33.114	678.000
TOTAL			**33.114**	**678.000**
Hedges of a net investment in a				
TOTAL		**89.564**	**90.967**	**5.536.500**

Table DHA.4

Derivatives - Hedging Activities (Macro Hedging)

Hedging of interest rate portfolio 2017.12 in '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges	4.091	245.953	11.506.408
Cash flow hedges			

Table DHA.5

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

Table DHA.6

See also chapter 33 *Offsetting*.

23 Property, Plant and Equipment

PPE measured after recognition using the revaluation model 2017.12 in '000 EUR	*Owner-occupied land and building*	*IT equipment*	*Office equipment*	*Other equipment (including cars)*	*Total carrying amount*
Opening balance	38.976	57	279	503	39.815
Additions	365		5	13	383
Acquisition through business combinations					
Disposals		-9		-114	-123
Disposals through business combinations					
Depreciation	-1.926	-47	-33	-53	-2.058
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		-1			-1
Ending balance	37.415	0	251	349	38.015
Amortization financial year	1.926	47	33	53	2.058
Amortization previous year	28.575	2.086	2.051	532	33.244
Cumulated Amortization	30.501	2.133	2.084	584	35.302

Table PPE.1

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

Table PPE.2

24 Intangible Fixed Assets

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

AXA Bank Belgium launched an IT programme by the name of SWITCH in 2015. In April 2015, in consultation with AXA Group, AXA Bank Belgium decided to transform the initial big-bang project approach into a multi-annual roadmap of different independent projects (Atlas, Loan Origination and Credit Scoring) with the same final objective of a radically simplified bank (architecture and retail business systems and processes) with lower costs structurally. The various projects contribute toward achieving a digital omni-channel platform for supporting the customer journey strategy.

The project costs associated with this for the year 2017 are a combination of costs related to project management, study phase and development phase. Based on the IFRS rules, an amount of 5.1 million EUR was capitalised in 2017 (Atlas 1.2 million EUR – Loan Origination Consumer Loans 2.5 million EUR – Credit Scoring 0.9 million EUR – Loan Origination Mortgages 0.4 million EUR) and of which 0.5 million EUR was depreciated.

Other intangible assets accounted for by using the revaluation model 2017.12 in '000 EUR	*Goodwill*	*Internally developed software*	*Acquired software*	*Other internally developed intangible assets*	*Other intangible assets*	*Total carrying amount*
Opening balance		8.515		22		8.537
Additions from internal development		5.071	1.087			6.158
Additions from separate acquisition						
Adjustments from business combinations						
Retirement & disposals		-174		-22		-196
Transfers to and from non-current assets Held for Sale						
Adjustments resulting from subsequent recognition of deferred tax assets						
Amortization recognized		-2.466	-197			-2.663
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		-138	136			-2
Ending balance		10.808	1.026			11.834
Amortization financial year		2.466	197			2.663
Amortization previous year		15.814	3.116		7	18.937
Cumulated Amortization		18.280	3.313		7	21.600

Table IFA.1

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

Table IFA.2

25 Investments in Associates, Subsidiaries and Joint Ventures

AXA Bank Belgium has the following limited number of subsidiaries:

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

AXA Belgium Finance bv and AXA Bank Europe SCF are part of the AXA Bank Belgium consolidation scope.

AXA Belgium Finance bv is a Dutch private company that issues debt instruments (EMTNs — 'European Medium Term Notes') on the Luxembourg securities market. The debt instruments are mainly placed with European investors. The net cash flows of the debt instruments are on-lent to AXA Bank Belgium through bonds issued by the latter.

AXA Bank Europe SCF is a French specialised credit company that refinances mortgage loans through the issue of covered bonds (‘obligations foncières’). Until the end of November 2017, this was done by subscription to AAA tranches of RMBS ('residential mortgage-backed securities') issued by the SPV Royal Street (RS-2 and RS-3 compartments) (see below). Due to a change in French law concerning covered bonds, AXA Bank Europe SCF has purchased mortgage loans directly from AXA Bank Belgium in early December 2017. Yield maintenance swaps between AXA Bank Belgium and AXA Bank Europe SCF ensure that the weighted average yield of the mortgage loans will go to AXA Bank Belgium in exchange for a floating interest rate. All such transactions are carried out at normal market conditions ('at arm’s length').

Motor Finance Company NV and Beran NV are not included in the consolidation scope of AXA Bank Belgium due to their immaterial nature.

Motor Finance Company NV is the vehicle in which the investments are housed in self-banking devices that are rented out to agents.

Beran NV owns the property located in Berchem, Grote Steenweg 214 (location of AXA Bank Belgium).

AXA Bank Belgium also owns a participation of 10% in the SPV ('Special Purpose Vehicle') Royal Street NV, a debt investment company (VBS) under Belgian law. Royal Street, through its RS-1 compartment, owns mortgage loans which was bought from AXA Bank Belgium. RS-1 has funded this purchase through the issuance of a series of RMBS (senior, mezzanine and junior). A fair presentation of the consolidated position requires Royal Street to be included in the consolidation scope on the basis of IFRS 10 — *Consolidated Financial Statements*. The interest rate risk remains that of AXA Bank Belgium given the mutual exchange of the interest flows through a total return swap. The credit risk also remains on AXA Bank Belgium's balance sheet since the junior tranches of RMBS issued by Royal Street, and in case of default on loans, will be the first to be badly affected.

At the end of November 2017, the existing Royal Street RS-2 and RS-3 compartments were terminated. Due to a change in French law concerning covered bonds, AXA Bank Europe SCF has purchased mortgage loans from AXA Bank Belgium directly in early December 2017, instead of indirectly through subscription to AAA tranches of RMBS issued by SPV Royal Street (RS-2 and RS-3 compartments).

AXA Bank Belgium has granted a subordinated loan of EUR 64 million to the SPV, for operational support. The funds of these subordinated loans were used to build up a reserve fund in the SPV, that to date has never been accessed.

In addition, AXA Bank Belgium owns a 20% participation in Bancontact Mister Cash. In addition to AXA Bank Belgium, 4 other banks also each own 20% in this company. The object of the company is managing and licensing of intellectual property rights which may or may not relate to card payment schemes and all the other associated operations. For every 20% of the shares, every shareholder is entitled to 1 director, and the Board of Directors shall deliberate with a 4/5 majority. Due to low materiality, this company wasn't included in the consolidation.

There were no changes in the consolidation scope during the year 2017.

	Entity 2017.12 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%	1.491.508	1.485.617	606	31/12/2016
	SPV Royal Street	10,00%	5.792.142	5.785.612		31/12/2016
	AXA BANK Europe SCF	100,00%	4.828.003	4.701.236	14.844	31/12/2016
Summarised financial information of subsidiaries and joint ventures						
	Entity 2017.12 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%	2.023	13	-16	31/12/2016
	Motor Finance Company N.V.	100,00%	10.444	6.151	505	31/12/2016
	Bancontact-Mister Cash (voorheen Brand & Licence Cy)	20,00%	8.860	3.371	-575	31/12/2016

Tabel IASJ.1

	Entity 2016.12 in '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
	Accounted for by using full consolidation :					
	AXA Belgium Finance bv (NL)	100,00%	1.643.905	1.638.620	721	31/12/2015
	SPV Royal Street	10,00%	6.014.291	6.005.795		31/12/2015
	AXA BANK Europe SCF	100,00%	4.859.656	4.744.622	3.287	31/12/2015
Summarised financial information of subsidiaries and joint ventures						
	Entity 2016.12 in '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
	Not accounted for by using full consolidation :					
	Beran N.V.	100,00%	2.038	13	-17	31/12/2015
	Motor Finance Company N.V.	100,00%	10.043	6.128	-315	31/12/2015
	Bancontact-Mister Cash (voorheen Brand & Licence Cy)	20,00%	9.237	3.173	429	31/12/2015

Tabel IASJ.2

26 Other Assets

Carrying amount in '000 EUR	2017.12	2016.12
Employee benefits	94.565	92.532
Servicing assets for servicing rights		
Prepaid charges	1.360	973
Accrued income (other than interest income from financial assets)	6.789	4.655
Precious metals, goods and commodities		
Other advances	33	46
Other	4.040	-38
TOTAL	106.786	98.168

Table OA.1

27 Financial Liabilities Held for Trading

Counterparty breakdown Carrying amount	2017.12	2016.12
Deposits from credit institutions		
Current accounts / overnight deposits		
Deposits with agreed maturity		
Deposits redeemable at notice		
Other deposits		
Derivatives held for trading	824.497	1.104.317
Short positions	99	
In equity instruments		
In fixed income instruments	99	
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	824.596	1.104.317

Table FLTRA.1

28 Financial Liabilities Designated at Fair Value through Profit or Loss

Debt certificates include EMTNs (European Medium-term Notes). These EMTNs are issued by AXA Belgium Finance, a subsidiary of AXA Bank Belgium, with the exception of one issue directly by the bank itself. AXA Bank Belgium has opted for valuation at fair value through profit or loss and has therefore included these issues in the balance sheet at their market value. As from the year 2017 the changes in the own credit risk (DVA, debit value adjustment) are included in other comprehensive income (OCI). For the impact: see chapter 3.1 *Change in the Accounting Policies*.

AXA Bank Belgium has chosen to measure its own credit risk based on EMTN according to the spread AXA Bank Belgium pays in the primary market since much larger volumes are traded on the primary than on the secondary market. That is why they offer a more adequate assessment of the credit risk of AXA Bank Belgium on the retail market. This spread corresponds more precisely to the continuous weighted average of the spreads established on the hedge transactions during the last six months. This method calculates the difference between the margin's level that AXA Bank Belgium 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 theoretic cash flow at the date of each coupon, corresponding with the value fluctuations due to the changes in credit risk. They are then discounted to determine the credit risk ratio for each issue.

This fair value amounted to a total of 1,349 million EUR with a nominal amount of 4,167 million EUR on 31 December 2017.

Counterparty breakdown 2017.12 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)	1.348.872	25.633	4.141.598
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	1.348.872	25.633	4.141.598
Convertible			
Non-convertible	1.348.872	25.633	4.141.598
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	1.348.872	25.633	4.141.598

Table FLFVPL.1

Counterparty breakdown 2016.12 in '000 EUR	*Carrying amount*	*Amount of cumulative change in fair values attributable to changes in credit risk*	*Difference between the carrying amount and the amount contractually required to pay at maturity*
Deposits from credit institutions			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Deposits (other than from credit institutions)			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Debt certificates (including bonds)	1.484.385	4.522	3.438.816
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	1.484.385	4.522	3.438.816
Convertible			
Non-convertible	1.484.385	4.522	3.438.816
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	1.484.385	4.522	3.438.816

Table FLFVPL.2

29 Financial Liabilities Measured at Amortised Cost

29.1 Deposits

Counterparty breakdown 2017.12 in '000 EUR	*Central governments*	*Non credit institutions*	*Corporate*	*Retail*	*Total carrying amount*
Deposits from credit institutions			2.821		2.821
Current accounts / overnight deposits			2.821		2.821
Deposits with agreed maturity					
Deposits redeemable at notice					
Other deposits					
Deposito's (andere dan van kredietinstellingen)	632.684	400.745	1.132.534	15.707.796	17.873.758
Current accounts / overnight deposits	28.104	269.289	878.308	2.071.393	3.247.094
Deposits with agreed maturity	603.753	27.411	43.123	1.425.051	2.099.338
Deposits redeemable at notice					
Other deposits	827	104.045	211.103	12.211.352	12.527.327
Special deposits					
Regulated deposits	827	54.147	99.724	12.210.104	12.364.802
Mortgages related deposits					
Other deposits		49.898	111.380	1.248	162.525
Deposit guarantee system					
Debt certificates (including bonds)					4.253.792
Certificates of deposits					
Customer saving certificates (also when dematerialised)					
Bonds					44.059
Convertible					
Non-convertible					44.059
Other					4.209.733
Subordinated liabilities					39.245
Other financial liabilities					782.019
Accrued expenses (if accounted for separately)					
TOTAL	632.684	400.745	1.132.534	15.707.796	22.951.636

Table FLAC.1

Counterparty breakdown 2016.12 in '000 EUR	*Central governments*	*Non credit institutions*	*Corporate*	*Retail*	*Total carrying amount*
Deposits from credit institutions			48.640		48.640
Current accounts / overnight deposits			2.511		2.511
Deposits with agreed maturity			46.130		46.130
Deposits redeemable at notice					
Other deposits					
Deposito's (andere dan van kredietinstellingen)	382.981	489.581	1.098.970	15.892.425	17.863.958
Current accounts / overnight deposits	26.974	262.598	838.973	1.914.492	3.043.037
Deposits with agreed maturity	5.065	130.340	51.373	1.584.292	1.771.070
Deposits redeemable at notice					
Other deposits	350.942	96.644	208.624	12.393.641	13.049.850
Special deposits					
Regulated deposits	942	51.854	103.671	12.392.332	12.548.800
Mortgages related deposits					
Other deposits	350.000	44.789	104.953	1.308	501.050
Deposit guarantee system					
Debt certificates (including bonds)					3.546.961
Certificates of deposits					
Customer saving certificates (also when dematerialised)					
Bonds					114.809
Convertible					
Non-convertible					114.809
Other					3.432.152
Subordinated liabilities					89.042
Other financial liabilities					910.121
Accrued expenses (if accounted for separately)					
TOTAL	382.981,44	489.581,22	1.098.970,12	15.892.424,73	22.458.722

Table FLAC.2

29.2 Subordinated Liabilities

Maturity date 2017.12 in '000 EUR	*Convertible subordinated debts*	*Non convertible subordinated debts*	*Other term subordinated debts*	*Subordinated advances*
Current year				
Current year +1		12.756		
Current year +2		4.129		
Current year +3		3.505		
Current year +4		2.912		
Current year +5				
Current year +6				
Current year +7				
Current year +8				
Current year +9				
Current year +10				
More than current year +10				
Perpetuals		15.943		
TOTAL		39.245		

Table FLAC.3

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

Table FLAC.4

29.3 TLTRO-loans

In 2017, AXA Bank Belgium has subscribed to 450 million EUR on TLTRO-II loans with a 4-year term, bringing the total outstanding amount to 600 million EUR. The TLTROs are Eurosystem operations that provide financing to credit institutions for periods of up to 4 years. They offer long-term funding at attractive conditions to banks in order to further ease private sector credit conditions and stimulate bank lending to the real economy. The benefit of the below-market interest rate is accrued in the income statement over the life of the TLTRO-II. The outstanding TLTRO-I loans have been fully repaid.

30 Repos and Reverse Repos

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

Transferor : Repo No derecognition of transfers of financial assets out of : 2017.12 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					
Loans & receivables (including finances leases)					
Held-to-maturity investments					
Other					
TOTAL					

Table RRR.1

Transferor : Repo No derecognition of transfers of financial assets out of : 2016.12 in '000 EUR	*Equity instruments*	*Debt instruments*	*Loans and advances*	*Other*	*Total*
Financial assets held for trading					
Financial assets designated at fair value through profit or loss					
Available-for-sale financial assets		2.568			2.568
Loans & receivables (including finances leases)					
Held-to-maturity investments					
Other					
TOTAL		2.568			2.568

Table RRR.2

Transferor : Liabilities (financing obtained) 2017.12 in '000 EUR	*Total*
Repo	
Credit institutions	
Other than credit institutions	486.026
Total	486.026

Table RRR.3

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

Table RRR.4

Transferee : Assets (financing granted) 2017.12 in '000 EUR	*Total*
Reverse repo	
Credit institutions Other than credit institutions	1.015.494
Total	1.015.494

Table RRR.5

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

Table RRR.6

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

See also chapter 33 *Offsetting*.

31 Provisions

2017.12 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		**39.559**	**165.180**	**9.854**	**18.575**	**233.169**
Additions		722	1.063	0	3.543	5.328
Amounts used		-1.560	-7.916	-23	-8.291	-17.789
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			-8.346		441	-7.904
Closing balance		**38.721**	**149.981**	**9.832**	**14.268**	**212.804**

Table PROV.1

2016.12 in '000 EUR	*Restructuring*	*Provisions for Tax litigation and pending legal issues*	*Pensions and other post retirement benefit obligations*	*Loan commitments and guarantees*	*Other provisions*	*TOTAL*
Opening balance		**34.544**	**154.708**	**318**	**19.436**	**209.006**
Additions		949	3.156	9.854	6.893	20.853
Amounts used		-404	-8.176		-3.603	-12.183
Unused amounts reversed during the period						
Acquisitions (disposals) through business combination						
Increase in the discounted amount (passage of time) and effect of any change in the discount rate						
Exchange differences						
Other movements		4.470	15.492	-318	-4.151	15.493
Closing balance		**39.559**	**165.180**	**9.854**	**18.575**	**233.169**

Table PROV.2

Clarifications regarding the major components of these provisions at AXA Bank Belgium 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.

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

Restructurings

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

Pension Obligations and Other Benefits under Pension Obligations

The majority here relates to the provision under IAS 19. For more details and information, please refer to chapter 13.2 *Pension Liabilities and Other Benefits*.

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

During the 2017 financial year, new provisions of 0.7 million EUR and an allocation of the provision of 7.0 million EUR were established under the existing regulations at AXA Bank Belgium. Therefore, on 31 December 2017, these provisions were 4.8 million EUR. They were included in the CTC of 7 May 2007 and in its extension of 25 November 2009 and in the CTC of 16 March 2011.

The balance of the provision for credit time was 0.1 million EUR at 1 January 2017. In 2017, no provision was added. At 31 December 2017 an amount of 0.03 million EUR has been used.

Other provisions

The column 'Other provisions' includes mainly the provision for closure of the Hungarian branch (9.7 million EUR). 'Other provisions' also includes two provisions for early departure: a first provision of 0.4 million EUR (an amount of 3.7 million EUR of the previous provision was used in 2017) concerning the strategic plan to improve the effectiveness of the operations of AXA Bank Belgium for the future, a second provision of 2.3 million EUR concerning the streamlining of the bank and insurance parts of AXA.

32 Other Liabilities

Carrying amount in '000 EUR	2017.12	2016.12
Employee benefits	418	-2.071
Social security charges	15.082	18.086
Servicing liabilities for servicing rights		
Leasing liabilities		
Accrued charges (other than from interest expenses on financial liabilities)	1.969	1.893
Income received in advance	1.464	1.389
Other debts	32.557	47.069
Other	-6.347	-3.900
TOTAL	45.144	62.466

Table OL.1

33 Offsetting

Offsetting in the Balance Sheet

IAS 32 – *Financial Instruments - Presentation* requires the presentation of financial assets and financial liabilities on a net basis when doing so reflects an entity's expected future cash flows from settling two or more separate financial instruments.

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when, AXA Bank Belgium

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

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

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

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

To meet criterion (b), AXA Bank Belgium must intend either to settle on a net basis or to realise the asset and settle the liability simultaneously. Although AXA Bank Belgium may have a right to settle net, it may still realise the asset and settle the liability separately.

AXA Bank Belgium clears the positions on its OTC interest rate swaps daily with a number of intermediary banks:

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

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

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

The clearing is performed separately for each currency. The calculation is made at the end of day, and the difference versus the previous day is settled net in one single cash payment on the following day, for each currency.

The netting of the derivatives position is legally enforceable and is not contingent on a future event, therefore meeting the IFRS requirements.

The amounts that have been netted in the balance sheet can be found in the first three figures columns in the tables below.

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

Offsetting in the Disclosures

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

At AXA Bank Belgium, all transactions under master netting agreements not mentioned above are reported gross.

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

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

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

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

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

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

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

Financial assets – offsetting

Carrying amounts in '000 EUR 2017.12	Gross amounts before offsetting	Amounts set off against financial liabilities	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Amounts from master netting agreements - not set off: Financial guarantees	Net position
Derivatives - trading	3.840.364	2.594.876	1.245.487	837.845	384.415	23.227
Derivatives - hedging	113.626	46.074	67.552	46.212	20.850	490
Reverse Repos	1.015.494	0	1.015.494	1.015.226	0	268
Total	4.969.484	2.640.950	2.328.533	1.899.283	405.265	23.985

Tableau OFFS.1

Financial liabilities - offsetting

Carrying amounts in '000 EUR 2017.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Amounts from master netting agreements - not set off: Financial guarantees	Net position
Derivatives - trading	1.246.204	421.706	824.497	328.404	466.576	29.518
Derivatives - hedging	543.574	255.667	287.907	144.363	140.849	2.695
Repos	486.026	0	486.026	484.515	1.511	0
Total	2.275.804	677.373	1.598.430	957.282	608.936	32.213

Tableau OFFS.2

Financial assets – offsetting

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

Tableau OFFS.3

Financial liabilities - offsetting

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

Tableau OFFS.4

34 Contingent Assets and Liabilities

CONTINGENT ASSETS AND LIABILITIES Reference amounts 2017.12 en '000 EUR	Provided	Received
Non-included section of the credit lines	1.033.676	
Credit-replacing security	1.354.375	23.526.320
Collateral concerning repos, reverse repos and derivatives	3.772.354	3.473.821
Other obligations	2.029.615	2.049.034

Tableau CAL.1

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

Tableau CAL.2

Information regarding the most important lines:

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

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

Given collateral on loans include the liabilities of the bank to retail clients. The risk is very limited because of diversification of the portfolio and mainly the fact that the granted loans are guaranteed by the clients.

Received collateral on loans are related to mortgage loans, consumer loans and professional loans.

Mortgage loans must be fully guaranteed by a mortgage (recording or mandate) on real property (full property). Property guarantees are required by law. The mortgage guarantees that must be provided can be reused in the context of potential subsequent mortgage loans. All guarantees complementing mortgage guarantees must be provided before registering the loan. This also applies to additional collateral securities. A mortgage mandate is usually drawn up for both the property to be purchased and the property to be sold in the case of a bridge loan.
For consumer loans only one type of guarantee is used: transfer of debt collection or act of relinquishment of wages and other income.

For professional loans the most important guarantees are the following:

- Fair guarantees
  - Mortgage and mortgage registration
  - Authentic pledging of business
  - Subrogation to the benefit of the seller of movable property
  - Securities collateral
  - Pledging of account balance

    - Transfer of all 'traditional life insurance' rights
    - Transfer of all insurance policy rights Branch 21 and 23
    - Transfer of salary

- Personal or moral guarantees
    - Security
    - Mortgage mandate
    - Irrevocable commitment by a third party

Valuation of these guarantees:

- Mortgage and mortgage registration: valuation in function of
    - The appraisal value of the property on the basis of a valuation report or updated valuation by a professional (such as a real estate expert, a notary or a broker), a recent purchase, based on knowledge of the property by the point of sale, etc.
    - The rank of the subscription
    - The voidability of the subscription because of a suspicious period in view of a bankruptcy
    - Note: mortgage mandates are not booked

- Business asset pledge: valuation in function of
    - The importance and the marketability of the fixed asset
    - The size and distribution of receivables
    - The size of the inventory of non-perishable raw materials or finished products
    - The value of the rental property
    - Privileges of higher rank (lessor, equipment)
    - Transferability as a 'going concern'
    - The rank of the subscription
    - The voidability of the subscription because of a suspicious period in view of a bankruptcy
    - The assessment of the administrator or liquidator

- Substitution in the privilege of the seller of movable property (including transfer of debts and transfer of pay): valuation in function of
    - The creditworthiness of the assigned debtor
    - Whether or not the character of the transferred claim is disputed

- Pledging of account balances: appreciation to 100% of the deposit

- Transfer of insurance policy rights: appreciation at 0%

- Personal or moral guarantees: valuation in function of the proven solvency of the security deposit (especially its real estate assets) or its determination to honour the commitment through a respected serious debt reduction plan.

The line 'Collateral concerning repos, reverse repos and derivatives' contains the assets provided and received by the bank within the scope of its 'repo-reverse repo' and derivatives activities, depending on the fluctuation of the market value of the transactions.

In the framework of the 'Global Master Repurchase Agreement' (GMRA), AXA Bank Belgium only accepts government bonds. Since August 2007 however, AXA Bank Belgium has concluded one GMRA with AXA IM in which she also accepted non-governmental paper, provided it qualifies as collateral by the ECB. Currently there are no open positions in this GMRA.

In the repo activity, a distinction can be made between 2 types of collateral:

- the collateral received when concluding a new deal, mostly Belgian (and sometimes French) government bonds.

- the collateral required during the term of the deals according to the fluctuation of the market value of the initially provided collateral. This additional collateral is mostly settled in cash (at Eonia interest rate) but sometimes in Belgian or French government bonds.

In derivatives activities, the general rule applies that collateral is systematically requested. Only cash (at Eonia interest rate) and Belgian, German, Italian, French, Swiss and UK government bonds with a residual term of minimum 1 year and maximum 10 years will be considered for this collateral.

All collateral received can be sold or reused by AXA Bank Belgium as collateral.

AXA Bank Belgium is obliged to return this collateral.

The line 'Other obligations' contains all other obligations received and provided.

Encumbered Assets

Certain assets have been encumbered : securities given in repo, bonds given as collateral to the European Central Bank (ECB) for obtaining financing and bonds given as collateral to the Belgian tax authorities.

35 Equity

For figures see 'Consolidated balance sheet– equity'

After a decrease in capital in 2017 of 45 million EUR, the paid-in capital amounts to 636.3 million EUR and consists of 461,133,591 shares without making a reference to the nominal value. It was paid up in full.

The other capital equity instruments issued consist of Contingency Convertible Bonds.

The reserves from other comprehensive income include the reserves from the foreign currency translation, the revaluation of the available-for-sale financial assets, the revaluation of the cash flow hedges and the reserves for pension liabilities (non-realised results and actuarial gains and losses on defined benefit plans), and also the evolutions of the own credit risk on financial liabilities designated at fair value through profit or loss.

The 'other reserves' section comprises the legal reserves and the transferred results from the AXA Bank Belgium 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 60 million EUR.

36 Profit Allocation and Dividends per Share

The Board of Directors proposes to transfer the statutory profit for the year, together with the retained earnings, to the next financial year, after allocation to the legal reserve. No dividends will be distributed.

37 Segmented Information

Operating segments are components of AXA Bank Belgium

- that engage in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Management Committee of AXA Bank Belgium to make decisions about resources to be allocated to the segments and assess their performance, and;
- for which discrete financial information is available.

The Management Committee of AXA Bank Belgium is considered to be the chief operating decision maker as defined under IFRS 8 – *Operating Segments*.

The following operating segments are reported separately based on the guidelines of IFRS 8:

- Retail banking (including Treasury and ALM);
- Intermediation activities.

The retail banking activity consists mainly of collecting funding (daily operations, savings products) and providing loans to its customers (households, professionals and small businesses) through its network of independent agents. The reported figures include the related ALM results (Assets and Liabilities Management), whose main purpose is to manage the exposure of AXA Bank Belgium to interest rate, liquidity and foreign exchange risks. The treasury activity consists of providing short term liquidity and funding as a support for the growth of the retail business.

The intermediation activities consist mainly of providing funding, cash management and derivatives for several AXA Group entities.

Transactions between the different operating segments are carried out on an arm's length basis.
The following principles are applied:

- allocation of ALM results: in addition to the commercial margin, AXA Bank Belgium may grant a conversion margin for its retail activities. The parameters used for determining said grant are economic capital together with assets and liabilities of the retail activities;
- funds transfer pricing: the management of cash resources and ALM within AXA Bank Belgium is centralised. With a view to transferring the interest rate risk of the commercial activities to the centralised ALM, the funds transfer pricing methodology is used. This means that deposits that are provided for safekeeping by the commercial business units are reinvested at the central ALM and that the loans allocated by the commercial business units are financed by the central ALM while using the funds transfer pricing interest rate.

The reconciliations between the total of the operating segments and the group result are mainly:

- differences in mapping between the segment reporting and the consolidated income statement;
- elements not included in operating income in the segment reporting;
- differences between the valuation rules of the segment reporting (based on AXA Group rules) and the consolidated income statement (based on AXA Bank Belgium rules).

Segment reporting – income statement

2017 in '000 EUR	Retail banking (including Treasury and ALM)	Intermediaton	Reconciliation	Amounts consilidated financial account
Interest margin (incl. commissions and realized gains)	286.245	12.585	3.557	302.387
Operating expenses	-221.456	-9.652	4.118	-226.990
Impairments	-500		-12.345	-12.845
Taxes	-12.656	-1499	-6.960	-21.115
Underlying earnings	51.633	1.434	-13.763	41.437
Discontinued Operations				0
Net income				41.437

Tabel SI.1

2016 in '000 EUR	Retail banking (including Treasury and ALM)	Intermediaton	Reconciliation	Amounts consilidated financial account
Interest margin (incl. commissions and realized gains)	306.985	17.172	37.615	361.772
Operating expenses	-225.335	-11.238	-29.592	-266.165
Impairments	-6.949		-5.897	-12.846
Taxes	-4.099	-117	-6.342	-10.558
Underlying earnings	70.602	5.817	-4.216	72.203
Discontinued Operations				28.395
Net income				100.598

Tabel SI.2

Major items reported in the column 'Reconciliation':

a) Interest margin

- difference in mapping between the segment reporting and the consolidated income statement (2017: 11.3 million EUR – 2016: 8.9 million EUR)
- elements not included in underlying earnings in the segment reporting (2017: -8.7 million EUR – 2016: 31.4 million EUR, mainly forex results (effect in 2016) and fair value measurements (effect in 2016 and 2017))
- differences between the valuation rules of the segment reporting (based on AXA Group rules) and the consolidated income statement (based on AXA Bank Belgium rules) (2017: none – 2016: -3.6 million EUR, in 2016 mainly due to the revaluation of the working capital of the Hungarian branch)

b) Operating expenses:

- difference in mapping between the segment reporting and the consolidated income statement (2017: 0.7 million EUR – 2016: -3.4 million EUR)
- certain expenses that are not included in operating income in the segment reporting (2017: 1.0 million EUR – 2016: -25.0 million EUR)

c) Impairment on loans:

- differences in mapping between the segment reporting and the consolidated income statement (2017: -12.1 million EUR – 2016: -5.5 million EUR)

d) Taxes:

- elements not included in underlying earnings in the segment reporting (2017: -8.4 million EUR – 2016: -9.1 million EUR, tax effects on the elements not included in underlying earnings)
- differences between the valuation rules of the segment reporting (based on AXA Group rules) and the consolidated income statement (based on AXA Bank Belgium rules) (2017: none – 2016: 1.0 million EUR, in 2016 mainly due to the differed taxes on the differences in valuation rules).

38 Related-party Transactions

Amounts to be paid and to be received from related parties 2017.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Selected financial assets		2.662		380	2.086.494
Shares					
Bonds					
Loans		2.662		380	2.086.494
Selected financial liabilities		178		316	1.124.918
Deposits		178		316	79.253
Issued securities					1.045.665
Notional amount of granted credit lines, financial guarantees and other guarantees		6.744			
Received credit lines, financial guarantees and other guarantees					
Notional amount of derivatives					37.735.150
Provisions for impairment on debt instruments, guarantees and commitments					

Table RPT.1

Expenses and income resulting from transactions with related parties 2017.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Interest received	158				685.590
Interest paid					678.473
Dividends received					
Commission received					11.350
Commission paid					3.761
Income or (-) expenses on the sale of financial assets and liabilities not at fair value through profit or loss					
Income or (-) expenses on the sale of non-financial assets					
Expenses or (-) write-back of expenses during the current period concerning amortised debt instruments, guarantees and commitments					

Table RPT.2

Amounts to be paid and to be received from related parties 2016.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Selected financial assets	122.263	4.774		462	1.489.002
Shares					
Bonds					
Loans	122.263	4.774		462	1.489.002
Selected financial liabilities		264		349	865.595
Deposits		264		349	102.899
Issued securities					762.695
Notional amount of granted credit lines, financial guarantees and other guarantees		9.244			
Received credit lines, financial guarantees and other guarantees					
Notional amount of derivatives					36.245.861
Provisions for impairment on debt instruments, guarantees and commitments					

Table RPT.3

Expenses and income resulting from transactions with related parties 2016.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Interest received	2029				1.157.211
Interest paid	1				1.191.619
Dividends received					
Commission received	213				3.266
Commission paid					3.829
Income or (-) expenses on the sale of financial assets and liabilities not at fair value through profit or loss					
Income or (-) expenses on the sale of non-financial assets					
Expenses or (-) write-back of expenses during the current period concerning amortised debt instruments, guarantees and commitments					

Table RPT.4

Key management Compensations in '000 EUR	2017.12	2016.12
Short-term employee benefits	2.298	2.442
Post-employment benefits	653	
Other long-term benefits	223	261
Share based payments	236	655
TOTAL	3.410	3.358

Tabel RPT.5

The following entities and persons are considered to be related parties to AXA Bank Belgium:

- AXA SA as parent company of AXA Bank Belgium;
- the subsidiaries of AXA Bank Belgium, even those that are not included in the consolidation scope (see chapter 25 *Investments in Associates, Subsidiaries and Joint Ventures*)
- key management personnel of AXA Bank Belgium
  As employees of AXA Bank Belgium, the key management personnel benefit from the same employee benefits as other employees, without any extras. Discounts on AXA products (banking and insurance) and other client benefits offered by external companies are accessible to each employee on the intranet and are therefore also available to key management personnel. Consequently, no separate database regarding these persons is kept by AXA Bank Belgium.
- other related parties, including fellow subsidiaries that are part of the AXA SA consolidation scope.

The related parties of AXA Bank Belgium do not include any parent company with joint control nor entities with significant influence over AXA Bank Belgium.
All related party transactions are executed on an arm's length basis.

Further information on certain line items:

- 'Term loans' include the reverse repo transactions with AXA Belgium
- 'Equity instruments TRS' include the total return equity swaps in which AXA Bank Belgium acts as an intermediary between AXA SA and AXA Vie France. Within the framework of this transaction, cash is both received and paid out as collateral. The net impact on the AXA Bank Belgium income statement is immaterial.

The internal transfers to the agents network have been formally documented through an agreement. The resulting impact is, however, not material for the bank.

39 Government Grants and Assistance

AXA Bank Belgium receives structural deductions within the framework of social security. These deductions primarily involve two types:

- Structural one-off deductions calculated in compliance with the Royal Decrees of May 2003 and January 2004.
- Deductions related to the 'older employees' target group (above the age of 57).

The amounts thus established totalled approximately 2.1 million EUR and 0.2 million EUR.

40 Financial Relationships with Auditors

Carrying amount in '000 EUR	2017.12	2016.12
	PWC	PWC
Remuneration of the auditors	426	454
Remuneration for exceptional activities or special commissions performed within the company by the auditors		
Other audit activities	*137*	*130*
Advisory activities	*0*	*0*
Other activities outside audit activities	*252*	*0*
Remuneration of persons with wich the auditors are connected to the excercise of a mandate on the level of the group of which the company that publishes the information at the head	*19*	*69*
Remunaration for exceptional or special commissions performed within the company by persins associated with the auditors		
Other audit activities	*0*	*6*
Taks advice	*0*	*0*
Other activities outsiede audit activities	*0*	*2*

Table FRWA.1

Notification in application of art. 133 paragraph 6 of the Companies Code

41 Discontinued Operations

In 2016 the transfer of the Hungarian activities of the bank to OTP, the largest Hungarian bank, has been completed.

In 2017 no activities were being reported as discontinued based on IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

As mentioned in chapter 25 *Investments in Associates, Subsidiaries and Joint Ventures*, the existing Royal Street RS-2 and RS-3 compartments were terminated at the end of November 2017. The formal liquidation of these compartments was finalised during the first quarter of 2018.

42 Correction Previous Financial Statements

During the financial year 2017, AXA Bank Belgium discovered that the deferred tax liabilities end 2016 were overstated for an amount of 20.5 million EUR, related to the financial year 2016 (5.3 million EUR) and the financial years before 2016 (15.2 million EUR). The misstatement is considered as material.

Therefore, in line with IAS 8 *Accounting Policies, Changes in Accounting estimates and* Errors, AXA Bank Belgium has restated the opening balance and the comparative figures of 2016 as summarised below. There is no effect in 2017.

Consolidated Income Statement

The line item 'Tax expenses related to profit or loss from continuing operations' becomes in 2016 10.6 million EUR instead of 15.8 million EUR.

Net profit increases in 2016 from 95.3 million EUR to 100.6 million EUR.

Consolidated Balance Sheet

The impact related to the exercises before 2016 were corrected as follows in the opening balances:

- Deferred tax liabilities: 17.5 million EUR instead of 32.7 million EUR
- Reserves (including retained earnings): 255.1 million EUR instead of 239.9 million EUR

The comparatives 2016 are adapted as follows:

- Deferred tax assets: 23.2 million EUR instead of 11.5 million EUR
- Deferred tax liabilities: 0 instead of 8.8 million EUR
- Reserves (including retained earnings): 281.4 million EUR instead of 266.1 million EUR

This brings the total corrected balance sheet total for 2016 to 28,006 million EUR instead of 27,995 million EUR.

Disclosures

The comparatives 2016 of the related disclosures have also been adapted.

43 Events After the Balance Sheet Date

As mentioned in chapters 25 *Investments in Associates, Subsidiaries and Joint Ventures* and 41 *Discontinued Operations*, the existing Royal Street RS-2 and RS-3 compartments were terminated at the end of November 2017. The formal liquidation of these compartments was finalised during the first quarter of 2018.

There have been no other material events after the balance sheet date that would require adjustments to the 2017 IFRS Consolidated Financial Statements of AXA Bank Belgium.

Glossary

A. Overview of the IFRS Classifications of Financial Instruments

- Financial Assets and Liabilities Held for Trading

  This category includes financial assets and liabilities held for short-term profit taking, as well as all derivatives, unless they were identified as effective hedge derivatives. The changes in fair value are recognised in the income statement.

- Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

  This category includes assets and liabilities which the company decides to value at fair value through profit or loss, because (1) the classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency ('an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them based on different rules, or (2) because the classification leads to more relevant information since a group of financial assets or liabilities are managed and their performance evaluated on the basis of their fair value in accordance with a documented risk management or investment strategy, or (3) it involves structured assets or liabilities, where no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.

- Financial Assets Held to Maturity

  This category includes 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 amortised cost.

- Loans and Receivables

  This category includes all non-derivative financial assets with fixed or definable payments that are not quoted in an active market. They are measured at amortised cost.

- Financial Assets Available for Sale

  This category includes all non-derivative financial assets that do not belong to one of the previous categories. They are measured at fair value through other comprehensive income until realisation of the assets or until the time that an impairment occurs. In that case the cumulative revaluation results are recognised in the income statement.

- Deposits and Liabilities

  This category includes all non-derivative financial liabilities that do not belong to one of the previous categories. They are measured at amortised cost.

B. List of Abbreviations Used

ABS	Asset Backed Securities
ALCO	Assets & Liabilities Committee
ALM	Assets & Liabilities Management
BCBS	Basel Committee on Banking Supervision
BIA	Basic Indicator Approach
CET1	Core Equity Tier 1
COREP	Corporate Reporting
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Value Adjustment
CX	Contentieux
DBI	Definitief Belaste Inkomsten
DBO	Defined Benefit Obligation
DVA	Debit Value Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Losses
EMTN	European Medium Term Notes
Eonia	Euro Overnight Index Average
GMRA	Global Master Repurchase Agreement
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IPC	Irrevocable Payment Commitments
IRB	Internal Ratings Based
IRBA	Internal Ratings Based Approach
ISDA	International Swaps and Derivatives Association
JST	Joint Supervisory Team
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MBS	Mortgage Backed Security
NBB	National Bank of Belgium
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OLO	Obligation Linéaire – Lineaire Obligatie
O-SII	Other Systematically Important Institution
PCX	Précontentieux
PD	Probability of Default
PIIGS	Portugal, Ireland, Italy, Greece, Spain
RAF	Risk Appetite Framework
RAROC	Risk Adjusted Return on Capital
RMBS	Retail Mortgage Backed Security
SA	Standardised Approach
SCF	Société de Crédit Foncier
SI	Significant Institution
SRB	Single Resolution Board
SPV	Special Purpose Vehicle
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism
TLTRO	Targeted Long Term Refinancing Operation
VAR	Value at Risk
WRC	Wholesale Risk Committee

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Board of Directors
Jef Van In, chairman (since 29 March 2017)
Peter Devlies (since 2 March 2017)
Françoise Gilles
Jeroen Ghysel
Marie-Cécile Plessix
Patrick Lemoine
Emmanuel Vercoustre
Patrick Keusters (*)
Philippe Rucheton (*)
Frank Goossens
Benoît Claveranne (since 30 May 2017)
Michael Jonker (*) (since 29 January 2018)
Peter Philippaerts (since 29 January 2018)

Sabine De Rycker (until 1 December 2017)
Marc Bellis (*) (until 31 December 2017)
Véronique Weill (until 31 January 2017)

Management Committee
Peter Devlies, chairman (since 2 March 2017)
Françoise Gilles
Jeroen Ghysel
Emmanuel Vercoustre
Frank Goossens
Peter Philippaerts (since 29 January 2018)

Sabine De Rycker (until 1 December 2017)

Audit Committee
Patrick Keusters, chairman (*)
Philippe Rucheton (*)
Patrick Lemoine

Nomination Committee
Jef Van In, chairman (since 29 March 2017)
Benoît Claveranne (since 30 May 2017)
Patrick Keusters (*) (since 27 March 2018)

Marc Bellis (*) (until 31 December 2017)
Véronique Weill (until 31 January 2017)

Remuneration Committee
Jef Van In, chairman (since 29 March 2017)
Benoît Claveranne (since 30 May 2017)
Michael Jonker (*) (since 29 January 2018)

Marc Bellis (*) (until 31 December 2017)
Véronique Weill (until 31 January 2017)

Risk Committee
Philippe Rucheton (*) (chairman)
Patrick Lemoine
Michael Jonker (*) (since 29 January 2018)

Patrick Keusters (*) (until 27 March 2018)

Statutory Auditor
PwC, Auditors, bcvba, represented by Gregory Joos (licensed auditor)

(*) independent director, according to art 526 Company Code

Management Report 2017

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Message from the Chairman of the Board of Directors and the Chief Executive Officer

2017 was another challenging year for the banking sector in Belgium. Historically low interest rates put interest income under pressure. In addition, the wave of mortgage loan refinancings during the years 2015 and 2016 continued to weigh on financial results in 2017.

These difficult market conditions explain why AXA Bank Belgium's operating result decreased by 17 million euro to 53 million euro. The consolidated net income amounts to 41 million euros, or 59 million less than in 2016.

However, AXA Bank Belgium pursued its transformation efforts, launching a growth strategy, based on personalized advice in the area of personal investments and backed by digital tools.

AXA Bank Belgium can present excellent commercial results in its key business areas:

- With regards to **Credits**, AXA Bank Belgium matched the record production of 2016: 2,9 billion euros in new mortgage loans. In other words: in 2017, 18.000 Belgian families could count on the support of AXA Bank Belgium when purchasing their new home. Moreover, Professional loan production also increased significantly (+ 13% compared to 2016).

- We continue to grow in terms of **investments**. In 2017, investments in AXA funds were137 million euro higher compared to the previous year (+ 32%). Continued low interest rates are encouraging an increasing number of customers to invest in funds in order to potentially generate higher returns. The number of customers that executed transactions on a securities account increased by 26% for example. Also, interest in recurring investments increased again in 2017: the number of investment plans more than tripled in a single year.

The bank also continues to invest in customer advice, in order to further support and accelerate its growth strategy over the coming years.

- In order to support this evolution in favour of advice and proximity, we are moving towards fewer yet larger agencies, where customers can invariably turn to fully-fledged investments or loan specialists. In 2017, the number of physical sales points decreased from 676 to 620. At the same time, the number of employees employed by independent banking agents slightly increased.

- The chosen model of personal advice, supported by high-performance digital tools, is acknowledged by our customers: following a Spaargids opinion survey, AXA Bank Belgium won two Bank Awards: the award for the best branch network and the award for best online platform.

The combination of our strong network of agents and quality online tools can be considered the number one success factor in our high customer satisfaction: AXA Bank Belgium obtains in 2017 an NPS score (Net Promoter Score) of 23, a solid result in the financial sector.

Finally, the de-risking strategy that has been in operation for several years, coupled with our prudent credit approval policy, resulted in credit risk costs further decreasing by 6 million euro in 2017. General expenses remained stable thanks to our ongoing aim to increase efficiency by automating processes and our strict cost-conscious culture. Bank taxes fell by 7 million euro yet remained high at 48 million euros (21% of operating costs).

Peter Devlies
CEO

Jef van In
Chairman of the Board of Directors

Non-financial information

In appendix 1 to this report, the AXA Group presents its institutional undertakings which are aligned with its sustainable development strategy, focusing on Human Rights and the Environment. AXA is creating value through its work and plays a key role in economic development throughout the world. In its "integrated report" published on www.axa.com, the AXA Group describes how its business is combined with sustainable performance. Here, it assesses its actions and measures their performance using the AXA Sustainability Index and other published indicators.

In 2017, AXA Bank Belgium made a contribution to these commitments through the assistance of 3000 volunteers from AXA Hearts in Action, AXA's international volunteer program. These volunteers put in thousands of hours to support good causes of their choice, or to a great extent helped to facilitate the Special Olympics or TADA (ToekomstATELIERdel'avenir) which works with disadvantaged young people in Brussels. AXA Bank Belgium has supported charitable actions relating to "longevity" The Relais pour la Vie, or Relay for Life, an initiative of the Fondation contre le Cancer (Belgian Foundation against Cancer), is one of these. AXA also supports GoodPlanet, foundation created by the famous French photographer Yann Arthus-Bertrand, which develops and supports projects, training and teaching tools with the goal to building a sustainable society.

The economic and financial context

2017 has, above all, been marked by political events: elections in France, Germany and the United Kingdom, the Catalonian referendum, the Brexit negotiations, the start of the Mueller enquiry in the United States as well as American fiscal reform voted right at the end of the year. Business in the Eurozone offered positive surprises throughout the year. The normalisation of monetary policy continued in the United States and is being initiated in other zones; the European Central Bank (ECB), the Bank of Japan (BoJ) and the Bank of England (BoE) should gradually leave behind their accommodating policies.

In the United States, economic growth was solid in 2017, around +2,2% after a growth of +1,6% in 2016. The key driver behind this expansion is household consumption, while private investment remains somewhat depressed. The jobs market continued to improve with a drop in unemployment to 4,1% at the end of the year as opposed to 4,6% at the end of 2016. The improvement in employment combined with the rising inflation (2,1% in 2017 after 1,3% in 2016) pushed the Federal Reserve (Fed) to increase its rates three times, bringing them within a range from 1,25% to 1.50% at the end of 2017. The American administration temporarily unsettled markets following the difficulties encountered in passing its reforms, but all the same issued a fiscal reform in December 2017 which should support economic activity in 2018.

In Europe, the main electoral milestones did not give shape to populist fears: the election of Emmanuel Macron in France, the re-election of Chancellor Angela Merkel but above all a far-right hardly represented at the French National Assembly and which peaked at 10% of votes in Germany were a relief for investors. In the United Kingdom, Prime Minister Theresa May called early elections in June, requiring a coalition with the DUP party in Northern Ireland. In Catalonia, an unlawful referendum on regional independence was held within a climate of tension and violence on one October and led to the central Spanish government taking control of the region, dissolving the regional parliament and organising new elections. These elections on 21 December once more placed the Catalan separatists in a strong position. The Eurozone experienced a particularly solid economic year and surprised on the upside throughout 2017. Growth is expected to be around 2,2% (as opposed to forecasts of around 1,4% at the start of 2017) after 1,7% in 2016. The driving forces have been household consumption and investment, supported by renewed confidence and low interest rates. The recovery of world trade has also benefited the Eurozone. The jobs market continues to improve gradually, with the rate of unemployment changing from 9,7% at the end of 2016 to 8,8% at the end of 2017, its lowest level since January 2009. Inflation stood at around 1,5% on average in 2017 after 0,2% in 2016. The ECB initiated the normalisation of its monetary policy and in October announced a reduction of its asset purchase programme from 60 billion euros per month to 30 billion euros starting from January 2018. In the United Kingdom, Gross Domestic Product (GDP) slowed down in 2017 with a growth of 1,5% after 2,0% in 2016, while inflation peaked at 2,7% on average in 2017 (0,7% the year before), essentially under the effect of the depreciation of pound sterling. In this context, the BoE increased its key interest rate by 25 bps in November and initiated a normalisation, amid concerns about a structural economic slowdown.

The gross domestic product (GDP) of Belgium is expected to show a slight lag compared to the European Monetary Union (EMU) in 2018 (2.1% compared to 2.7% in the EMU). For Belgium, the GDP growth forecasts are as follows:

	2018	2019	2020	2021	2022
Belgium GDP (change)	**2.1**	**2.1**	**1.7**	**1.5**	**1.5**

Belgium stands out in terms of growth in private borrowing; the highest in the EMU (5,6% compared to the previous year against 3,8% for the core EMU and stable for the periphery). For the European Monetary Union's (EMU's) Harmonised Index of Consumer Prices, we forecast: +1,4% (2018)/+1,9% (2019)/+1,9% (2020)/+1,9% (2021)/+1,9% (2022).

With regard to equity market, the Belgian benchmark index over a period of a year produced a yield of approximately 8% less than that of the EMU and at the moment is around a premium of 27% compared to the region in terms of price earnings (P/E). We currently do not have any particular call on the market, but we think that it should continue to lag behind because of its defensive nature. The equity market is strongly concentrated on basic consumer goods (AB InBev on its own represents more than 50% of the market), which does not work very well within the current risk context in an environment which favours cyclical rather than defensive actions.

Japanese growth surprised on the upside (around 1,7% in 2017 after 0,7% in 2016), mainly supported by private investment, while household consumption still struggles to bounce back. Inflation remains low but should be positive in 2017 at around 0,4% on average (after -0,1% in 2016). The yield curve control, instigated in September 2016 by the Bank of Japan, seems to bear fruit with a decoupling from other bond markets.

Uncertainties concerning potential protectionist measures by the American administration have reduced but those around the renegotiation of the North American Free Trade Agreement (NAFTA) remain significant. In addition, Chinese growth remain stable in 2017 (6,8% after 6,7% in 2016) while Beijing is continuing to put macro-prudential reforms in place. Brazil and Russia came out of recession in 2017 and are expected to post growths of around 1,0% and 1,9% respectively.

Results

CUSTOMER JOURNEY
Credits

Mortgage loans
In 2017, the production of new loans were at the same high level as the 2 previous years, i.e. 2,9 billion euro. As a result, last year we granted home loans to 18.000 families, and we once again succeeded in increasing our market share by 20 basis points to 8,2% in 2017. The portfolio of outstanding mortgage loans grew by 5,8% and totals 16,8 billion euro. As interest rates started to increase slightly since the end of 2016, early repayments and refinancing volumes evolved back to their natural level since the beginning of 2017.

Professional loans
As a result of our strategy to focus on self-employed and micro-enterprises, within strict risk limitations, the production volume in professional loans increased to 485 million euro, or + 14% compared to 2016. This production is concentrated mainly on the following products: Immo4Pro (237 million euro), Equipement4Pro (80 million euro) and Car4Pro (75 million euro). The improved commercial activities on this segment and the renewal of the offer in professional loans started in April 2015, have resulted in a strong and successful increase in production and growth of the outstanding portfolio, now reaching 1.6 billion euro.

Consumer loans
Due to a marked increase in competition at the Autosalon, the production of car loans decreased from 180 million euro to 155 million euro. As car loans represent by far the most important part of the allocated consumer credit, the total volume of consumer loans also dropped by the same order of magnitude, to 292 million euro.

CUSTOMER JOURNEY
Invest

The net growth in sale of investments products reached 540 million euro, a growth of nearly 30% compared to 2016. This growth is mainly explained by increased sale of AXA funds (+ 570 million euro), a confirmation of the quality of the range of funds offered by AXA IM, a global player in fund management.

CUSTOMER JOURNEY
Daily Banking & Deposits

All our day-to-day banking indicators improved in 2017 compared to 2016: number of accounts (+ 15 k), number of active accounts (+ 16 k), number of on-line customers (+ 24 k), number of credit cards (+ 9 k), number of customers that use AXA Bank Belgium as main bank (+ 16 k).

Deposits and saving accounts however reflected a net reduction of - 305 million euro. This was made up by a rise in current accounts (+ 237 million euro), but a decrease in deposits (- 542 million euro). The drop in deposits is largely explained by low interest rates impacting the appetite of clients notably for term accounts. For some of this, we see a logical shift to investment products. The buy-back of the Crest portfolio by AXA Belgium, which caused a rise in deposits at the end of 2016, is an important difference compared to last year.

ASSET & LIABILITY MANAGEMENT

AXA Bank Belgium's Asset and Liability Management (ALM) is an essential component of balance sheet management. Its main purpose is to manage AXA Bank Belgium's exposure to risks related to interest rates, liquidity and exchange rates. These risks are managed as part of a risk appetite framework, set by AXA Bank Belgium's Board of Directors and within the applicable regulatory constraints.

In 2017, ALM systematically hedged the net interest rate position, arising from the new monthly production of retail assets and liabilities, including loan pipeline risk, curve movement risk and the Eonia/Euribor basis risk.

Managed within strict limits, the investment portfolio is made up exclusively of high-quality European sovereign debts, guaranteed supranational bonds and secured bonds, without any foreign exchange risk. In order to improve AXA Bank Belgium's leverage ratio and given the decline in credit spreads on the bonds market, the size of the portfolio was reduced by 1,21 billion euros (book value) in 2017 and stood at 2,94 billion euros at the end of 2017. This bond portfolio also constitutes a hedge against the basis risk coming from floating rate mortgages (indexed on the Belgium government bonds) and some capital gains were realized to partially offset the impact of such basis risk.

ABE SCF (Société de Crédit Foncier), AXA Bank Belgium's vehicle for issuing covered bonds, complied during 2017 with the new French legislation relating to SCF by replacing Residential Mortgage Back Securities (RMBS) backing the bonds directly by mortgages, thereby also keeping intact the protection offered to investors. AXA Bank Belgium continues to diversify its long-term structural financing. 5- and 15-year covered bonds were placed with external investors during 2017 for a total amount of 1,25 billion euros.

TREASURY AND INTERMEDIATION

Note issuance yields are internally structured and hedged on the market by AXA Banque Belgium's derivatives specialists, who also provide execution and processing services, exclusively for selected entities of AXA Group. Services provided include execution, clearing, valuation and 'European Market Infrastructure Regulation' (EMIR) reporting obligations. Besides the mandatory derivative volume compressions analyses, AXA Bank Belgium has reduced its operational risk through a compression of 2.4 billion euro in interest rate derivatives. Although the volume of new derivatives traded with customers in 2017 stands at 5,8 billion euro, the off-balance sheet inventory of AXA Bank Belgium's treasury and intermediation derivatives notional has only moderately increased in 2017 by 2,6 billion euro to 78,8 billion euro, compared to 76,2 billion euro in 2016.

Back loading derivatives to a central clearing platform organised by EMIR and active management of counterparty credit exposure allowed for a reduction of the counterparty credit exposure to AXA Bank Belgium's main derivative counterparts. Such remaining exposure is systematically collateralised by cash or high quality bonds.

Comments on the 2017 consolidated results

PROFITS AND LOSSES

million EUR	2016	2017
Financial & operating income and expenses	362	302
Administrative costs, amortisations and provisions	279	239
Total profit from continuing operations before taxes and minority interests	83	63
Net Profit	101	41

Financial & operating income and expense
Financial & Operating income and expenses dropped by 60 million compared to 2016, which is mainly explained by the reduction in interest margin. The decrease in interest margin is notably due to the impact of lower yields on hedges backing retail liabilities as the bank was no longer able to offset lower market rates with lower rates on customer deposits and savings. A reduction in the new production volumes of the derivative intermediation activity also contributed to the reduction in Interest margin. This decrease could only be partially compensated by a strong increase in the volumes of fees and commissions received in particular on the sale of investment products.

Total profit from continuing operations before taxes and minority interests
Total profit or loss from continuing operations before taxes and minority interests stands at 63 million euro which is down 20 million compared to 2016. This reduction is explained by the 60 million euro decrease of financial & operating income and expenses, compensated by lower administrative costs (-21 million euro) and lower provisions (-19 million euro) compared to 2016. The decrease in administrative cost is not only due to lower bank levies, but is also a consequence of continuing structural cost reduction measures offsetting a pursuit of focused investments in our core business. The decrease in provisions for credit and litigation risks is the result from efforts to reduce risks made in recent years, a strict credit underwriting policy, adjustment of credit models and recoveries from already amortised files.

Net profit
Net profit, excluding the impact of the closure of the Hungarian Branch stands at 41 million euro, which is down 60 million euro compared to 2016. Such change is mainly explained by the drop in the total profit from continuing operations before taxes and minority interests (-20 million euro), higher IFRS tax expenses (+10 million euro) and the closing of the Hungarian branch which had a positive contribution of 28 million euro in 2016.

BALANCE SHEET AND OFF-BALANCE SHEET

Billion EUR	2016	2017
Retail assets	**25,7**	**5,5**
Commercial Assets	18.6	19.5
ALM & Treasury Assets	7.1	6.0
Intermediation assets	**1.6**	**1.2**
Intermediation assets	1.6	1.2
Other assets	**0.7**	**0.5**
Other Assets	0.7	0.5
Total assets	**28.0**	**27.3**

Billion EUR	2016	2017
Retail liabilities	**25,3**	**25,0**
Commercial Liabilities	17.9	17.9
ALM & Treasury Liabilities	7.4	7.2
Intermediation liabilities	**1.1**	**0.8**
Intermediation liabilities	1.1	0.8
Other liabilities	**0.4**	**0.3**
Other Liabilities	0.4	0.3
Equity	**1.2**	**1.2**
Total liabilities and equity	**28.0**	**27.3**

Assets
Total assets reduced by 0,7 billion euros because of a decrease in the fair value of derivatives and variations in the real value of hedged positions covering the credit risk portfolio. The reduction of the ALM investment portfolio (-1,1 billion euro) was compensated by an increase in the Belgian retail credit production (+0,9 billion euro).

Liabilities
Slight decrease in ALM & Treasury liabilities and a reduction in the fair value of derivatives.

Equity
equity is stable

Off balance sheet

Off Balance Sheet (billion EUR)	2016	2017
Intermediation derivatives	72,06	76,91
ALM portfolio hedges	8,02	7,26
Commercial hedges	8,64	14,22
Treasury derivatives	4,10	1,91
SCF	0,75	0
Total	**93.56**	**101.80**

The off-balance sheet portfolio has increased by 8,3 billion euro to 101,8 billion euro (2017 compared to 2016).

The intermediation off-balance sheet grew by 4,9 billion euro as new business from AXA insurance companies (5,8 billion euro) and offsetting market transactions were partially offset by compressions.

The ALM portfolio positions were influenced by (1) asset swaps sold in the investment portfolio, and, (2) the Treasury forex swap portfolio, which is down 2,2 billion euro.

CONSOLIDATION SCOPE

On December 31st 2017, the scope of consolidation for AXA Bank Belgium consisted of the following companies: AXA Bank Belgium SA, Royal Street SA, AXA Belgium Finance BV and AXA Bank Europe SCF.

Comments on the statutory accounts and the allocation of earnings

Statutory profits for 2017 amounts to 52,8 million euros. Accumulated profits amounted to 11,7 million euros by the end of 2016. Consequently, accumulated profits, as at December 31st 2017, amount to 64,5 million euros.

The Board of Directors proposes, after allocation to the legal reserves, to carry forward the 2017 result to the next financial year.

Significant events after 2017

There is no significant event to report.

Liquidity and solvency

AXA Bank Belgium's level of liquidity remained at a comfortable level throughout 2017. As per 31 December 2017, the liquidity coverage ratio (LCR) was at 175% (169% in 2016) and the net stable funding ratio (NSFR) at 139% percent (139% in 2016). This position is based on a combination of funding sources such as deposits from retail customers and covered bonds for the institutional market. In this regard, AXA Bank Belgium placed 2 covered bonds in the market in 2017 for a total of 1.250 million euro, with long maturity dates of respectively 5 and 15 years. AXA also drew from the ECB TLTRO program an amount of 450 million with a maturity of 4 years.

AXA Bank Belgium posted a strong solvency level in December 2017, thanks to its prudent risk profile and conservative capital management. This is reflected in a CET1 solvency ratio of 19,7% (21,2% in 2016). This regulatory ratio compares the bank's equity to its weighted assets according to risk.

With regard to capital, the year's result has strengthened the bank's equity, offsetting the reduction in share capital of 45 million euros which was carried out during the financial year. Risk weighted assets increased from 4.692 million euro as at December 31st 2016 to 5.289 million euro as at December 31st 2017. AXA Bank Belgium uses internal models in order to establish its risk weighted assets related to its loans to individuals. These models are regularly reviewed to ensure their best fit to the loans portfolio. As per 31 December 2017, AXA Bank Belgium has introduced a refinement to these models via a finer segmentation of its portfolios, leading to higher risk weighted assets. This, together with the increase of the retail loan book, explains the increase of risk weighted assets and the resulting decrease in the bank's CET1 ratio.

The leverage ratio compares the bank's equity (Tier 1 Capital) to its assets measured according to their nominal exposure. This ratio improved during the year, approaching 4,3% (4,1% in 2016).

Main risks and uncertainties

The **macro-economic environment**, and particularly the level and shape of the EUR yield curve, the Belgian housing market or the state of the Belgian economy (GDP, unemployment rate, …), affect the profitability of the bank. This is a direct consequence of ABB's focused business model, i.e. the transformation of Belgian deposits into loans to the Belgian economy, mostly mortgage loans and, to a lesser extent, professional loans and consumer loans. AXA Bank Belgium's business model also implies some concentration risk on Belgian mortgage loans.

The evolution of the **banking landscape** in Belgium is a material factor of business risk. Customer behaviours or customer expectations in their interactions with their banking partner are changing. While this is not so much a risk than a fact, the extent to which the change will materialize, or the speed, remains uncertain. The increasing usage of technologies and the digitalization of banking also imply dedicated attention to **cyber-risk and e-fraud**.

The **regulatory and tax environment** significantly impact AXA Bank Belgium's activities. Changes in regulation or tax regimes can be highly impactful, especially given AXA Bank Belgium's simple business model, thus concentration on a limited number of activities. As an illustration, 2 recent regulatory measures have particularly affected retail banks, that transform deposits into mortgage loans: (a) the prudential measure decided by the National Bank of Belgium to raise capital requirements for mortgage loans as from 2018 or (b) the floor of 11bps on Belgian savings accounts, despite the negate interest rate environment on the short end of the yield curve. Other examples of evolving regulations or standards are MREL-requirements, IFRS9, EMIR, MiFID II, AMLD IV and V, GDPR. In 2018, AXA Bank will conduct the EU stress test, demonstrating its resilience to severe economic shocks. The result of this exercise will feed the SREP (Supervisory Review and Evaluation Process).

AXA Bank Belgium is particularly eager to implement a zero-tolerance approach towards **misconduct** risk. To this end, AXA Bank Belgium rolls out a multi-disciplinary programme, combining trainings, certifications, controls, incentives or sanctions.

Overall, AXA Bank Belgium monitors and manages risks within the risk appetite framework set by the Board of Directors and according to the prescribed risk governance. More information is available in Chapter 4 of the annual report.

Management bodies and corporate governance

COMPOSITION OF MANAGEMENT BODIES

Board of Directors	Management board	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee
Véronique Weill, Chairman (from 10/12/2016 until 31/01/2017)				President (from 10/12/2016 until 31/01/2017)	President (from 10/12/2016 until 31/01/2017
Jef Van In, Chairman (since 29/03/2017)				President (since 29/03/2017)	President (since 29/03/2017)
Peter Devlies (since 02/03/2017)	Chairman (since 02/03/2017)				
Philippe Rucheton independent director		x	President		
Michael Jonker independent director (from 29 January 2018)			x		x
Patrick Keusters independent director		Chairman	x (until 27/03/2018)	x (since 27/03/2018)	
Patrick Lemoine		x	x		
Marie-Cécile Plessix					
Benoît Claveranne (from 30 May 2017)				x	x
Emmanuel Vercoustre	Acting Chairman (until 02/03/2017)				
Françoise Gilles	x				
Peter Philippaerts (from 29 January 2018)	x				
Jeroen Ghysel	x				
Frank Goossens	x				
Sabine De Rycker (until 1 December 2017)	x				
Marc Bellis (until 31 December 2017)				x	x

Auditors: PwC Bedrijfsrevisoren bcvba / PwC Réviseurs d'Entreprises scrl, represented by Gregory Joos (accredited auditor)

AXA has the ambition to become worldwide the most inclusive company of the financial services industry. Therefore we are opposed to any form of discrimination.

MODIFICATIONS OCCURRING IN 2017 AND SINCE JANUARY 1ST 2018

Board of Directors:

- appointment of Peter Devlies, with effect from 2 March 2017
- appointment of Jef Van In as chairman of the Board of Directors with effect from 29 March 2017
- appointment of Benoît Claveranne, with effect from 30 May 2017
- appointment of Michael Jonker, with effect from 29 January 2018
- appointment of Peter Philippaerts, with effect from 29 January 2018
- resignation of Véronique Weill, with effect from 31 January 2017
- resignation of Sabine De Rycker, with effect from 1 December 2017
- resignation of Marc Bellis, with effect from 31 December 2017

Management Board:

- appointment of Peter Devlies as chairman with effect from 2 March 2017
- appointment of Peter Philippaerts, with effect from 29 January 2018
- resignation of Sabine De Rycker, with effect from 1 December 2017

Audit Committee:

- None

Risk Committee:

- appointment of Michael Jonker, with effect from 29 January 2018
- move of Patrick Keusters to Nomination Committee, with effect from 27 March 2018

Nomination Committee:

- appointment of Jef Van In, with effect from 29 March 2017, and as chairman of the committee
- appointment of Benoît Claveranne, with effect from 30 May 2017
- move of Patrick Keusters from Risk Committee, with effect from 27 March 2018
- resignation of Véronique Weill, with effect from 31 January 2017
- resignation of Marc Bellis, with effect from 31 December 2017

Remuneration Committee:

- appointment of Jef Van In, with effect from 29 March 2017, and as chairman of the committee
- appointment of Benoît Claveranne, with effect from 30 May 2017
- appointment of Michael Jonker, with effect from 29 January 2018
- resignation of Véronique Weill, with effect from 31 January 2017
- resignation of Marc Bellis, with effect from 31 December 2017

COMPETENCE OF THE MANAGEMENT BOARD

The Management Board is created by decision of the Board of Directors and manages AXA Bank Belgium and all of its branches and subsidiaries.

The management board is a collegially decision-making body. The Management Board's role is to propose the corporate strategy to the Board of Directors and execute that strategy. The Management Board is responsible for managing the bank's operations. It operates its management within the framework of the general policy defined by the Board of Directors. The Management Board operates under the supervision of the Board of Directors, which keeps the exclusive authority to determine the strategy and for all matters that are reserved exclusively to the Board of Directors by law.

Members of the management board (voting):

- CEO (Chairman): Peter Devlies
- Deputy CEO/CFO (Vice Chairman): Emmanuel Vercoustre
- CRO: Françoise Gilles
- Head of Customer Journey Invest: Peter Philippaerts
- Head of Customer Journey Daily Banking & Savings: Jeroen Ghysel
- Head of Customer Journey Credits: Frank Goossens
- Permanent invitees: Corporate Secretary of Management Board (secretary)
- Invitees: as required

Overview of the members of the management Board:

Peter Devlies joined AXA Bank Belgium on December 19th 2016 as Chief Executive Officer. He holds a Master in Business Administration from Chicago University and a Master in Commercial Engineering from KULeuven. Peter held previous positions at McKinsey and Dexia Bank Belgium before joining the Executive Committee of Bank Van Breda, a Belgian bank for entrepreneurs and liberal professions, in 2010.

Emmanuel Vercoustre joined AXA Bank Belgium as Head of Financial Services in December 2011 and became, additionally to his tasks, Deputy CEO in October 2012. Emmanuel holds an Insead MBA and also graduated from Ecole Supérieure de Commerce de Paris with a major in Finance. He joined AXA Group in 1999, as Head of Financing, Treasury and Participations after which he led the Corporate Finance and Treasury of AXA Group (Direction Centrale des Finances du Groupe) to become in 2007 Head of Finance, Control and Strategy of AXA Investment Managers. Before joining AXA, Emmanuel gathered a wide experience in banking during 17 years at Crédit Commercial de France in London and Paris with a strong focus on, first, building and developing a Trade Finance Department and, then, focusing on ALM, funding, product pricing and trading activities. Emmanuel is also a Director of ISDA (International Swaps and Derivatives Association).

Françoise Gilles was appointed as Chief Risk Officer in November 2014. Françoise is a Civil Engineer in Applied Mathematics from Université Catholique de Louvain-la-Neuve (UCL) and holds a Master degree in Actuarial Sciences. She is also a guest lecturer Life Insurance at UCL. Françoise has spent most of her career in the area of Risk Management, ALM and Capital Management at Fortis and ING. She joined AXA Bank Belgium in 2013 as head of European ALM & Capital Management. Thanks to her professional experience, she acquired a thorough knowledge of financial and capital markets.

As of December 1st, Peter Philippaerts has been appointed as Head of Customer Journey Invest and member of the Management Board of AXA Bank Belgium. Peter Philippaerts has a Master's degree in Economics (KU Leuven) and after having held several positions in distribution at Dexia Bank, he was general director of distribution at Dexia Bank, later Belfius Bank between 2006 and 2012. From 2012 to 2013, he was general director of operations at Belfius Bank, before joining Ordina Belgium as their Operations Director. In 2015 he was appointed Chief Operating Officer at CHU Brugmann.

Jeroen Ghysel has been appointed as of 1 January 2014 as Chief Information Officer and more recently (1st of February 2018) as Head of Customer Journey Daily Banking & Deposits. Jeroen Ghysel is a Commercial Engineer in Management Informatics (Leuven) and started his career as Business Process Management Consultant and later as Senior Consultant and Business Architect in various IT consultancy services companies. From 2006 to 2009, Jeroen performed as Program Manager at Fortis, where he was active for Fortis Group, ABN AMRO and Fortis Bank. He joined AXA in 2009 as Head of Business Transformation Services and became later Head of Business Service Line Bank & Retail Life. Since 2012, he is responsible for Business Transformation Planning and IT Service Development for AXA Bank Belgium.

Frank Goossens has been appointed as of September 2016 as Head of Products & Operations and most recently (1st of February 2018) as Chief Credit Officer. Frank obtained a Master's degree in law from the Katholieke Universiteit Leuven (KUL) (Catholic University Leuven) and also has a Bachelor's degree in Business Administration from the same university. Frank started his professional career in the insurance sector at De Vaderlandsche and Boreas Leven. After that, he worked in several positions at retail bank Centea where, in 1999, he was appointed Senior Manager of the department of credit to businesses, liberal professions and self-employed entrepreneurs. Later on, he became Senior Manager at the department of Clients, Transactions and Savings. Between 2003 and 2005, he was Senior Manager at the Inspections department. Between 2005 and 2011 he was Senior Manager Credits. In 2012, he joined AXA Bank as responsible for Operations Credits (acquisition, management, collections), as well as for credit policy and credit review.

COMPETENCE AND INDEPENDENCE OF THE AUDIT COMMITTEE AND THE RISK COMMITTEE

AXA Bank Belgium's Audit Committee consists of Patrick Keusters, who chairs it, Philippe Rucheton and Patrick Lemoine. It is made up of a majority of independent individuals so that it meets the requirements of article 27, paragraph 1 of the law of 25 April 2014 relating to the status and monitoring of credit institutions.

Its members have collective skill in the banking, accounting and audit areas and at least one member has skills in terms of accounting and/or audit. The Risk Committee has been operational since 1 January 2015 and is composed of Philippe Rucheton(Chairman), Michael Jonker (from 29 January 2018) Patrick Keusters (until 27 March 2018) and Patrick Lemoine, the first three being independent directors. Its members hold the status of non-executive directors.

Each of its members possesses the knowledge, skills and experience required for understanding and identifying the bank's strategy and level of risk tolerance. On these subjects, they are called upon to advise the members of the Management Board and to assist them in their supervisory role for the Management Board's implementation of the strategy.

Philippe Rucheton, Patrick Keusters and Michael Jonker meet each of the independence criteria given in article 526 ter of the company code.

In terms of competence, Philippe Rucheton has been appointed an independent director of AXA Bank Belgium from 24 April 2014. He is a graduate from the École Polytechnique, the Institut Supérieur des Affaires (Higher Business Institute) and from the Sorbonne. He was director and finance director of Dexia between December 2008 and March 2014. Before that, he worked at Société Générale as CFO for Newedge Group, a brokerage firm; as Vice-President of its Czech banking subsidiary between 1995 and 2002, as ALM director. He started his career at Louis-Dreyfus Bank and at BERD and was a director for 20 years of Bernard Controls, an industrial company. Philippe Rucheton therefore has very broad experience in the banking and investment fields, in general management and in financial management and control, both in Belgium and abroad.

Patrick Keusters has been appointed as an independent director of AXA Bank Belgium since 1 January 2016. He has a Law degree and a Masters degree in management from the Vlerick School. He started his career in 1985 at Citibank, where he specialised in Corporate Banking. He moved to Banque Degroof in 1992 where, in 2000, he became director and member of the executive committee. In 2002 he assumed the role of managing director, first at Banque Degroof Luxembourg and then, between 2004 and 2015, at Banque Degroof Belgium. His responsibilities there covered Operations, Accounting, Compliance, Loans, Legal and Tax Affairs and Facilities. He was also president of the specialized banks section of Febelfin.

Michael Jonker has been appointed as an independent director of AXA Bank Belgium since 29 January 2018. Michael Eduard Jonker holds an MBA in Finance from the University of Oregon. He started his career in 1978 at ABN Bank, after which he joined Bank of America, before becoming Senior Account Manager at Paribas Netherlands. At ING, he acquired experience in departments related to credits. He carried out the duties of Global Head of Credit Risk Management there. From 2002 to 2016, he held the post of Chief Risk Officer and sat on the Executive Committee of ING Belgium. He has also accumulated experience as Chairman of the Supervisory Board at ING Lease Belgium and as member of the Board of Directors of Record Bank.

Patrick Lemoine has been appointed as an independent director of AXA Bank Belgium since 1 January 2010. He is a Mining Engineer (EMSE), has a degree in Higher Accounting Studies, holds an MBA from INSEAD and is an actuary. He started his career in 1981 at Credit Lyonnais and has since then acquired broad experience as technical director of non-life insurance and as a financial director in the insurance sector, both in France and Canada. He has recently been appointed Head of the AXA Group P&C's operations Department.

Based on the above, the Board of Directors is able to justify the individual and collective competence of the members of the Audit Committee and the Risk Committee.

COMPETENCE AND INDEPENDENCE OF THE NOMINATION COMMITTEE AND THE REMUNERATION COMMITTEE.

The Nomination Committee is made up of Véronique Weill (until 31 January 2017), Jef Van In, Marc Bellis (up to 31 December 2017), Benoît Claveranne and Patrick Keusters (since 27 March 2018).

The Remuneration Committee is made up of Véronique Weill (until 31 January 2017), Jef Van In, Marc Bellis (up to 31 December 2017), Michael Jonker (from 29 January 2018) and Benoît Claveranne.

Both committees are chaired by Véronique Weill (until 31 January 2017) and by Jef Van In (Since 29 March 2017) and are composed uniquely of non-executive directors. Each committee has an independent member who meets each of the independence criteria given in article 526 ter of the company code.

In terms of competence, Marc-Antoine Bellis was appointed independent director of AXA Bank Belgium since the 23rd of August 2011. He is a doctor of Law and graduated in Economic Law from ULB, and was a consultant in tax law for eight years. He was a lawyer at the Brussels Bar. He has since then gained considerable experience in loans, ALM and risk and bank management, including internationally. Between 1994 and 2002 he was CEO of Fortis UK, and up to 2007 CEO Corporate, Institutional & Public Banking for the Fortis Group. He was Chairman of the Belgian Luxembourg Chamber of Commerce in Great Britain and administrator of the Foreign Banks and Securities Houses Association.

For the skills of the independent directors, Michael Jonker and Patrick Keusters, see above for the competences described for the Audit and Risk Committees.

The chairman of the committees, Jef Van In, is a Commercial Engineer (K.U.L.) and has an Executive MBA from Flanders Business School. After a national and international career at ING Bank, he became CEO of AXA Bank Belgium in 2011. In addition, in 2012 he became responsible for the life insurance business of AXA in Central & Eastern Europe. In July 2016, Jef Van In became CEO of AXA Belgium and beginning 2017 he became president of the Board of Directors of AXA Bank Belgium. On the 29th of March, Jef Van In was confirmed as member and President of the Nomination and Remuneration committee.

Benoît Claveranne is a graduate of the Paris Institut d'Etudes Politiques. He holds a Masters degree in economics from the University of Paris. He joined AXA in 2009 as Director of European and Institutional Affairs of the Group, after having worked as a Director within the International Monetary Fund, the World Bank and the Ministry of Finance. From 2011 to 2013, he was General Director at AXA Prévoyance & Patrimoine, a network of exclusive AXA France agents. From 2014 to 2016, Benoît Claveranne was Director-General of the Life, Savings and Pensions Business for the Asian Region. In July 2016, he became the Group's Transformation Director and member of AXA Group's Executive Board. Since 1 December 2017, he has carried out the duties of Chief Executive Officer International and New Markets.

Consequently, the Board of Directors is able to justify that the Nomination and Remuneration committees are made up in such a way as to allow them to make relevant and independent assessments, both on nomination and remuneration policies and practices, and on the working of AXA Bank Belgium's administration and management bodies.

Remuneration policy

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

All the members of the Board of Directors are considered as "Identified Staff" (Category 1). As a consequence, the principles set out under point 2 hereunder fully apply to them.

Non-executive directors
For the remuneration of the independent non-executive AXA Bank Belgium directors, their contribution to the work of the Board of Directors and of the committees within the Board of Directors will be considered. This is in accordance with the market standards.

The Directors concerned are reimbursed in the form of allowances and benefits in kind laid down by the Board of Directors for both the exercise of their mandates in the Board of Directors, and for their mandates in the committees which have been set up within the Board of Directors.

The mandate within the AXA Bank Belgium Board of Directors of the non-independent, non-executive directors who are part of an AXA Group entity, do not entitle them to any additional compensation.

Non-executive directors do not receive any variable compensation.

Executive directors
The remuneration policy applied by AXA Bank Belgium rests on the AXA Group's remuneration policy, and is in accordance with the Law relating to articles of association and monitoring credit institutions of 25 April 2014, known as the Banking Act. The main objective involves aligning the principles and structure of AXA Bank Belgium's remunerations with sound and efficient management of the company (including risk monitoring).

So, as to guarantee conformity with the remuneration policy, this is regularly reviewed by the Remuneration and Governance Committee of the Group, and by the Remuneration Committee of the Executive Board concerned.

The policy concerning the remuneration of the directors should allow:

- to attract, develop, retain and motivate talent,
- to encourage and reward the best performance,
  - both on an individual and collective level, and
  - in the short, medium and long term
- to align the remuneration level with the results of the company,
- to guarantee adequate and efficient risk management.

The Remuneration Guidance follows three main guiding principles:

- the competitiveness and market consistency of remunerations,
- the coherence and internal equity, based on individual and collective performance, in order to ensure fair and balanced remuneration reflecting employee's individual quantitative and qualitative achievements and impact; and
- the results and the financial capacity of the company.

REMUNERATION OF THE "IDENTIFIED STAFF»

"Identified Staff"
Taking into account Article 67 of the law of 25 April 2014 on the status and supervision of credit institutions and the implementing decrees and the Delegated Regulation, and through additional criteria, the Board of Directors of AXA Bank Belgium has determined the perimeter of the Identified Staff as follows:

- Category 1: The members of the Board of Directors;

- Category 2: The members of the Management Committee and other Committees and their direct reports;

- Category 3: The staff members with a position that implies risk-taking determined in accordance with the Delegated Regulation and other regulations;

- Category 4: The control functions that are responsible for the operational independent control functions ;

- Category 5: The staff members determined in accordance with the Delegated Regulation, of whom the total remuneration places them on the same remuneration level as the senior management and the persons with a position that implies risk-taking.

Structure of the remuneration of Identified Staff
The remuneration policy is structured in such a way that the total remuneration package is divided in a balanced way between the fixed component and the variable component.

The composition of the total package aims not to encourage any excessive risk-taking. The fixed component of the total remuneration package is significant enough to reward the staff members for their work, seniority, expertise and professional experience and to guarantee a totally versatile variable remuneration policy being set out, and notably the possibility of not paying any variable remuneration.

FIXED REMUNERATION
Determining the fixed remuneration
The base pay of the Identified Staff is determined by taking into account the organizational responsibilities, as defined in the job description and the positioning in relation to the external benchmark.

Certain categories of Identified Staff receive a recurring function premium. They are allocated transparently, in a non-discriminatory way, on the basis of objective parameters and not associated with or subject to performance criteria. In the event of changing position to a position not considered as Identified Staff, the person might no longer be entitled to the function premium.

The fixed remuneration can also include benefits in kind. .

Evolution of the fixed remuneration
Decisions concerning the evolution of the fixed remuneration of Identified Staff are based on performance (sustainable job fulfillment) and the positioning in relation to the external benchmark.

Individual increases are granted, based on the following principles:
→ equitable treatment;
→ strict delegation rules; and,
→ a systematic double control by the line management and the HR- department.

Every performance year, AXA Bank Belgium determines the budget available for the evolution of the fixed remuneration of Identified Staff.

The results of AXA Bank Belgium's past performance year (compared with the objectives defined) will be a determining factor in setting the budget for the evolution of the fixed remuneration.

If AXA Bank Belgium's statutory results of the past performance year are negative or significantly lower than the set objectives, or for reasons of legal restrictions, AXA Bank Belgium may decide to limit the budget to award those increases that are due based on legal and/or contractual provisions.

VARIABLE REMUNERATION
Determining the fixed remuneration
The variable remuneration is determined within the limits of the available budget and depending on the local and/ or professional market practices, the profits generated by the activity and the achievement of quantitative and qualitative objectives on an individual level and on the level of the bank and the business line, as well as the contribution to the risk management and the observance of the compliance rules.

→ Determining the bonus budget

Each year AXA Bank Belgium defines the total available budget.

The bonus pool is determined on the basis of a decision process that is based on the business results as well as on the risk results. Check & Balances are key in this respect.

The envelopes for variable remuneration are determined on the basis of:
- the results generated by the activity (annual bonus pool);
- the market and achievements, amongst others with regard to risk;
- the financial situation of AXA Bank Belgium, including the capital base and requirements and the liquidity;
- the realized profits; and,
- the profit expectation and long term expectation.

Each year, the bonus pools are determined in the course of the budget process by AXA Bank Belgium in consultation with the Finance and the General Management department under the surveillance and with approval of the Board of Directors upon the advice from the Remuneration Committee.
In doing so, account shall be taken of the direct input from Risk Management on the "cost of risk" (risk-adjusted performance) or equivalent risk measures, depending on the scope of the budget.

Only the results realized by the institutions within the AXA-group to whom CRD IV and the Banking Law apply are taken into consideration.

In the context of an ex ante risk adjustment, a risk analysis will be executed on the level of the enterprise and on the level of the business line or a particular section thereof, without prejudice to the evaluation on an individual level.

Variable bonus pools for supporting functions and integrated control functions are - by way of derogation from the above – determined independently of the performance of the business line of which they validate or control the transactions.

In the event the entity performs poorly, the individual variable remunerations determined within the scope of the funding available will automatically be reduced proportionately.

→ (Individual) performance
The **performance of AXA Bank Belgium** is taken into consideration by means of the result of the STIC (Short Term Incentive Compensation) Grid. This "STIC Grid" consists of key indicators of activities and results with each receiving a certain weighting, and taking risk criteria into account.

The **(individual) performance** is measured by the achievement of (individual) financial and non-financial performance criteria, defined as:
- quantitative objectives (which are taken into account for at least 25% of the variable remuneration); and,
- qualitative objectives (general attitude, risk awareness, alignment with the interests of the client, the employee and the shareholder).

They are measured over various periods of time (achievements on a yearly basis, but also on a multiannual basis) for the years to come by means of observed performances and individual assessments with regard to the fixed objectives.

These objectives are determined in accordance with a fixed system, whereby objectives are:
- determined based on the 'SMART' principle: Specific, Measurable, Assignable, Realistic, Time-related;
- determined by 'success criteria';
- balanced;
- validated by both parties; and,
- formalized in the performance document in 'People In' within the AXA Bank Belgium deadline.

The Individual Performance Plan applies to the Identified Staff in all business lines of the bank and consists of an individual part that is linked to the performance score, that takes into account the results and risk/risk management objectives.

→ Ratio fixed remuneration – variable remuneration
The variable remuneration of each person of the Identified Staff is limited to the maximum of the following two amounts:
- € 50,000, without this amount being able to exceed that of the fixed remuneration
- 50% of the fixed remuneration

This restriction of the difference between the fixed remuneration and variable remuneration also applies for allocations of variable remuneration in case of exceedance of the objectives ('above target') or in case of extraordinary achievements.

PROCESS OF ALLOCATION AND INDIVIDUALIZATION – INDIVIDUAL ASSESSMENT
Within AXA Bank Belgium, the performance of the team to which the Identified Staff belongs and his or her individual performance (performance is measured on the basis of the profit- and risk level with regard to that profit) is assessed (a compulsory **annual individual assessment** carried out by the line manager) on the basis of at least the following elements:

→ qualitative accomplishments in relation to the objectives set;
→ professional behavior with regard to the values, compliance requirements and procedures applicable at AXA Bank Belgium, and aligned with the values and the leadership attitudes of the Group ("AXA Leadership Framework");
→ contribution to risk management, including operational risk;
→ the managerial behavior of the person where appropriate.

The Board of Directors, after advice from the Remuneration Committee will carry out an additional assessment for all members of the Identified Staff taking into account:

→ the contribution to the permanent control framework of the Bank;
→ the involvement with material risks and subsequent decisions;
→ incidents that would have occurred during the year and the corrective actions taken by the individual or his managers.

This assessment may lead to an impact on the variable remuneration.

The assessment will be executed as much as possible with predetermined and applicable formulas and rules regarding the assessment. Score cards or other equivalent methods will be used for this purpose, whereby from 2017 onwards a formal evaluation will take place with regard to:

→ compliance-criteria;
→ a sound risk management.

The level of achievement of every objective and of the relevant leadership attitudes will be indicated amongst others on the score card by a score and concrete remarks. In addition, an overall score (on WHAT and HOW) and a total performance score will be attributed with a qualitative motivation in the relevant comment fields.

Depending on the realized quantitative and qualitative objectives, proposals for decisions will be determined.

PAYMENT OF THE VARIABLE REMUNERATION
In accordance with the Banking Act, at least 40% of the variable remuneration (up to 60% for the highest variable remuneration) is granted in the form of **deferred variable remuneration**, and at least 50% of the variable remuneration must be paid in "**financial instruments**".

This manner of remuneration, supported by employees' long-term profit-sharing, allows a significant part of the variable remuneration to be deferred, all in accordance with the requirements of laws and national and international regulations, and the requirements of national and international regulators.

→ Conditional cash
The 50% in "financial instruments" will be paid as "conditional cash".
To ensure the differentiation with cash variable remuneration, the conditional cash is subject to a retention period and targets after the retention period set in relation to
- Solvability (floor 2018: 10,125%), liquidity (floor 2018:100%) & leverage (floor 2018:3%)
- A retention period of 1 year (as from grant/vesting) before the conditional cash payment will be effectively made.

This leads to the following payment scheme:

Assumptions	
Performance year	2017
Upfront	60%
Deferred	40%

Spread over (years)	5
Cash	50%
Conditional Cash	50%

	Payment date*	01/04/2018	01/04/2019	01/04/2020	01/04/2021	01/04/2022	01/04/2023	01/04/2024
Upfront	Cash	30%						
	Conditional Cash		30%					
Deferred	Total deferred granted		8%	8%	8%	8%	8%	
	Cash		4%	4%	4%	4%	4%	
	Conditional Cash	0		4%	4%	4%	4%	4%
Total cash-flow profile		**30%**	**34%**	**8%**	**8%**	**8%**	**8%**	**4%**

** Conditional cash is paid on the payment date if for the calander year preceding the payment date, the condition has been met.*

→ Exception for variable remuneration below € 75,000
The BNB's current administrative circulars authorize an exception to this rule for members of the Identified Staff whose variable remuneration is lower than € 75,000.

MALUS AND CLAWBACK FRAMEWORK
The Bank's malus and clawback provisions allow the Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the already paid/vested variable remuneration recovered in certain situations.

AXA Bank Belgium will reduce the parts of the variable remuneration that are not yet paid or acquired of all (possibly former) Identified Staff (malus) if AXA Bank Belgium has a decreased or negative financial return on investment or if one of the following situations is discovered::

→ the Identified Staff does not comply with the applicable standards of expertise and professional integrity;
→ the Identified Staff is involved with practices that have led to considerable losses for AXA Bank Belgium or is responsible for such practices;
→ the Identified Staff is involved with a special mechanism that has as its purpose or effect the promotion of fiscal fraud by third parties;
→ any circumstance that implies that the payment of the variable remuneration constitutes an infringement of the good remuneration policy of AXA Bank Belgium or of the risk management strategy or of its limited to medium risk profile.

AXA Bank Belgium will reclaim the variable remuneration that is already paid or acquired of all (possibly former) Identified Staff (clawback) if AXA Bank Belgium has a decreased or negative financial return on investment or if one of the following situations is discovered, and this within three years following the payment or, if the case may be, the acquisition of the variable remuneration:

- the Identified Staff does not comply with the applicable standards of expertise and professional integrity;
- the Identified Staff is involved with practices which have led to considerable losses for AXA Bank Belgium or is responsible for such practices;
- the Identified Staff is involved with a special mechanism having as purpose or effect the promotion of fiscal fraud by third parties

Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

In case of dismissal for misconduct (or for employees that already left AXA Bank Belgium or its affiliated enterprises, the conduct that would have led to a dismissal if it were discovered while the staff member was still employed) and particularly when there is a breach of risk management procedures or a breach of the compliance or conduct rules or dissimulation or an action that resulted in a distortion of the conditions under which the variable remuneration which was initially allocated were set, all or part of the rights to the deferred parts of the initially allocated variable remuneration shall immediately be lost ("malus") and all elements of variable remuneration already paid shall possibly be reclaimed ("clawback"). This principle will be entered into each plan that will be submitted to an Identified Staff member for approval.

SPECIFIC RULES RELATING TO VARIABLE REMUNERATION OF IDENTIFIED STAFF EMPLOYED WITHIN INTERMEDIATION AND ALM ACTIVITIES
The variable remuneration pool is determined every year, based upon internal and external benchmarks. The pool is impacted by the achievement of AXA Bank Belgium's targets and also by the achievement of the targets of the Head of Treasury & Intermediation and the Head of ALM. The distribution of the pool among the employees concerned is at appreciation of the management, and is based on the achievement of the individuals' respective quantitative and qualitative objectives set at the start of the year, including the strict respect of risk limits and controls.

SPECIFIC RULES RELATING TO VARIABLE REMUNERATION OF INDEPENDENT CONTROL FUNCTIONS
The above mentioned principles of remuneration are similar for category 4 of the Identified Staff, namely persons occupying independent control functions (and including the Chief Risk Officer); with the following exceptions:

- AXA Bank Belgium's performance is not taken into account for determining variable remuneration effectively paid.
- Non-deferred variable remuneration is wholly and exclusively determined based on specific individual criteria associated with the position (individual performance).

Compensation in the event of contract termination

Without prejudice to the application of legal and regulatory provisions and agreements binding the company, severance payment that might be agreed with a person affected is determined so as not to reward failure or irregular behavior.

For salaried members of staff, AXA Bank Belgium ensures to respect the application of the legal provisions.

If an agreement relating to granting severance pay is concluded with a non-salaried director, the total of the payments granted shall not exceed 12 months of fixed and variable remuneration. An opt-out clause is only possible on the condition of a reasoned opinion from the remuneration Committee and prior approval from the General Meeting.

Governance of the remuneration policy

AXA Bank Belgium has a long-term remuneration plan, the rules of which are determined by the remuneration policy. These rules may be adapted regularly, notably depending on decisions taken at the level of the AXA Bank's Board of Directors and the evolution of the (inter)national regulatory framework.

The Executive Board has decision-making competence concerning the establishment of the remuneration policy and decision-making relating to the individual remuneration of the persons affected. In this domain, it is assisted by 2 committees: the Remuneration Committee and the Risk Committee.

The Remuneration Committee actively contributes to implementing the remuneration policy. It consists of non-executive directors, at least one of whom is independent in the sense of the Companies Code. It is composed so as to allow it to exercise pertinent and independent judgment on remuneration policies and practices, and on the incentives created regarding the control of risks, equity requirements and the liquidity position.

The work of the Remuneration Committee consists in proposing, in the form of advice and in accordance with the remuneration policy, decisions to be taken by the Executive Board relating to remuneration principles and procedures. It is also entrusted with preparing decision to be taken by the Executive Board, taking into account the repercussions on the company's risk and risk management on the one hand and the long-term interests of shareholders, investors and other stakeholders in the institution on the other, as well as the public interest.

The remuneration policy may be revised by decision of the Executive Board on a proposal from the Remuneration Committee at any time, and notably in the event of legislative amendment associated with labour, accounting and tax law, as well as in the event of the rules of governance changing.

Its implementation is subject, at least once a year, to an internal assessment aiming to verify whether it respects the remuneration policies and procedures adopted by the Executive Board. If need be, the Remuneration Committee will make adaptation proposals that are imposed.

The Risk Committee, consisting of non-executive directors, at least one of whom is independent in the sense of the Companies Code, examines whether the incentives provided by the remuneration system take into account the appropriate manner of risk control, equity requirements and the liquidity position of AXA Bank Belgium, as well as the probability and staggering of profits, so as to ensure sound and efficient management of risk, preventing risk-taking exceeding the level tolerated by AXA Bank Belgium.

Quantitative information on remuneration awarded to Identified Staff for the financial year 2017

Business Area	Number of people concerned	Amount of total compensation	Amount of fixed compensation	Amount of variable compensation awarded
Retail Activities	11	2.449.506 €	1.980.814 €	468.692 €
Non-Retail Activities, Support & Control	11	2.625.274 €	2.044.981 €	580.293 €

TOTAL REMUNERATION OF IDENTIFIED STAFF IN 2017 (EXCLUDING NON-EXECUTIVE BOARD MEMBERS COMPENSATION)
The quantitative information set out below concerns the remuneration awarded for the year 2017 to Identified Staff within the meaning of CRDIV and the Belgian banking law, but does not reflect remuneration awarded to other employees:
Structuur van de variabele bezoldigingscomponent:

Structure of the variable component of remuneration

Population	Fixed Remuneration	Variable Remuneration	Sign-on payment	Severance payment			
				Paid	Awarded	Highest awarded	
Executive Board Members	2.066.363 €	601.657 €	-	653.000 €	-	653.000 €	Amount (EUR)
	7	6	-	1	-	-	# people concerned
Senior management (beyond executive directors)	919.296 €	209.563 €	-	-	-	-	Amount (EUR)
	7	6	-	-	-	-	# people concerned
Other Identified Staff	1.040.135 €	237.765 €					Amount (EUR)
	8	8	-	-	-	-	# people concerned

Population	Forms of variable remuneration (awarded)				Outstanding deferred remuneration		Deferred remuneration		
	Cash	Shares	Share linked instrum.	Other types*	Vested	Unvested	Awarded	Paid out	Reduced
Leden van het bestuursorgaan	300.829 €	N/A	N/A	300.829 €	314.445 €	1.378.054 €	283.273 €	26.636 €	-
Hoger management (buiten de uitvoerende bestuurders)	209.563 €	N/A	N/A	N/A	30.121 €	208.779 €	-	-	-
Andere Identified Staff	237.765 €	N/A	N/A	N/A	78.476 €	397.990 €	-	-	-

** Conditional cash*

Number of MRT employees whose total remuneration for 2017 exceeded 1 million euros

Total compensation	Number of MRTs for the year 2017
Between 1 million euro and 1.5 million euros	0
Between 1.5 million euros and 2 million euros	0
Between 2 million euros and 2.5 million euros	0

Directors with external mandates

AXA senior manager as at 31/12/2017	Patrick Keusters			Philippe Rucheton		
Post at AXA Bank Belgium (ABB)	Independent director and Chairman of the Audit Committee			Independent director and Chairman of the Risk Committee		
Company where the external mandate is carried out	Tribeca AIFM	Orcadia Asset Management SA	Stoll Security SA	Bernard Controls SA	Société générale SFH	Société générale SCF
Registered office	Avenue Louise 65 bte 12 1050 Brussels Belgium	13, rue de l'Industrie, L -8699 Windhof	Z.A.R.E. Ilot Ouest L 4384 Ehlerange	4, rue d'Arsonval BP 76091 95505 Gonesse France	17 cours Valmy 92800 Puteaux France	17 cours Valmy 92800 Puteaux France
Business sector	Investment company	Investment company	Security	Electrical and mechanical	Housing financing company	Mortgage company
Registration on regulated market	No	No	No	No	No	No
External position held	Non-executive director	Non-executive director	Non-executive director	Non-executive director	Non-executive director	Non-executive director
List of shareholders with more than 5% ABE?	No	No	No	No	No	No

Appendix 1

This document presents the institutional commitments AXA has taken in line with our Corporate Responsibility strategy with special emphasis on the human rights and the environment.

1. INSTITUTIONAL COMMITMENTS

AXA has a long-standing commitment to conduct its business in compliance with applicable laws and regulations and in accordance with the highest ethical principles. In addition to national laws and regulations, AXA joined the **United Nations' Global Compact** in February 2003 and made formal commitments to adhere to and promote its ten guiding principles. The **Global Compact**'s ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are applicable to every AXA entity.

AXA signed up to or supports various initiatives in the area of corporate responsibility, which are listed below.

AXA is also a vice-chair of the **FSB Task Force** on Climate-related Financial Disclosures, and presidents the **EU High-Level Expert Group** on Sustainable Finance.

2. HUMAN RIGHTS

The AXA Group is committed to respecting internationally recognized human rights principles as defined by the **United Nations Universal Declaration of Human Rights**, the core standards of the **International Labour Organization**, and the **Guiding Principles** for the implementation of the **United Nations "Protect, Respect and Remedy" Framework ("Ruggie Principles")**. This policy also reflects AXA's commitment to international general and sector-specific standards such as the **UN Global Compact**, the **UN Principles for Responsible Investment** - a voluntary framework to integrate environmental, social and governance (ESG) criteria into the insurance business - and the **UN Principles for Sustainable Insurance** - a voluntary framework to integrate ESG criteria into the investment value chain.

AXA also comply with national laws while respecting these international rights principles. We will thus avoid causing or contributing to adverse human rights impacts in areas which we can directly influence through our management control and address such impacts when they occur.

3. ENVIRONMENT

AXA is committed to reducing its direct impact on the environment by actively managing its energy, paper and water consumption, as well as carbon emissions and waste. AXA is also aware of the role it can play in promoting environmental protection awareness amongst its stakeholders, contributing to improve the understanding of global and local environmental risks, and committing to address climate change.

a. Environmental management perimeter definition

With regards to Grenelle 2 legislation, AXA Group emphasizes that its direct operations, focusing on financial services, do not generate major impacts on the environment. AXA has some sites classified for environmental protection but they do not produce any significant emissions into air, water and soil, CO2 emissions being AXA's main environmental concern. Activities and facilities are not likely to generate noise and odor emissions.
Carbon dioxide is the most significant greenhouse gas emitted by AXA and paper is the most significant raw material consumed by AXA. As a result, AXA's environmental reporting and management processes focus on energy, water and paper consumption, as well as related CO2 emissions.

b. Institutional commitments to protect the environment

The AXA Group and local entities signed or joined the various initiatives in the area of environmental protection (and/or CR more generally). AXA signed: the **World Business Council for Sustainable Development (WBCSD)**, **manifesto for Energy Efficiency in buildings** (2010), **the "Kyoto Statement"** (Geneva Association: AXA Group 2009), **"Caring for Climate"** (WBCSD/UNEP FI/UN Global Compact: AXA Group 2008), **Carbon Disclosure Project** (AXA Group partnership since 2005), **"Sustainable Development Charter"** (Fédération Française des Sociétés d'Assurances: AXA France, 2009) and **Investor Statement on Climate Change** (International Investor Group on Climate Change: AXA IM, 2008). AXA also supports various iniatives including the **"Montreal Carbon Pledge"**, **"2° Investing Initiative"**, the **"Carbon Pricing Leadership Coalition"**, **Entreprises pour l'environnement (EpE)**, etc.

In 2013, AXA signed the **UNISDR Private Sector Commitment for Disaster Risk Reduction** and is represented in their Advisory Board Group. These principles cover 5 key areas around the role that the private sector can take to further encourage Disaster Prevention, Resilience and Risk Reduction (e.g. increase public private partnership, share risk management expertise, etc.).

c. Performance targets

In 2013, AXA Group's Corporate Responsibility and operational teams (e.g. procurement, IT, marketing, HR) worked closely to set ambitious 2020 targets which will steer AXA to a more sophisticated and embedded environmental strategy. As a result, AXA set a new Global Key Performance Indicator (KPI) target for the 2012-2020 period:

- -25% carbon emissions per FTE.
  This target is broken-down into the following targets:
  - -35% power consumption (kWh/FTE)
  - -15% business travel: vehicle fleet (km/FTE)
  - -5% business travel: air and train (km/FTE)
  - -45% office paper (kg/FTE)
  - -50% marketing and distribution paper consumption (kg/client)

In addition, AXA Group has also set two environmental targets that are unrelated to carbon emissions:

- 95% of paper must originate from recycled or sustainable sources
- -15% water consumption

In addition to these core objectives, AXA aims at improving its waste management, especially electronic waste, in particular by implementing the Waste Electronic and Electrical Equipment (WEEE) Directive in all AXA sites worldwide. This directive is of particular relevance to AXA Technology Services, the Group's entity managing IT equipment. In April 2017, AXA also validated a target to procure 100% of its electricity from renewable energy sources by 2025.

All of these targets are monitored on a regular basis and reported on annually to help local entities measure progress on their own action plans and targets.

Additional information about the AXA Group's corporate responsibility-related policies and practices is available in the 'Integrated Report', in the 'Annual Report', in the 'Social Data Report' and on the AXA Group's website (www.axa.com), in particular in the 'Corporate Responsibility' section. You may also contact our Corporate Responsibility team at AXA Belgium:

→ Dina Iosifidis, dina.iosifidis@axa.be

→ Hannelore Hendrickx, hannelore.hendrickx@axa.be

→ Lauranne Collin, lauranne.collin@axa.be

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Free Translation

AXA BANK BELGIUMS SA/NV

Statutory auditor's report to the general shareholders' meeting on the consolidated accounts for the year ended 31 December 2017

5 April 2018

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 5 April 2018 on the consolidated financial statements of AXA Bank Belgium NV (prepared in the Dutch and French language). The audited consolidated financial statements of AXA Bank Belgium NV and the accompanying auditor's report will be deposited and will be available at the National Bank of Belgium (www.nbb.be). The accompanying free translation of the consolidated financial statements has not been audited by PwC Bedrijfsrevisoren/PwC Reviseurs d'Entreprises bcvba/sccrl, so we are therefore only liable in the context of our audit report originally drafted in the Dutch and French language.

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY AXA BANK BELGIUM SA/NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of AXA Bank Belgium SA/NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the audit of the consolidated accounts, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting *d.d.* 27 April 2017, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the consolidated accounts for the year ended 31 December 2019. We have performed the statutory audit of the consolidated accounts of AXA Bank Belgium SA/NV for 19 consecutive years.

Report on the audit of the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR '000' 27.316.107 and a profit for the year of EUR '000' 41.437.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

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Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts*" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Uncertainty regarding the estimation of financial instruments measured at fair value

Description of the key audit matter

The current economic climate and low interest rate environment influence the estimation of the fair value of the financial instruments measured at fair value of AXA Bank Belgium. Details regarding the valuation of financial instruments at year-end 31 December 2017 are included in the notes to the consolidated financial statements 5 and 6. The applicable valuation rules are described in Note 2 to the consolidated financial statements (chapters: “Financial instruments - securities” and “Treasury”).

For certain financial instruments, a quoted price is not immediately available to determine the fair value. Valuation techniques and -models used to determine the fair value in these cases are inherently subjective and make use of various assumptions concerning pricing. In addition, many factors can influence the determination of the fair value and can vary both per type of instrument and within types of instruments. The use of different valuation methods and assumptions could lead to significant different estimates of fair value. Furthermore, adjustments to the fair value of certain positions measured at fair value are recognized in profit and loss or in the equity. These adjustments are driven by the current market conditions, the evolutions in the credit risk parameters, the interest rate environment and the financing costs; all elements that have an impact on the fair value of financial instruments measured at fair value. The most important adjustments to the fair value are included in Notes 5.4 and 5.5 to the consolidated financial statements. Since the use of different assumptions could lead to different estimates of fair value, we consider this as a key audit matter.

Our audit approach

We have gained an understanding of the internal control environment concerning the valuation of financial instruments, including the control procedures carried out on the prices and the validation process of the models. We have assessed the appropriateness of the methodology used for the validation process of the models with the aid of our internal valuation experts and have performed a recalculation of a sample of fair value valuations. This involves an assessment, based on our experience with market practices, of the market data, the static data and the key assumptions used in the fair value measurement models. Based on our procedures, we conclude that the outcome of management’s assessment resulting from the models used for determination of the fair value of financial instruments for which a quoted price is not immediately available, falls within a reasonable and acceptable range of outcomes. Finally, we assessed the completeness and accuracy of the disclosures regarding the fair value of these financial instruments to assess the compliance with the requirements for the explanatory notes included in the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Uncertainty regarding the estimation of the recoverability of the deferred tax assets

Description of the key audit matter

As indicated in the notes to the consolidated financial statements chapters 2.11.3 ("Estimation of deferred taxes"), 6 ("Use of estimates and judgements") and 16 ("Income taxes"), AXA Bank Belgium recognized significant amounts of deferred tax assets for which the recoverability depends on the realisation of the strategic plan. The recognition of these deferred tax assets is therefore dependent on the future taxable income of the Group. The estimate of this future taxable income is included in AXA Bank Belgium's strategic plan that is approved by the Board of Directors. The use of other assumptions in the strategic plan could result in other estimates of the future taxable income, which would have an effect on the estimation of the deferred tax asset. Given the complexity of the assessment of the appropriate character and the systematic application of the method and the assumptions used, we consider this as a key audit matter.

Our audit approach

In our audit approach we have paid specific attention to the process underlying the preparation of the strategic plan. We reviewed the assumptions and the methods used in the plan in collaboration with experts if necessary and concluded that the assumptions were reasonable and applied systematically, and that the methods used were appropriate and systematically applied.

Finally, we assessed the completeness and accuracy of the disclosures regarding the deferred tax assets in order to assess the compliance with the requirements for the explanatory notes included in the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Responsibilities of the board of directors for the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view 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 accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this report is consistent with the consolidated accounts for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. We do not express any form of assurance conclusion on this directors' report.

AXA Bank Belgium has referred in the director's report to the non-financial information published at AXA S.A. group level and has added additional information at the level of AXA Bank Belgium. Moreover, we do not express any assurance on the individual elements included in the non-financial information.

Statement related to independence

- We did not provide services which are incompatible with the statutory audit of the consolidated accounts and we remained independent of the Company in the course of our mandate;
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

Other statements

- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Sint-Stevens-Woluwe, 5 April 2018

The statutory auditor
PwC Reviseurs d'Entreprises sccrl / Bedrijfsrevisoren bcvba
Represented by

Gregory Joos
Réviseur d'Entreprises / Bedrijfsrevisor

AXA Bank Europe
Management Report 2016

redefining / standards

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Message from the Chairman of the Board of Directors & the Chief Executive Officer

In 2016, the banking sector in Europe and in Belgium faced a contrasted environment : on one hand : persistent low interest rates, extremely high volumes of mortgage credit refinancings and prepayments, again higher bank levies, accelerated changes in customers' behaviour, supervisory intensified scrutiny and numerous regulatory changes. On the other hand, some factors played positively: abundant liquidity, low inflation, acceleration of economic growth (albeit still at a low pace) and further improvement of credit performance. In this environment AXA Bank was able to remain on course thanks to its transformation plan, launched two years ago to further strengthen its commercial and financial performances and pursue its transformation. Despite a lower Net Banking Product due to refinancings and lower capital gains realization, AXA Bank posted a 98 million euro net income (FINREP) up 66 million euro vs 2015 thanks to lower administrative expenses (-182 million euro, down -4 million euro from 2015) and lower cost of risk (-7 million euro down -13 million euro from 2015).

The key pillars of the bank's strategy remained, on one hand, the focus on selective growth while being more efficient, and, on the other side, the accelerated transformation of its platform. During the year, the bank focused its commercial development on the strengthening of its relationship with its clients aiming at becoming their first banking partner. AXA Bank wants to accompany efficiently its customers to realize their projects, mainly by providing a full range of banking services with a particular emphasis on mortgages and investment products and advice for retail clients and professional loans for independents and very small companies. Furthermore, the bank continued to work on improving its efficiency by automating processes, being very disciplined on costs while pursuing its investment in people and tools, in particular in core elements of its retail banking platform. Indeed, the bank accelerated its transformation to improve the customer's digital experience: new functionalities were added regularly on the different digital devices (opening of new products such as cards and investment accounts, appointment tool, etc.) while some user convenience improvements were implemented.

On top of improving the digital experience for the clients, AXA Bank further invested in the professionalization of its agent network. In 2016, the bank continued the technical -commercial training for agents to strengthen added-value customer advice. In parallel, the bank set up a specific central Invest and Professional credit expert's team to support agents to extend their footprint in those activities.

AXA Bank also pursued its derivatives Intermediation activities, providing added-value services to AXA entities by processing and managing their derivatives in the market, all within a very strict risk appetite. The net new production volumes were lower than 2015. In 2016 AXA Bank continued to actively compress its stock of derivatives allowing to neutralize the net new production and keep, overall, the total derivatives off balance outstanding broadly unchanged.

2016 was also marked by the final step in the derisking of the bank with the successful signing and closing of the sale transaction of its Hungarian business. Hungarian activities and most of the staff were transferred to OTP Bank Plc on October 31st. This transaction is the final step to reposition AXA Bank as a retail bank exclusively present on the Belgian market and operating jointly with AXA Insurance in Belgium.

Peter Devlies

CEO

Jef Van In

Chairman of the Board of Directors

About

AXA Bank

Key numbers*

Our team

1.000.000 clients

850 employees

700 point of sales

Our ratios

76%
C/I ratio

8%
RoE

Our Results

in million euro

Our balance sheet

Client deposits

17.8 billion euro

Client Loans

18.1 billion euro

Mortgage loans

15.8 billion euro

Our Solvency & Liquidity

""AXA Bank is pursuing its successful repositioning as a connected and trusted financial partner for our 1.000.000 clients in Belgium "

Peter Devlies

*all numbers are IFRS consolidated numbers except Underlying Earnings which are an AXA Group non GAAP measure

About AXA Bank

History

2010

- Launch execution desk Paris
- Stop Hungarian combined loans production
- Jacques de Vaucleroy appointed as chairman of the Board

2011

- Launch of commercial activities of AXA Bank Slovakia & IT Poland
- Disposal of ABE Swiss
- Jef Van In Appointed as new CEO

2012

- Run-off of Hungarian mortgages portfolio
- Closure of Execution Desk Paris/branch
- ABE Czech Republic/ Slovakia closed

2013

- Review of governance. Belgian retail activities fully under responsability of bank's CEO

2014

- New Belgium Retail Conquest Strategy
- Announcement of downsizing in number of FTEs
- Issuance of CoCo bonds for 90 milli-on euro
- Capital increase by 135 million euro
- Issuance of € 400m covered bond

2015

- Sale of remaining CSP portfolio
- Closure of ITC Poland
- Signature of sale of Hungarian activities

2016

- Successful 750 million euro covered bond
- Closing of sale Hungarian activities
- Peter Devlies is nominated CEO

Future

FOCUS & TRANSFORM

About

AXA Bank

AXA Group

Overview of AXA Group

64 COUNTRIES

166,000 EMPLOYEES

103 MILLION CUSTOMERS

Countries where AXA Group is active

Present in 64 countries, AXA's 166,000 employees and exclusive distributors provide their expertise in support of 103 million customers through four core business activities: Property & Casualty Insurance; Life & Savings; Health Insurance; and Asset Management. In a fast-evolving world, AXA anticipates change to offer services and solutions tailored to the current and future needs of its customers.

Overview of AXA Group

- 31% Northern, Central and Eastern Europe
- 22% France
- 14% United States
- 9% Asia (excluding Japan)
- 7% Japan

- 6% United Kingdom and Ireland
- 5% Mediterranean Region and Latin America
- 3% International Insurance
- 2% Direct

GEOGRAPHICAL BREAKDOWN OF BUSINESS

Underlying earnings (insurance activities)

Based on AXA Group profile in 2015

Economic and financial context

Impact on ABE

	Overall context	Impact for AXA Bank Europe
Financial Environment	• Low interest rates • Abundant liquidity • Low inflation • Slight acceleration of economic growth	• Strong credit production at attractive margins • Good credit performance with decreasing default rates • Comfortable liquidity ratios • Prepayments and refinancing of mortgage loans weigh down on future profitability • Market conditions make it interesting for customers and banks to gradually shift from on-balance sheet savings accounts towards off-balance sheet investment products
Customer Behaviour	• Changing customer behaviour and expectations • Fast evolution of the payments industry & FinTech development	• Increased focus on development of digital tools for customers e.g. homebanking, smartphone application
Political Environment	• Geopolitical uncertainty & instability	• Geopolitical environment leads to uncertainty, increased spreads & market volatility

Results

Belgian retail activities

Savings & invest

The net growth of balance sheet savings & invest products reached +1.2 billion euro, a very strong increase driven by new inflows in current & savings accounts and by the inflows related to the buy-back of the Crest insurance products. Part of the Crest related flows have been transformed to off balance sheet investment products like AXA funds. The net growth in the off balance sheet invest products at +416 million euros was very strong.

In the context of the persistent low interest rates, our clients are confronted with a rather unfavourable investment environment. This results in high net inflow in the current accounts +406 million euro and savings accounts +861 million euro. This latter is also positively impacted by important inflow coming from the buy-back of Crest insurance products. Portfolio of fixed rate products remained relatively stable with a moderate increase in our term deposits portfolio (+102million euro) and a slight decrease in our certificates portfolio (-47million euro).

The net growth in the off balance sheet investment portfolio reached 416 million euro or an increase of 341 million euro versus 2015. This strong increase is a confirmation that AXA Bank's strategy to better serve our clients investment needs through advisory services and extend fund offering is being rolled-out successfully. Indeed, the largest increase was observed in the net inflow in AXA funds, which has more than doubled to 433 million euro versus 137 million euro net inflow in 2015. This includes the investments made by clients through the recurrent investment plan: a new AXA Bank product launched in June 2016. Net inflow for structured products and third party investment funds was slightly negative -11 million euros and -5 million euros respectively.

Daily Banking

All our daily banking indicators improved in 2016 in comparison with 2015: number of accounts (+14k), number of active accounts (+14k), number of online clients (+22k), number of credit cards (+15k) and number of clients using AXA Bank as their first bank (First Bank Clients) (+57k).

Credits

Mortgage Loans - After the record year of 2015, our lending volumes continued growing to 2.9 billion euro new loan production. The production level was especially high in the second half of the year during which AXA Bank slightly increased its market share. However, over the whole of 2016, we maintained our market share of 8%. The outstanding mortgage loans portfolio reached 15.8 billion euros or +7% compared to 2015. The volumes of prepayment and refinancing have remained high in the first three quarters of the year only to slow down in the last quarter thanks to interest rate increases in that period.

Consumer loans - Sales volumes increased in 2016 in comparison with 2015 by 24 million euro or +8%. Our production remained concentrated in car loans (180 million euro) and Immo loans (87 million euro).

Professional loans - Following our strategy to focus on the lending to independent professions and very small companies under strict risk appetite control, profession loan volume production has increased to 425 million euro or +19% compared to 2015. This production is mainly concentrated in the following products: Immo4Pro (196 million euro), Equipement4Pro (78 million euro) and Car4Pro (68 million euro). Indeed, the enhanced commercial activity focused on this segment and the review of the professional loan product offering, initiated in April 2015, have resulted in strong increase of the production and steady growth of the outstanding portfolio which reached 1.4 billion euro.

Asset & Liability Management

The Asset and Liability Management framework (ALM) at AXA Bank is an essential component of balance sheet management. Its main purpose is to manage AXA Bank's exposure to interest rate-, liquidity-, and foreign exchange risks. These risks are managed within the risk appetite framework, set by AXA Bank's Board of Directors and within the applicable regulatory constraints in the banking sector.

ALM has actively hedged the net new interest rate position, arising from the monthly production of retail assets and liabilities, including pipeline risk. The cap risk embedded in variable rate retail mortgages (most likely to materialize in a rising interest rate environment) was also hedged.

The investment portfolio, managed within a strict limit framework is composed exclusively of high quality European sovereign debt, supranational exposure and covered bonds, without any foreign exchange risk. To improve AXA Bank's leverage ratio and to partially offset (through capital gains) hedge accounting inefficiencies on the retail mortgages book (due to the severe prepayment wave), the size of the portfolio was further decreased by 3.28 billion euro (Book Value) in 2016 and stands at 3.95 billion euro.

AXA Bank further diversified its structural long term funding: AXA Bank participated for 150 million euro in the TLTRO II funding opportunity offered by the ECB to lock in 4 year funding at an attractive rate. A 500 million euro matured covered bond was rolled into a new 750 million euro 7yrs issue.

Treasury & Intermediation

AXA Bank's treasury and intermediation department provides mainly funding, cash management and execution of derivatives transactions, for the retail business of AXA Bank as well as for several AXA group entities.

Treasury has decreased its repo business with AXA insurance entities to approximately 20% of the average transaction volume of 2015 in order to deleverage ABE's balance sheet. This repo volume reduction does not impact the diversification of AXA Bank Europe's funding sources. Money market transactions with credit institutions and professional clients, repos, certificates of deposit, participation to the refinancing operations of the ECB are part of the treasury's activity range. Indeed, ABE's short term financing policy and liquidity contingency plan still foresees access to a broad range of instruments and supports in this way conservatively managed cash balance that is in itself the result of the retail growth in credits and savings.

AXA Bank's liquidity position, that is immediately available, remains comfortably larger than the regulatory required liquidity buffer within the Liquidity Coverage Ratio (LCR). Besides retail liabilities, the liquidity resources of ABE also contain a Notes issuance programme and covered bonds issued by AXA Bank Europe SCF that at end December, 2016 stand at resp. 1.35 billion euro and at 4.15 billion euro.

Treasury & Intermediation

The pay-offs of the Notes issuances are structured in-house and hedged in the market by AXA Bank's derivatives specialists that also provide derivative execution and processing services, exclusively for entities of AXA Group worldwide. The provided services include execution, clearing, valuation and (EMIR) reporting obligations. Besides the mandatory derivative volume compressions analyses, AXA Bank reduced its operational risk through a compression of 14.3 billion euro of interest rate derivatives. Although the new volume of client derivatives dealt over 2016 stands at 7.7 billion euro, AXA Bank's derivative outstanding hardly rose over 2016 with 1.8 billion euro to 93.6 billion euro in 2016.

Back loading derivatives to a central clearing platform and active management of counterparty credit exposure allowed for a reduction of the counterparty credit exposure to AXA Bank 's main derivative counterparts.

Comments on the consolidated results

Profit & Loss

million euro	2015	2016
Interest margin	322	290
Net banking product	381	356
Underlying earnings	90	74
Net income	32	98

Interest margin — Retail assets showed a strong production at resilient margins. New mortgage production stands at 2.9 billion euro at margins of around 174Bp. Retail liabilities Net New Money of 1.2 billion euro fueled in 2016 by Crest Buy Back at 1 billion euro.

Net Banking Product — Net Banking Product (NBP) at 356 million euro or -24 million euro below 2015. This is driven by the persistent low interest rates which have triggered high volumes of mortgage loan prepayments and refinancing and reduced ALM transformation results (-17 million euro). Moreover, the Intermediation activity generated lower revenues (-28 million euro). These negative impacts on the revenues have only partially been offset by strong volume growth in the lending business at solid margins (+13 million euro) and the good results in the investment business resulting in higher fee income (+8 million euro). Margins on liabilities were resilient thanks to the consecutive client rate cuts applied on savings accounts in 2016.

Underlying Earnings — Underlying Earnings stand at 74 million euro or -16 million euro below 2015. This significant reduction of the results is mainly explained by the decreased Net Banking Product (-24 million euro), higher Distribution Commissions (-5 million euro) and higher Bank Levies (-4 million euro) which are only partly offset by lower Administrative Expenses (excluding Bank Levies) (+4 million euro) and lower Cost of Risk (+13 million euro).

Indeed, Administrative Expenses excluding Bank Levies stands at 182 million euro or 4 million euro below 2015 thanks to a 4% decrease of Staff Expenses and 11% decrease of Goods & Services realized through the pursuit of structural cost reduction measures and strict cost discipline.

Cost of Risk stands at 7 million euro or 13 million euro below 2015 as a result of derisking efforts performed over the last few years, the adjustment of credit risk models and the sale of a portfolio of written off loans.

Net Income — Net Income Belgian Territory is at 79 million euro or -24 million euro below 2015, which is mainly explained by UE evolution. The contribution of Hungary to the Net Income is very strong at 19 million euro. This is mainly due to (1) the release of provisions (partial take back of 2015 provisions) +21 million euro (2) good performance of run-off of the business with better than expected costs of risk +6 million euro (3) new provision of 10 million euro (or 8 million euro post DTA) to cover risk of warranties and guarantees given to OTP. Consequently, ABE consolidated Net Income stands at 98 million euro (RoE of 8%) well above 2015 results.

Comments on the consolidated results

Balance sheet and Off– balance sheet

Balance sheet

billion euro	2015	2016		2015	2016
Commercial Assets	**17,5**	**18,1**	**Commercial Liabilities**	**18,8**	**19,1**
Retail Assets Belgium	16,9	18,1	Retail Liabilities Belgium	16,7	17,9
Retail Assets Hungary	0,6	0,0	Retail Liabilities Hungary	0,4	0,0
			EMTN Other AXA Entities	0,6	0,5
			Current Accounts AXA Group	1,1	0,6
Non Commercial Assets	**13,4**	**9,9**	**Non Commercial Liabilities**	**11,3**	**8,0**
Investment portfolio	7,4	4,0	Covered bonds	3,4	3,5
Treasury Assets	2,2	2,3	Treasury Liabilities	5,4	2,2
FV on derivatives	2,2	2,2	FV on derivatives	1,6	1,6
Other assets	1,6	1,4	Other Liabilities	0,6	0,4
			Equity	**1,2**	**1,2**
Total Assets	**30,9**	**28,0**	**Total Liabilities & Equity**	**30,9**	**28,0**

Assets - Total assets decreased by 2.9 billion euro due to (1) ALM investment portfolio sales (-3.4 billion euro) (2) Belgian Retail Credit production (+0.7 billion euro); however this was partly offset by sale of mortgage portfolio of Hungary

Liabilities - Significant increase is Retail liabilities, fuelled in 2016 by Crest buy-back. This was partly offset by the sale of Hungarian portfolio and the reduction of current accounts volumes of other AXA entities. Decrease in Treasury liabilities mainly due to reduction of repo volumes.

Equity - equity is stable: increase in retained earnings is offset by changes in OCI.

Off- Balance sheet

- Off-balance sheet outstanding increased modestly by 1.8 billion euro to 93.6 billion euro (2016 versus 2015).
- The intermediation off balance sheet grew by only 3,9 billion euro as new client volume (7,7 billion euro) and market transactions were partially offset by compressions.
- The ALM portfolio positions were impacted by (1) asset swaps sold in the investment portfolio, and, (2) the Treasury portfolio forex swap, which is stable.

Change in the consolidation scope

On December 31st 2016, the scope of consolidation for AXA Bank Europe included the following companies: AXA Bank Europe SA, including branch in Hungary, Royal Street SA, AXA Belgium Finance BV and AXA Bank Europe SCF (société de crédit foncier). The activities regarding the Hungarian branch were terminated in 2016.

Comments on the statutory accounts & the allocation of earnings

The statutory profit of the year 2016 amounts to 69.4 million euro. The accumulated losses at the end of 2015 were at 57.1 million euro. Consequently, the positive cumulative impact on December 31st 2016 amounts to 12.3 million euro.

The Board of Directors proposes to, after allocation to the legal reserves, carry forward the result to the next financial year.

Significant events after 2016

No significant event up till now.

Liquidity & solvency

- Liquidity for AXA Bank Europe remained at a comfortable level throughout 2016. As per 31 December 2016, the Liquidity Coverage Ratio (LCR) is at 169% (139% in 2015) and Net Stable Funding Ratio (NSFR) at 139% (139% in 2015). This position is based on a combination of funding sources such as deposits from retail customers and covered bonds for the institutional market.
- AXA Bank Europe shows high solvency further strengthened over 2016 thanks to its continued prudent investment strategy and conservative distribution policy. All solvency ratios improved over the year. As per 31 December 2016, AXA Bank Europe's Tier 1 ratio stands at 23.1% (20.0% in 2015) and total capital ratio at 23.5% (21.2% in 2015). These ratios significantly exceed the regulatory requirements. These same ratios fully loaded, i.e. calculated as if Basel III were already in full force, amounted to 23.7% and 23.9% respectively (22.4% and 23.1% in 2015), demonstrating that the bank has anticipated the implementation of Basel III.

- In connection with the contemplated implementation of the non-risk based leverage ratio, basically comparing Tier1 capital to unadjusted total assets, the bank has further decreased it balance sheet, essentially through a significant reduction of our bonds portfolio, also taking the opportunity of the low interest rates throughout 2016. As a consequence, the bank's leverage ratio lands at 4.1%. In light of the low risky assets of AXA Bank, this level offers a comfortable buffer. Indeed our assets essentially include loans with mortgage guarantees, bonds issued by governments and supra-national bodies (European funds) and to a lesser extent financial instruments fully collateralised by cash or high quality bonds.

Main risks & uncertainties

Because of the nature of its activities, AXA Bank is exposed to certain risks. The main risks are the credit risk (risk of default), interest rate risk, market risk, liquidity risk and operational risk. These risks are managed within a risk appetite framework defined annually by the Board of Directors. These various risks are described in more detail in Section 4 - Risk management of our annual accounts.

During 2016, the Belgian mortgage loan market continued to experience a high refinancing rate due to the low interest rate environment. While this has put pressure on margins and revenues, AXA Bank has been able to temper the impact with the significant production of mortgage loans of strong credit quality.

AXA Bank has further reduced its credit risk by materializing the sale of its Hungarian branch. Indeed, the complete retail business in Hungary has been transferred to OTP bank during the fourth quarter of 2016 and the official closure of the branch "AXA Bank Hungary" is planned for next year.

The significant risk reduction has been reflected in AXA Bank's results to the European Union-wide banking stress test, which have fed the 2016 round of Supervisory Review and Evaluation Processes (SREP) under which the European authorities decided the appropriate capital resources that AXA Bank has to hold.

Finally, the results of the United Kingdom's referendum, in which more than 50% voted to leave the European Union, has changed the international economic landscape. On the short term, the reaction of financial markets to the "Brexit" has barely affected AXA Bank.

A number of recent (USA) or forthcoming (France, Germany) political elections may create instability or unforeseen changes to the economic or market environments.

Corporate Governance

Composition of management bodies

Board of Directors	Management Committee	Audit Committee	Risk Committee	Nomination Committee and Remuneration Committee
Peter Devlies (since 02/03/2017)	Chairman (since 02/03/2017)			
Jef Van In, Chairman (since 28/03/2017)	Chairman (until 27/07/2016)			Chairman (since 28/03/2017)
Sabine de Rycker	✓			
Françoise Gilles	✓			
Jeroen Ghysel	✓			
Marie-Cécile Plessix				
Frank Goossens (since 22/11/2016)	✓			
Patrick Lemoine		✓	✓	
Emmanuel Vercoustre	Chairman (from 27/07/2016 until 02/03/2017)			
Marc Bellis, independent director				✓
Patrick Keusters, independent director		Chairman (since 04/02/2016)	✓	
Philippe Rucheton, independent director		✓	Chairman	
Jacques de Vaucleroy, Chairman (until 30/06/2016)				Chairman
Frank Koster (until 13/07/2016)				✓
Céline Dupont (until 13/07/2016)	✓			

Auditors: PwC Bedrijfsrevisoren bcvba / PwC Reviseurs d'Entreprises sccrl, represented by Tom Meuleman (accredited auditor)

AXA has the ambition to become worldwide the most inclusive company of the financial services. Our aim is to become as diverse and inclusive as possible. Therefore we are opposed to any form of discrimination.

Corporate Governance

Modifications occurring in 2016 and as of 1 January 2017

Board of Directors:

- nomination of Peter Devlies effective on 2nd March 2017
- nomination of Frank Goossens effective on 22nd November 2016
- nomination of Jef Van In as chairman of the board effective on 28th March 2017
- resignation of Jacques de Vaucleroy effective on 30th June 2016
- resignation of Frank Koster effective on 13th July 2016
- resignation of Céline Dupont, effective on 13th July 2016

Executive Committee:

- nomination of Peter Devlies as chairman effective on 2nd March 2017
- nomination of Frank Goossens, effective on 22nd November 2016
- resignation of Céline Dupont, effective on 13th July 2016
- resignation of Jef Van In effective on 27th July 2016

Audit Committee:

- nomination of Patrick Keusters as chairman, effective on 4th February 2016

Risk Committee:

- nomination of Patrick Keusters, effective on 1st January 2016

Nomination Committee:

- nomination of Jef Van In effective on 28th March 2017 as chairman of the committee
- resignation of Jacques de Vaucleroy, effective on 30th June 2017
- resignation of Frank Koster, effective on 13th July 2016

Remuneration Committee:

- nomination of Jef Van In effective on 28th March 2017 as chairman of the committee
- resignation of Jacques de Vaucleroy, effective on 30th June 2017
- resignation of Frank Koster, effective on 13th July 2016

Corporate Governance

Competence and independence of the Audit Committee and the Risk Committee

AXA Bank Europe's Audit Committee and Risk Committee consist of Philippe Rucheton, Patrick Keusters and Patrick Lemoine, the first two being independent directors.

The Risk Committee was formed within the executive board by decision of the board on the 5th of December 2014, pursuant to article 27, 2nd of the law of the 25th of April 2014 relating to the articles of association and monitoring credit institutions. 5 meetings per year are scheduled and ad hoc meetings are organized in function of the need. Both committees have the same members but a different chairman.

Its members hold the status of non-executive directors. At least one of them must be independent in the sense of article 526 of the Companies Code. It has been in operation since 1st January 2015.

Each of its members possesses the knowledge, skills and experience required for understanding and identifying the bank's strategy and level of risk tolerance. On these subjects, they are called on to advise the members of the Executive Board and to assist them in their role of supervising the executive committee's implementation of the strategy.

Following on from a recommendation by the European Central Bank – namely to entrust the presidency of the Risk and Audit Committees to different persons – the Executive Board has designated Patrick Keusters as president of the Audit Committee, and Philippe Rucheton as the one of the Risk Committee.

Philippe Rucheton was appointed independent director of AXA Bank Europe on 24 April 2014. He is a graduate of the Ecole Polytechnique, the Institut Supérieur des Affaires and the Sorbonne. He was a director and finance director at Dexia between December 2008 and March 2014. Prior to that he worked at Société Générale as CFO of Newedge Group, a brokerage firm; as Vice President of its Czech banking subsidiary and from 1995 to 2002, as ALM director. He started his career at the Louis-Dreyfus Bank and at the BRED, and was director for 20 years at Bernard Controls, an industrial company. At the age of 68, Philippe Rucheton thus has ample experience in banking and investment, general management as well as financial management and monitoring. He is also familiar with the Belgian market since 2008.

Patrick Keusters was appointed independent director of AXA Bank Europe on 1st January 2016. He graduated in Law and has a Master's in Management from the Vlerick School. He began his career in 1985 at Citibank, where he specialised in Corporate Banking. He went to the Banque Degroof in 1992 where, in 2000, he became director and member of the executive committee. In 2002 he assumed the role of managing director, first at the Banque Degroof Luxembourg and then, between 2004 and 2015, at the Banque Degroof Belgium. His responsibilities there covered Operations, Accounting, Compliance, Loans, Legal and Tax Affairs and Facilities. He was also president of the specialized banks section of Febelfin.

Philippe Rucheton and Patrick Keusters both meet all the criteria of independence listed in article 526 ter of the Companies Code.

Patrick Lemoine was appointed director of AXA Bank Europe on 1st January 2010. He is a Mining Engineer (EMSE), has a degree in Higher Accounting Studies, an MBA from INSEAD and is an actuary. He began his career in 1981 at Crédit Lyonnais and since then has gained vast experience as a technical director in damage insurance and as a finance director in the insurance sector, in France and in Canada.

Based on the above, the executive board is able to justify the individual and collective competence of the members of the Audit Committee and the Risk Committee.

Corporate Governance

Competence and independence of the Nomination Committee and Remuneration Committee

AXA Bank Europe's Nomination and Remuneration Committees consist of Jacques de Vaucleroy (until 30th June 2016), Frank Koster (until 13th July 2016) and Marc Bellis, all three non-executive directors.

Jacques de Vaucleroy is a lawyer, graduated from *Université Catholique de Louvain* (UCL) and has a Master's in Company Law from the *Vrije Universiteit Brussel* (VUB). He spent most of his career within the ING Group, where he was notably a member of the executive committee. He had 23 years of experience in insurance, share and banking management, in Europe and the United States, when in 2010 he was appointed managing director of AXA's Northern, Central and Eastern Europe region (NORCEE). He is a member of the management committee and executive committee of AXA (FR).

Frank Koster was appointed non-executive director of AXA Bank Europe in November 2014. Since September of the same year, he was director and president of the management committee (CEO) of AXA Belgium. Prior to that, he was CEO of ING Insurance Asia Pacific since 2009. He started his career within the ING Group in 1996 where he performed various roles in the Netherlands and in Asia: Chief Marketing Officer of ING Insurance Korea from 2001 to 2003, CEO of ING Vysvya Life Insurance from 2004 to 2006 and the Group's Communication and Corporate Affairs Manager in the Netherlands from 2006 to 2009.

Marc-Antoine Bellis was appointed independent director of AXA Bank Europe since the 23rd of August 2011. He is a doctor of Law and graduated in Economic Law from ULB, and was a consultant in tax law for eight years. He was a lawyer at the Brussels Bar. He has since then gained considerable experience in loans, ALM and risk and bank management, including internationally. Between 1994 and 2002 he was CEO of Fortis UK, and up to 2007 CEO Corporate, Institutional & Public Banking for the Fortis Group. He was Chairman of the Belgian Luxembourg Chamber of Commerce in Great Britain and administrator of the Foreign Banks and Securities Houses Association.

Since 27 July 2016, as of the moment Jef Van In resigned as President of the Management Board of AXA Bank Europe, but remained as non-executive director with the function of Vice President, he was nominated as member of the Nomination Committee and Remuneration Committee.

Jef Van In is a Commercial Engineer (K.U.L.) and has an Executive MBA from Flanders Business School. After a national and international career at ING Bank, he became CEO of AXA Bank Europe in 2011. In addition, in 2012 he became responsible for the life insurance business of AXA in Central & Eastern Europe. In July 2016, Jef Van In became CEO of AXA Belgium and beginning 2017 he became president of the Board of Directors of AXA Bank Europe.

Jef Van In was confirmed as member and President of both Committees.

Consequently, the Executive Board is able to justify the individual and collective competence of the member of the Nomination and Remuneration Committees.

Remuneration Policy

Remuneration of the members of the Board of Directors

All the members of the Board of Directors are considered as "Identified Staff" (Category 1). As a consequence, the principles set out under point 2 hereunder fully apply on them.

Non-executive directors

The remuneration of non-executive independent directors of AXA Bank Europe takes into account their investment in relation to the work of the Executive Board. This is in line with market standards.

They are remunerated in the form of fees set by the General Meeting.

Furthermore, members of committees created within the Executive Board receive, for their specific roles, an annually set remuneration by decision of the Executive Board, in accordance with the articles of association.

With non-executive non-independent directors being employees of an entity of the AXA Group, their mandate within AXA Bank Europe's Executive Board does not lead to any supplementary remuneration.

In general, non-executive directors do not receive any variable remuneration.

Executive directors

The remuneration policy applied by AXA Bank Europe rests on the AXA Group's remuneration policy, and is in accordance with the Law relating to articles of association and monitoring credit institutions of 25 April 2014, known as the Banking Act. The main objective involves aligning the principles and structure of AXA Bank Europe's remunerations with sound and efficient management of the company (including risk monitoring).

So, as to guarantee conformity with the remuneration policy, this is regularly reviewed by the Remuneration and Governance Committee of the Group, and by the Remuneration Committee of the Executive Board concerned.

The policy concerning the remuneration of the directors should allow:

- to attract, develop, retain and motivate talent,
- to encourage and reward the best performance,
  - ◊ both on an individual and collective level, and
  - ◊ in the short, medium and long term
- to align the remuneration level with the results of the company,
- to guarantee adequate and efficient risk management.

The Remuneration Guidance follows three main guiding principles:

- the competitiveness and market consistency of remunerations,
- the coherence and internal equity, based on individual and collective performance, in order to ensure fair and balanced remuneration reflecting employee's individual quantitative and qualitative achievements and impact; and
- the results and the financial capacity of the company.

Remuneration Policy

Remuneration of the "Identified Staff

"Identified Staff"

Taking into account Article 67 of the law of 25 April 2014 on the status and supervision of credit institutions and the implementing decrees and the Delegated Regulation, and through additional criteria, the Board of Directors of AXA Bank Europe has determined the perimeter of the Identified Staff as follows:

- **Category 1**: The members of the Board of Directors;
- **Category 2:** The members of the Management Committee and other Committees and their direct reports;
- **Category 3**: The staff members with a position that implies risk-taking determined in accordance with the Delegated Regulation and other regulations;
- **Category 4**: The control functions that are responsible for the operational independent control functions ;
- **Category 5**: The staff members determined in accordance with the Delegated Regulation, of whom the total remuneration places them on the same remuneration level as the senior management and the persons with a position that implies risk-taking.

Structure of the remuneration of Identified Staff

The remuneration policy is structured in such a way that the total remuneration package is divided in a balanced way between the fixed component and the variable component.

The composition of the total package aims not to encourage any risk-taking. The fixed component of the total remuneration package is significant enough to reward the staff members for their work, seniority, expertise and professional experience and to guarantee a totally versatile variable remuneration policy being set out, and notably the possibility of not paying any variable remuneration.

Fixed remuneration

Determining the fixed remuneration

The base pay of the Identified Staff is determined by taking into account the organizational responsibilities, as defined in the job description and the positioning in relation to the external benchmark.

Certain categories of Identified Staff receive a recurring function premium. They are allocated transparently, in a non-discriminatory way, on the basis of objective parameters and not associated with or subject to performance criteria. In the event of changing position to a position not considered as Identified Staff, the person might no longer be entitled to the function premium.

The fixed remuneration can also include benefits in kind.

Evolution of the fixed remuneration

Decisions concerning the evolution of the fixed remuneration of Identified Staff are based on performance (sustainable job fulfillment) and the positioning in relation to the external benchmark.

Individual increases are granted, based on the following principles:

- equitable treatment;
- strict delegation rules; and,
- a systematic double control by the line management and the HR- department.

Every performance year, AXA Bank Europe determines the budget available for the evolution of the fixed remuneration of Identified Staff.

The results of AXA Bank Europe's past performance year (compared with the objectives defined) will be a determining factor in setting the budget for the evolution of the fixed remuneration.

If AXA Bank Europe's statutory results of the past performance year are negative or significantly lower than the set objectives, or for reasons of legal restrictions, AXA Bank Europe may decide to limit the budget to award those increases that are due based on legal and/or contractual provisions.

Variable remuneration

Determining the variable remuneration

The variable remuneration is determined within the limits of the available budget and depending on the local and/or professional market practices, the profits generated by the activity and the achievement of quantitative and qualitative objectives on an individual level and on the level of the bank and the business line, as well as the contribution to the risk management and the observance of the compliance rules.

◊ **Determining the bonus budget**

Each year AXA Bank Europe defines the total available budget for each "Band".

The bonus pool is determined on the basis of a decision process that is based on the business results as well as on the risk results. Check & Balances are key in this respect.

The envelopes for variable remuneration are determined on the basis of:

- the results generated by the activity (annual bonus pool);
- the market and achievements, amongst others with regard to risk;
- the financial situation of AXA Bank Europe, including the capital base and requirements and the liquidity;
- the realized profits; and,
- the profit expectation and long term expectation.

Each year, the bonus pools are determined in the course of the budget process by AXA Bank Europe in consultation with the Finance and the General Management department under the surveillance and with approval of the Board of Directors upon the advice from the Remuneration Committee. In doing so, account shall be taken of the direct input from Risk Management on the "cost of risk" (risk-adjusted performance) or equivalent risk measures, depending on the

scope of the budget.

Only the results realized by the institutions within the AXA-group to whom CRD IV and the Banking Law apply are taken into consideration.

In the context of an ex ante risk adjustment, a risk analysis will be executed on the level of the enterprise and on the level of the business line or a particular section thereof, without prejudice to the evaluation on an individual level.

Variable bonus pools for supporting functions and integrated control functions are - by way of derogation from the above – determined independently of the performance of the business line of which they validate or control the transactions.

In the event the entity performs poorly, the individual variable remunerations determined within the scope of the funding available will automatically be reduced proportionately.

◊ **(Individual) performance**

The **performance of AXA Bank Europe**, is taken into consideration by means of the result of the STIC (Short Term Incentive Compensation) Grid. This "STIC Grid" consists of key indicators of activities and results with each receiving a certain weighting, and taking risk criteria into account.

The **(individual) performance** is measured by the achievement of (individual) financial and non-financial performance criteria, defined as:

- quantitative objectives (which are taken into account for at least 25% of the variable remuneration); and,
- qualitative objectives (general attitude, risk awareness, alignment with the interests of the client, the employee and the shareholder),

They are measured over various periods of time (achievements on a yearly basis, but also on a multiannual basis) for the years to come by means of observed performances and individual assessments with regard to the fixed objectives.

These objectives are determined in accordance with a fixed system, whereby objectives are:

- determined based on the 'SMART' principle: Specific, Measurable, Assignable, Realistic, Time-related;
- determined by 'success criteria';
- balanced;
- validated by both parties; and,
- formalized in the performance document in 'People In' within the AXA Bank Europe deadline.

The Individual Performance Plan applies to the Identified Staff in all business lines of the bank and consists of an individual part that is linked to the performance score, that takes into account the results and risk/risk management objectives.

◊ **Ratio fixed remuneration – variable remuneration**

The variable remuneration of each person of the Identified Staff is limited to a maximum of the following two amounts:

- € 50,000, without this amount being able to exceed that of the fixed remuneration
- 50% of the fixed remuneration

This restriction of the difference between the fixed remuneration and variable remuneration also applies for allocations of variable remuneration in case of exceedance of the objectives ('above target') or in case of extraordinary achievements.

Process of allocation and individualization – individual assessment

Within AXA Bank Europe, the performance of the team to which the Identified Staff belongs and his or her individual performance (performance is measured on the basis of the profit- and risk level with regard to that profit) is assessed (a compulsory **annual individual assessment** carried out by the line manager) on the basis of at least the following elements:

- qualitative accomplishments in relation to the objectives set;
- professional behavior with regard to the values, compliance requirements and procedures applicable at ABE, and aligned with the values and the leadership attitudes of the Group ("AXA Leadership Framework");
- contribution to risk management, including operational risk;
- the managerial behavior of the person where appropriate.

The Board of Directors, after advice from the Remuneration Committee will carry out an additional assessment for all members of the Identified Staff taking into account:

- the contribution to the permanent control framework of the Bank;
- the involvement with material risks and subsequent decisions;
- incidents that would have occurred during the year and the corrective actions taken by the individual or his managers.

This assessment may lead to an impact on the variable remuneration.

The assessment will be executed as much as possible with predetermined and applicable formulas and rules regarding the assessment. Score cards or other equivalent methods will be used for this purpose, whereby from 2017 onwards a formal evaluation will take place with regard to:

- compliance-criteria;
- a sound risk management.

The level of achievement of every objective and of the relevant leadership attitudes will be indicated amongst others on the score card by a score and concrete remarks. In addition, an overall score (on WHAT and HOW) and a total performance score will be attributed with a qualitative motivation in the relevant comment fields.

Depending on the realized quantitative and qualitative objectives, proposals for decisions will be determined.

Payment of the variable remuneration

In accordance with the Banking Act, at least 40% of the variable remuneration (up to 60% for the highest variable remuneration) is granted in the form of **deferred variable remuneration**, and at least 50% of the variable remuneration must be paid in "**financial instruments**".

This manner of remuneration, supported by employees' long-term profit-sharing, allows a significant part of the variable remuneration to be deferred, all in accordance with the requirements of laws and national and international regulations, and the requirements of national and international regulators.

◊ **Conditional cash**

The 50% in "financial instruments" will be paid as "conditional cash".

To ensure the differentiation with cash variable remuneration, the conditional cash is subject to a retention period and targets after the retention period set in relation to

- solvability (floor 2017: 9,25%), liquidity (floor 2017:100%) & leverage (floor 2017:3%)
- A retention period of 1 year (as from grant/vesting) before the conditional cash payment will be effectively made.

This leads to the following scheme:

Assumptions

Performance year	2016	
Upfront	60%	
Deferred	40%	
Spread over	5	years
Cash	50%	
Conditional cash	50%	

	Payment date*	*01/04/2017*	*01/04/2018*	*01/04/2019*	*01/04/2020*	*01/04/2021*	*01/04/2022*	*01/04/2023*
Upfront	Cash	30%						
	Conditional cash		30%					
Deferred	*Total deferred granted*		*8%*	*8%*	*8%*	*8%*	*8%*	
	Cash		4%	4%	4%	4%	4%	
	Conditional cash			4%	4%	4%	4%	4%
Total cash-flow profile		**30%**	**34%**	**8%**	**8%**	**8%**	**8%**	**4%**

***** Conditional cash is paid on the payment date if for the calendar year preceding the payment date, the condition has been met

◊ **Exception for variable remuneration below € 75,000**

The BNB's current administrative circulars authorize an exception to this rule for members of the Identified Staff whose variable remuneration does not exceed € 75,000.

Malus and Clawback framework

The Bank's malus and clawback provisions allow the Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the already paid/vested variable remuneration recovered in certain situations.

AXA Bank Europe will reduce the parts of the variable remuneration that are not yet paid or acquired of all (possibly former) Identified Staff (malus) if AXA Bank Europe has a decreased or negative financial return on investment or if one of the following situations is discovered:

- the Identified Staff does not comply with the applicable standards of expertise and professional integrity;
- the Identified Staff is involved with practices that have led to considerable losses for AXA Bank Europe or is responsible for such practices;
- the Identified Staff is involved with a special mechanism that has as its purpose or effect the promotion of fiscal fraud by third parties;
- any circumstance that implies that the payment of the variable remuneration constitutes an infringe-

ment of the good remuneration policy of AXA Bank Europe or of the risk management strategy or of its limited to medium risk profile.

AXA Bank Europe will reclaim the variable remuneration that is already paid or acquired of all (possibly former) Identified Staff (clawback) if AXA Bank Europe has a decreased or negative financial return on investment or if one of the following situations is discovered, and this within three years following the payment or, if the case may be, the acquisition of the variable remuneration:

- the Identified Staff does not comply with the applicable standards of expertise and professional integrity;
- the Identified Staff is involved with practices which have led to considerable losses for AXA Bank Europe or is responsible for such practices;
- the Identified Staff is involved with a special mechanism having as purpose or effect the promotion of fiscal fraud by third parties

Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

In case of dismissal for misconduct (or for employees that already left AXA Bank Europe or its affiliated enterprises, the conduct that would have lead to a dismissal if it were discovered while the staff member was still employed) and particularly when there is a breach of risk management procedures or a breach of the compliance or conduct rules or dissimulation or an action that resulted in a distortion of the conditions under which the variable remuneration which was initially allocated were set, all or part of the rights to the deferred parts of the initially allocated variable remuneration shall immediately be lost ("malus") and all elements of variable remuneration already paid shall possibly be reclaimed ("clawback"). This principle will be entered into each plan that will be submitted to an Identified Staff member for approval.

Specific rules relating to variable remuneration of Identified Staff employed on the trading floor

The variable remuneration fund is determined every year. It is calculated depending on the operating result of the trading floor activities and the results of AXA Bank Europe. The distribution of the fund between the trading-floor employees as a whole is at the discretion of the management, and rests on attaining the individual quantitative and qualitative objectives set at the start of the year, and strictly respecting risk monitoring.

Specific rules relating to variable remuneration of independent control functions

The above mentioned principles of remuneration are similar for category 4 of the Identified Staff, namely persons occupying independent control functions (and including the Chief Risk Officer); with the following exceptions:

- AXA Bank Europe's performance is not taken into account for determining variable remuneration effectively paid.
- Non-deferred variable remuneration is wholly and exclusively determined based on specific individual criteria associated with the position (individual performance).

Remuneration Policy

Compensation in the event of contract termination

Without prejudice to the application of legal and regulatory provisions and agreements binding the company, severance payment that might be agreed with a person affected is determined so as not to reward failure or irregular behaviour.

For salaried members of staff, AXA Bank Europe ensures to respect the application of the legal provisions.

If an agreement relating to granting severance pay is concluded with a non-salaried director, the total of the payments granted shall not exceed 12 months of fixed and variable remuneration. An opt-out clause is only possible on the condition of a reasoned opinion from the remuneration Committee and prior approval from the General Meeting.

Governance of the remuneration policy

AXA Bank Europe has a long-term remuneration plan, the rules of which are determined by the remuneration policy. These rules may be adapted regularly, notably depending on decisions taken at the level of the AXA Bank's Board of Directors and the evolution of the (inter)national regulatory framework.

The Executive Board has decision-making competence concerning the establishment of the remuneration policy and decision-making relating to the individual remuneration of the persons affected. In this domain, it is assisted by 2 committees: the Remuneration Committee and the Risk Committee.

The Remuneration Committee actively contributes to implementing the remuneration policy. It consists of non-executive directors, at least one of whom is independent in the sense of the Companies Code. It is composed so as to allow it to exercise pertinent and independent judgment on remuneration policies and practices, and on the incentives created regarding the control of risks, equity requirements and the liquidity position.

The work of the Remuneration Committee consists in proposing, in the form of advice and in accordance with the remuneration policy, decisions to be taken by the Executive Board relating to remuneration principles and procedures. It is also entrusted with preparing decision to be taken by the Executive Board, taking into account the repercussions on the company's risk and risk management on the one hand and the long-term interests of shareholders, investors and other stakeholders in the institution on the other, as well as the public interest.

The remuneration policy may be revised by decision of the Executive Board on a proposal from the Remuneration Committee at any time, and notably in the event of legislative amendment associated with labour, accounting and tax law, as well as in the event of the rules of governance changing.

Its implementation is subject, at least once a year, to an internal assessment aiming to verify whether it respects the remuneration policies and procedures adopted by the Executive Board. If need be, the Remuneration Committee will make adaptation proposals that are imposed.

The Risk Committee, consisting of non-executive directors, at least one of whom is independent in the sense of the Companies Code, examines whether the incentives provided by the remuneration system take into account the appropriate manner of risk control, equity requirements and the liquidity position of AXA Bank Europe, as well as the probability and staggering of profits, so as to ensure sound and efficient management of risk, preventing risk-taking exceeding the level tolerated by AXA Bank Europe.

Remuneration Policy

Quantitative information on remuneration awarded to Identified Staff for the financial year 2016

Total Remuneration of Identified Staff in 2016 (Excluding non executive board members compensation)

The quantitative information set out below concerns the remuneration awarded for the year 2016 to Identified Staff within the meaning of CRDIV and the Belgian banking law, but does not reflect remuneration awarded to other employees:

Number of people concerned	Amount of total compensation	Amount of fixed compensation	Amount of variable compensation awarded
54	10.931.566 €	8.451.452 €	2.480.114 €

Structure of the variable component of remuneration:

	Payment in cash	Payment in shares or equivalent instruments
Variable component under 75k	100%	0%
Variable component above or equal to 75k	50%	50%

Deferred remuneration paid or reduced as a result of the year's performance:

Amount of deferred compensation paid	Amount of reductions of deferred
1.434.814 €	0 €*

*No reductions of deferred compensation in 2016

Remuneration Policy

Sums paid to new hires and terminations during the year

Severance Payments and number of beneficiaries		Sign-on payments paid to new hires and number of beneficiaries	
Amounts paid	Number of beneficiaries	Amounts paid	Number of beneficiaries
140.000 €	1	50.000 €	1

Number of MRT employees whose total remuneration for 2016 exceeded EUR 1 million

Total compensation	Number of MRTs for the year 2016
Between EUR 1 million and EUR 1.5 million	0
Between EUR 1.5 million and EUR 2 million	0
Between EUR 2 million and EUR 2.5 million	0

AXA Director on 31/12/2016	Position at AXA Bank Europe	Company or external mandate exercised	Registered Office	Area of activity	Registration on regulated market	External position exercised	Shareholding relationship with AXA Bank Europe more than 5%?
Véronique Weill	President of the Board of Directors	Valeo SA	43, rue Bayen – 75017 Paris Cedex 17 France	Automotive supplier	Yes	Non-executive director	No
Patrick Keusters	Independent Director and President of the Audit Committee	Virix SA	Keizershoek 350A 2550 – Kontich Belgium	Real-estate projects	No	Non-executive director	No
		Orcadia Asset Management SA	13, rue de l'Industrie L -8699 Windhof GD Luxembourg	Investment company	No	Non-executive director	No
		Stoll Security SA	Z.A.R.E. Ilot Ouest L 4384 Ehlerange Luxembourg	Security	No	Non-executive director	No
Philippe Rucheton	Independent Director and President of the Risk Committee	Bernard Controls SA	4, rue d'Arsonval BP 76091 95505 Gonesse France	Electro-mechanical	No	Non-executive director	No

AXA Bank Europe

2016 IFRS Consolidated Financial Statements

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All amounts included in the tables in the financial statements are expressed in thousands of euros, and the comments in millions of euros, unless stated otherwise. The figures are presented according to absolute values and must therefore be read in conjunction with the description of the relevant section, except in sections where there is a distinction between profits (absolute value) and losses (- sign).

The annual accounts of AXA Bank Europe have been officially filed at the Central Balance Sheet Office of the National Bank of Belgium. This document in English is a free translation of the annual accounts produced in French and Dutch.
If a discrepancy should exist between the information contained in this publication and the official version filed at the National Bank of Belgium (NBB), it is the latter that prevails.

Consolidated Income Statement

Consolidated income statement in '000 EUR	2016.12	2015.12	Disclosure
CONTINUING OPERATIONS			
Financial & operating income and expenses	361.772	369.813	
Interest income	2.318.678	2.234.785	
Financial assets held for trading (if accounted for separately)	1.720.509	1.534.124	
Financial assets designated at fair value through profit or loss (if accounted for separately)			
Available-for-sale financial assets	99.635	135.250	
Loans and receivables (including finance leases)	463.747	513.588	
Held-to-maturity investments			
Derivatives - Hedge accounting, interest rate risk	21.566	48.919	
Other liabilities	16	2.903	
On liabilities	13.206		
(Interest expenses)	2.081.903	1.998.700	
Financial liabilities held for trading (if accounted for separately)	1.691.748	1.527.653	
Financial liabilities designated at fair value through profit or loss (if accounted for separately)	36.760	39.131	
Financial liabilities measured at amortised cost	203.881	260.062	
Derivatives - Hedge accounting, interest rate risk	147.447	171.765	
Other liabilities		90	
On assets	2.068		
Expenses on share capital repayable on demand			
Dividend income	1.670	9	
Financial assets held for trading (if accounted for separately)			
Financial assets designated at fair value through profit or loss (if accounted for separately)			
Available-for-sale financial assets	1.670	9	
Fee and commission income	53.001	43.888	7
(Fee and commission expenses)	42.441	35.973	
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	261.980	59.233	8
Available-for-sale financial assets	261.089	56.383	
Loans and receivables (including finance leases)	891	2.850	
Held-to-maturity investments			
Financial liabilities measured at amortised cost			
Other			
Gains (losses) on financial assets and liabilities held for trading (net)	-1.589	31.949	
Equity instruments and related derivatives	3.592	-2.780	
Interest rate instruments and related derivatives	15.977	45.881	
Foreign exchange trading	-21.158	-11.152	
Credit risk instruments and related derivatives			
Commodities and related derivatives			
Other (including hybrid derivatives)			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)	2.705	44.550	9
Gains (losses) from hedge accounting	-205.650	-44.645	10
Exchange differences , net	23.679	5.056	
Gains (losses) on derecognition of assets other than held for sale, net	-34		
Other operating net income	31.675	29.661	11

Consolidated income statement in '000 EUR	2016.12	2015.12	Disclosure
Administration costs	255.852	246.821	
Personnel expenses	92.421	107.190	13
General and administrative expenses	163.432	139.631	14
Depreciation	4.572	4.344	
Property, Plant and Equipment	2.179	2.203	23
Investment Properties			
Intangible fixed assets (other than goodwill)	2.393	2.141	24
Provisions	5.740	-6.554	
Impairment	12.846	27.938	15
Impairment losses on financial assets not measured at fair value through profit or loss	12.846	27.920	
Financial assets measured at cost (unquoted equity)			
Available for sale financial assets			
Loans and receivables (including finance leases)	12.846	27.920	
Held to maturity investments			
Impairment on		18	
Property, plant and equipment			
Investment properties			
Goodwill			
Intangible fixed assets (other than goodwill)		18	
Investments in associates and joint ventures accounted for using the equity method			
Other			
Negative goodwill immediately recognised in profit or loss			
Share of the profit or loss of associatesand joint ventures accounted for using the equity method			
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations			
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**82.761**	**97.264**	
Tax expense (income) related to profit or loss from continuing operations	15.821	16.592	16
TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**66.940**	**80.672**	
Total profit or loss after tax from discontinued operations	28.395	-53.444	
TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST	**95.335**	**27.228**	
Profit or loss attributable to minority interest			
NET PROFIT OR LOSS	**95.335**	**27.228**	

Table CIS.1

Consolidated statement of realised and non-realised results in '000 EUR	2016.12	2015.12	
PROFIT (LOSS) FOR THE YEAR	**95.335**	**27.228**	
NON-REALISED RESULTS			
Elements not transferrable to result	-10.554	16.777	(3)
Actuarial gains (losses) on defined benefit pension plans	-15.988	25.417	
income tax related to previous elements	5.434	-8.639	
Transferred to profit or loss	-75.706	8.721	
Foreign currency translation	142	-2.688	
Translation gains/losses taken to equity	142	-2.688	
Transferred to profit or loss			
Other reclassifications			
Cash flow hedges (effective portion)	-17.105	12.766	(1)
Valuation gains/losses taken to equity	-23.035	-16.009	
Transferred to profit or loss	5.930	28.775	
Transferred to initial carrying amount of hedged items			
Other reclassifications			
Available-for-sale financial assets	-93.681	-86	(2)
Valuation gains/losses taken to equity	818	-10.407	
Transferred to profit or loss	-94.499	10.321	
Other reclassifications			
Non-current assets and disposal groups classified as held for sale	-3.040	3.040	
Income tax relating to components of other non-realised results	37.978	-4.311	
TOTAL NON-REALISED RESULTS FOR THE YEAR	**-86.260**	**25.498**	
TOTAL REALISED AND NON-REALISED RESULTS FOR THE YEAR	**9.075**	**52.726**	
Attributable to equity holders of the parent	9.075	52.726	
Attributable to minority interest			
Table CIS.2			

The table below presents the amounts before tax as well as the deferred taxes with respect to the items disclosed in the previous table (overview in thousands of euros).

Cash flow hedges (1)	2016.12	2015.12
Gross	-17.105	12.766
Tax	5.814	-4.340
Net (1)	-11.291	8.426

Financial investments available for sale (2)	2016.12	2015.12
Gross	-93.681	-86
Tax	32.164	29
Net (2)	-61.517	-57

Actuarial gains (losses) on defined benefit plans (3)	2016.12	2015.12
Gross	-15.988	25.417
Tax	5.434	-8.639
Net (3)	-10.554	16.778

Table CIS.3

Consolidated Balance Sheet

Consolidated Balance Sheet - Assets in '000 EUR	2016.12	2015.12	Annexes
Cash and balances with central banks	657.176	337.156	17
Financial assets held for trading	1.643.504	1.555.673	18 / 21
Financial assets designated at fair value through profit or loss	0		19
Available-for-sale financial assets	4.304.987	7.838.627	20
Loans and receivables	20.650.591	19.765.932	21
Held-to-maturity investments			
Derivatives - hedge accounting	97.758	126.126	22
Fair value changes of the hedged items in portfolio hedge of interest rate risk	478.032	498.363	
Tangible fixed assets	39.815	41.379	
Property, Plant and Equipment	39.815	41.379	23
Investment property			
Intangible fixed assets	8.537	6.885	
Goodwill			
Other intangible assets	8.537	6.885	24
Investments in associates, subsidiaries and joint ventures (accounted for using the equity method- including goodwill)			25
Tax assets	15.939	4.833	
Current tax assets	4.473	4.815	16
Deferred tax assets	11.466	18	
Other assets	98.168	101.635	26
Non-current assets and disposal groups classified as held for sale		633.047	
TOTAL ASSETS	**27.994.508**	**30.909.656**	

Table CBS.1

Consolidated Balance Sheet - Liabilities in '000 EUR	2016.12	2015.12	Annexes
Financial liabilities held for trading	1.104.317	900.768	27
Financial liabilities designated at fair value through profit or loss	1.484.385	1.633.560	28
Financial liabilities measured at amortised cost	22.369.680	21.466.856	29
Deposits from Credit institutions	48.640	10.783	
Deposits from Other than credit institutions	17.863.958	16.988.998	
Debt certificates including bonds	3.457.918	3.249.269	
Subordinated liabilities	89.042	117.807	
Other financial liabilities	910.121	1.099.998	
Financial liabilities associated with transferred assets	1.031.061	4.082.301	30
Derivatives - hedge accounting	401.701	544.533	22
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	89.180	112.118	
Provisions	233.169	209.007	31
Tax liabilities	36.715	60.325	
Current tax liabilities	27.945	27.672	16
Deferred tax liabilities	8.770	32.653	
Other liabilities	62.466	63.778	32
Liabilities included in disposal groups classified as held for sale		662.704	
Share capital repayable on demand (e.g. cooperative shares)			
TOTAL LIABILITIES	**26.812.673**	**29.735.950**	

Table CBS.2

Consolidated Balance Sheet - Equity in '000 EUR	2016.12	2015.12	Annexes
Share capital	681.318	681.318	
Paid in capital	681.318	681.318	
Called up share capital			
Share premium			
Other Equity	91.125	91.120	
Equity component of combined financial instruments	90.000	90.000	
Other	1.125	1.120	
Non-realised results	47.915	134.175	
Tangible fixed assets			
Intangible fixed assets			
Hedge of net investments in foreign operations (effective portion)			
Foreign currency translation	147	5	
Cash flow hedges (effective portion)	-21.859	-10.568	
Available for sale financial assets	93.830	155.347	
Non-current assets and disposal groups held for sale			
		3.040	
Actuarial gains/losses relating to defined benefit plans	-24.203	-13.649	
Reserves (including retained earnings)	266.141	239.864	
<Treasury shares>			
Income from current year	95.335	27.228	
<Interim dividends>			
Minority interest			
Revaluation reserves and other valuation differences			
Other items			
TOTAL EQUITY	**1.181.835**	**1.173.706**	35
TOTAL LIABILITIES AND EQUITY	**27.994.508**	**30.909.656**	

Table CBS.3

Reconciliation of the available for sale revaluation reserve

2016-12	Gross value	Impact on taxes	net value
Opening balance	235.319	-79.971	155.348
Investment brought in prior accounting periods			
Transfer to P&L following sale	-143.712	48.848	-94.864
Transfers to P&L following changes in premium/discount	49.213	-16.727	32.486
Foreign exchange impact			
Adjustments in the current accounting period	-1.168	719	-449
Investments bought in the current accounting period			
Adjustements in the current accounting period	1.985	-675	1.310
Closing balance	141.637	-47.806	93.831

Table CBS.3

2015-12	Gross value	Impact on taxes	net value
Opening balance	235.403	-79.998	155.405
Investment brought in prior accounting periods			
Transfer to P&L following sale	-56.379		-56.379
Transfers to P&L following changes in premium/discount	66.703		66.703
Foreign exchange impact	-1		-1
Adjustments in the current accounting period	-10.407	27	-10.380
Investments bought in the current accounting period			
Adjustements in the current accounting period			0
Closing balance	235.319	-79.971	155.348

Table CBS.4

Consolidated Statement of Changes in Equity

Sources of equity changes 2016.12 in '000 eur	*Paid in capital*	*Equity components of combined financial instruments*	*Other equity instuments*	*Unrealised gains and losses - reserves from foreign currency translations*	*Unrealised gains and losses - cashflow hedges*	*unrealised gains and losses - available for sale financial assets*	*actuarial gains and losses - pension benefits*	*non current assets and disposal groups - held for sale*	*reserves (including retained earnings)*	*income from current year**	*Total*
Opening balance	**681.318**	**90.000**	**1.120**	**5**	**-10.568**	**155.347**	**-13.649**	**3.040**	**239.864**	**27.228**	**1.173.706**
changes in capital											
issuance											
profit (loss)										95.335	**95.335**
Cash dividents declared											
Revaluation change of available for sale financial assets						-61.517					**-61.517**
changes in fair value			5	142			-10.554				**-10.406**
cash flow hedges					-11.291						**-11.291**
releases to retained earnings									26.276	-27.228	**-952**
capital reduction											**0**
other								-3.040			**-3.040**
Closing balance	**681.318**	**90.000**	**1.125**	**147**	**-21.859**	**93.830**	**-24.203**	**0**	**266.141**	**95.335**	**1.181.835**

Table CSCE.2

* of which 95.3 million EUR attributable to the shareholders of the parent company

Sources of equity changes 2015.12 in '000 eur	*Paid in capital*	*Equity components of combined financial instruments*	*Other equity instuments*	*Unrealised gains and losses - reserves from foreign currency translations*	*Unrealised gains and losses - cashflow hedges*	*unrealised gains and losses - available for sale financial assets*	*actuarial gains and losses - pension benefits*	*non current assets and disposal groups - held for sale*	*reserves (including retained earnings)*	*income from current year**	*Total*
Opening balance	**681.318**	**90.000**	**581**	**2.693**	**-18.995**	**155.405**	**-30.427**	**0**	**289.343**	**-48.150**	**1.121.768**
changes in capital	0										**0**
issuance		0									**0**
profit (loss)										27.228	**27.228**
Cash dividents declared											**0**
Revaluation change of available for sale financial assets						-58					**-58**
changes in fair value			539	-2.688			16.778				**14.629**
cash flow hedges					8.427						**8.427**
releases to retained earnings									-49.478	48.150	**-1.328**
capital reduction											**0**
other								3.040			**3.040**
Closing balance	**681.318**	**90.000**	**1.120**	**5**	**-10.568**	**155.347**	**-13.649**	**3.040**	**239.864**	**27.228**	**1.173.706**

Table CSCE.2

* of which 27.2 million EUR attributable to the shareholders of the parent company

Consolidated Cash Flow Statement

OPERATING ACTIVITIES	2016.12 in '000 EUR	2015.12 in '000 EUR
Net profit (loss)	**95.334**	**27.228**
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	15.952	120.543
(Current and deferred tax income, recognised in income statement)		
Current and deferred tax expenses, recognised in income statement	15.821	16.592
Unrealised foreign currency gains and losses		-2.688
FV through P&L	131	106.639
INVESTING AND FINANCING	11.678	25.728
Depreciation	4.572	4.362
Impairment	12.846	27.920
Provisions net	-5.740	-6.554
Other adjustments	-14.540	19.028
Cash flows from operating profits before changes in operating assets and liabilities	**108.424**	**192.527**
Decrease (increase) in working capital (excl. cash & cash equivalents):	247.359	-182.843
Decrease (increase) in operating assets (excl. cash & cash equivalents):	**2.494.156**	**12.093.734**
Decrease (increase) in balances with central banks		
Decrease (increase) in loans and receivables	-897.505	5.873.111
Decrease (increase) in available-for-sale assets	3.475.590	1.411.777
Decrease (increase) in financial assets held for trading	-87.831	4.856.793
Decrease (increase) in financial assets designated at fair value through profit or loss		
Decrease (increase) in asset-derivatives, hedge accounting	28.368	45.933
Decrease (increase) in non-current assets held for sale		
Decrease (increase) in other assets (definition balance sheet)	-24.466	-93.880
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):	**-2.246.798**	**-12.276.577**
Increase (decrease) in deposits from credit institutions	83.663	70.765
Increase (decrease) in deposits (other than credit institutions)	679.154	-75.416
Increase (decrease) in debt certificates (including bonds)	208.649	-208.095
Increase (decrease) in financial liabilities held for trading	192.317	-5.386.880
Increase (decrease) in financial liabilities designated at fair value through profit or loss	-137.812	-39.293
Increase (decrease) in liability-derivatives, hedge accounting	-156.730	-485.823
Increase (decrease) in other financial liabilities	-3.091.117	-6.169.367
Increase (decrease) in other liabilities (definition balance sheet)	-24.921,72	17.532
	355.783	**9.684**
Income taxes (paid) refunded	-2.216	-6.741
Net cash flow from operating activities	**353.566**	**2.943**

INVESTING ACTIVITIES	2016.12 en '000 EUR	2015.12 en '000 EUR
(Cash payments to acquire tangible assets)	-615	2.197
Cash receipts from the sale of tangible assets		
(Cash payments to acquire intangible assets)	-4.045	-3.597
Net cash flow from investing activities	**-4.660**	**-1.400**

FINANCING ACTIVITIES	2016.12 en '000 EUR	2015.12 en '000 EUR
(Dividends paid)		
Cash proceeds from the issuance of subordinated liabilities		
(Cash repayments of subordinated liabilities)	-28.765	-50.860
Cash proceeds from issuing shares or other equity instruments		
Net cash flow from financing activities	**-28.765**	**-50.860**
Effect of exchange rate changes on cash and cash equivalents		

	2016.12 en '000 EUR	2015.12 en '000 EUR
NET INCREASE IN CASH AND CASH EQUIVALENTS	**320.020**	**-49.319**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**337.156**	**386.474**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**657.176**	**337.155**
Components of cash and cash equivalents:		
On hand (cash)	57.389	62.342
Cash and balances with central banks	560.706	269.567
Loans and receivables	39.081	5.246
Available-for-sale assets		
Total cash and cash equivalents at end of the period	**657.176**	**337.155**
Of which: amount of cash and cash equivalents held by the enterprise, but not available for use by the group		
Undrawn borrowing facilities (with breakdown if material)		
Supplemental disclosures of operating cash flow information:		
Interest income received	2.318.679	2.234.785
Dividend income received		
Interest expense paid	2.081.904	1.998.610

	2016.12 en '000 EUR	2015.12 en '000 EUR
changes arising from discontinued operation		29.657
changes arising from discontinued investment activity		
changes arising from discontinued financing activities		

In 2016, the cash and cash equivalents increased by 320.0 million EUR, mainly due to an increase in current accounts at central banks (+ 291.1 million EUR).

This increase is primarily found in business activities (+ 353.6 million EUR). On the other hand, cash flows from operating profits increased by 108.4 million EUR. In addition, the net cash flows from changes in company asset and liabilities increased by 247.4 million EUR. The company assets decreased by 2,494.2 million EUR, especially in the available-for-sale assets (-3,475.6 million EUR) offset by an increase in loans and receivables (+ 897.5 million EUR). Company liabilities dropped by 2,246.8 million EUR, mainly due to a reduction in the other financial obligations by 3,091.1 million EUR (drop in repos), partly compensated by a rise in client deposits by 679.2 million EUR.

The investment activities led to a reduction in cash and cash equivalents by 4.7 million EUR. This occurred mostly in the rise in intangible assets by 4.0 million EUR.

The financing activities led to a reduction in cash and cash equivalents by 28.8 million EUR, mainly due to a repayment of deferred loans.

Notes to the Consolidated Financial Statements

1 General

At 31 December 2016, AXA Bank Europe, a limited company under Belgian law, whose registered office is at 1170 Brussels, Vorstlaan/boulevard du Souverain 25 was a subsidiary 100% owned by AXA SA.
The legal consolidation scope of AXA Bank Europe comprises the Belgian bank activities, the branch office of AXA Bank Hungary and the subsidiaries of Royal Street NV, AXA Belgium Finance B.V. and AXA Bank Europe SCF (Société de Crédit Foncier).
The following subsidiaries were not recognised in the consolidation scope during the financial year 2016 given their negligible significance (see more about this under chapter 2.1).

- Motor Finance Company N.V.
- Beran NV

Further information regarding these companies is found under chapter 25 Investments in associates, subsidiaries and joint ventures. The measurement method can be found in chapter 20 Available-for sale financial assets.
In Belgium, AXA Bank Europe provides a broad range of financial products to individuals and small businesses and has a network of exclusive independent bank agents who also support the sale of AXA Insurance and AXA Investment Managers' products.
The leading products of AXA Bank Europe in Belgium are St@rt2bank: a free current account and related savings account, mortgage credits, short-term loans and, in particular, loans for home renovations.

2 Accounting Policies

2.1 Consolidation Principles

2.1.1 General

AXA Bank Europe currently only has subsidiaries, i.e., companies over which it exercises full control, and an associated company, as mentioned under chapter 25, that is not consolidated for immateriality reasons.
Typically, all subsidiaries must be fully consolidated.
As a departure from this principle, AXA Bank Europe has decided, on the basis of the principles of relevance and immateriality, not to integrate the subsidiaries that are out of the consolidation scope for the application of the IFRS consolidated financial statements. This decision applies to subsidiaries whose total balance during the previous financial year constitutes less than 0.15% of the total balance for AXA Bank Europe, unless decided otherwise by the Board of Directors.
The subsidiary AXA Belgium Finance BV as well as the SPV Royal Street NV and the SCF AXA Bank Europe (Société de Crédit Foncier) are fully consolidated.

2.1.2 Purchase of Entities of the AXA Group

With regard to business combinations with other entities of the AXA Group, these entities fall under common control and thus, these business combinations are not covered by IFRS 3 – *Business Combinations*. AXA Bank Europe applies, in such a case, a method under which the integrated assets and liabilities retain the same carrying amount as the purchased entity. Adjustments are only implemented to achieve harmonisation of accounting policies.

2.2 Financial Instruments – Securities

2.2.1 Fixed Income Securities

Fixed income securities are defined as negotiable securities, which generate interest revenue through coupons or interest capitalisation. Mortgage certificates also fall under this definition.

2.2.1.1 Initial Recognition

The initial recognition of fixed income securities on the balance sheet takes place on the transaction date.
When fixed income securities are initially recognised they are recognised at their fair value, i.e., their purchase value (including paid accrued interests).
Upon their initial recognition, the fixed income securities, depending on the existing options and the measurement objective, are designated in one of the following categories:

(i) Assets at fair value held for trading
(ii) Assets designated at fair value through profit or loss;
(iii) Assets held to maturity;
(iv) Loans and receivables;
(v) Assets available for sale.

Typically, the fees related to the transaction must be capitalised with the purchase value for categories (iii), (iv) and (v). Due to the principle of immateriality, AXA Bank Europe decided to directly include these fees in the income statement.

(i) Assets at Fair Value Held for Trading
Fixed income securities are classified as assets held at fair value for trading if they are:

- primarily acquired or entered into with the purpose of being sold or bought back in the short term;
- form part of identified financial instruments that are jointly managed and for which indications exist of a recent, actual pattern of short-term profit taking.

Even though IAS 39 allows for reclassifications outside of this category under strict conditions, AXA Bank Europe has not made use of this option up to now.
For the determination of the net profits and net losses:

- a distinction is made between profit margin and changes in value due to changes in fair value;
- no distinction is made between capital gains / losses and rating profits and losses;
- changes in value are netted.

(ii) Assets Designated at Fair Value through Profit or Loss
This classification is used at AXA Bank Europe in the following three circumstances:

1. The classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them based on different rules. In most cases it involves fixed income securities, which are hedged by derivatives, but where it was not decided to apply hedge accounting.
2. The classification leads to more relevant information since a group of financial assets, i.e., specific categories of investment funds, are managed and their performance evaluated on the basis of their fair value in accordance with a documented risk management or investment strategy.
3. If it involves structured fixed income securities, where no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.

This indication is not possible :

- where the derivative(s) determined in a contract do not lead to a major change in cash flows, which would otherwise be required by the contract; or
- where, after a swift or even no analysis, when a similar hybrid (composed) instrument is considered for the first time, it is clear that the separation of the derivative(s) embedded in a contract is not permitted.

Following initial disclosure no reclassifications are possible within or outside this category.

For the determination of the net profits and net losses:

- a distinction is made between profit margin and changes in value due to changes in fair value;
- no distinction is made between capital gains / losses and rating profits and losses.

(iii) Assets Held to Maturity

In the (rare) circumstance where AXA Bank Europe is authorised by its parent company to use this category, it involves fixed income securities with fixed or determinable payments and a fixed maturity which are quoted on an active market and which AXA Bank Europe definitely intends to and is able to hold until maturity.

After initial recognition, only limited reclassifications are

- possible outside of this category (disappearance of active market)
- and subject to approval by the parent company within this category.

(iv) Loans and Receivables

This category is used if it involves fixed income securities with fixed or determinable payments and a fixed maturity which are not quoted on an active market and which AXA Bank Europe definitely intends to hold until maturity.

At AXA Bank Europe, these are promissory notes that SCF acquired from AXA Bank France for its issue of underlying covered bonds.

After initial recognition no reclassifications are possible outside of this category. Even though IAS 39 allows for reclassifications within this category under strict conditions, AXA Bank Europe has not made use of this option up to now.

(v) Assets Available for Sale

This category is used for available-for-sale fixed income securities or for fixed income securities, which cannot be assigned to one of the above categories. After initial recognition, only limited reclassifications are possible outside and – subject to approval of the parent company - within this category (in relation to assets held to maturity).

2.2.1.2 Subsequent Recognition

The subsequent rating takes place as follows:

- for rating categories (i) and (ii) each change between fair value and the acquisition price is booked to the income statement, with the fair value being the quoted price or, if there are none, recent price for similar securities or valuations. The changes in fair value are split in the income statement into interest yield and pure fair value changes;
- for categories (iii) and (iv), the assets are valued at the amortised cost, where the interest yield is recognised in the income statement on the basis of the effective interest rate method. In the event of objective evidence of non-recoverability, the assets are subject to an individual or collective impairment test. The impairment amount is the difference between the outstanding carrying amount and the present value of the estimated future cash flows;
- for category (v), the securities are valued at fair value, where the interest yield is included in the income statement on the basis of the effective interest rate method while each difference between fair value and amortised cost is deferred in equity.

In the case of categories (i) and (ii), no impairment test is carried out.

For category (iv) (non-quoted fixed income securities), the rules of loans and receivables apply, as mentioned in the relevant valuation rules for impairment.

For categories (iii) and (v) and if objective evidence shows non-recoverability, the securities are the subject of an individual impairment test related to the individual assessment.

Typically the market value in itself is not enough of an indication that impairment has occurred. AXA Bank Europe has decided to follow the rules of the parent company. The amount of the depreciation is based on the fair value, where the unrealised loss is based on a significant or long-term decrease in fair value of a security compared to its purchase price. This impairment loss is recognised in the income statement.

The following principles are applied:

- securities with unrealised losses of more than 30% and which have been in existence for a consecutive period of 6 months or more: they are decreased in value, unless it appears after inspection that no credit event has taken place. In this case, the loss of value is attributed to, for example, a change in interest rates or other causes;
- securities with unrealised losses up to 30%: no impairment or documentation is required, only specific monitoring.

The listed unrealised losses exclude exchange rate results, as well as any individual impairment loss.

In the event that an objective indication, such as an improvement in creditworthiness, indicates that the recoverable amount has increased, the individual impairment loss is reversed through the income statement.

If within the categories (iii), (iv) and (v) a derivative is embedded in the basic contract, which is not closely related to the economic features and risks of the basic contract, the said embedded derivative must typically be detached from the basic contract and valued separately as a derivative.

AXA Bank Europe has decided, in such cases, to designate these contracts at fair value through profit or loss (refer to the discussion of relevant category above).

The derecognition of the fixed income securities takes place at maturity date or on the transaction date in the event of a sale. In the latter case, the difference between the received payment and the carrying amount on the transaction date (after cross-entry of potential deferred income/costs) is recognised in the income statement as a realised capital gain or loss.

2.2.2 Non-fixed Income Securities

Non-fixed income securities are defined as shares, as well as no-par value shares in investment companies (mutual investment funds, Sicav, hedge funds).

2.2.2.1 Initial Recognition

Non-fixed income securities are first recognised in the balance sheet on the transaction date.
They are recognised at their fair value, i.e., their purchase value.

When initially recognised, non-fixed income securities, are classified in one of the following categories, depending on the existing options and the measurement objective:

(i) Assets at fair value held for trading;
(ii) Assets designated at fair value through profit or loss;
(iii) Assets available for sale.

Typically, for rating category (iii) the fees related to the transaction must be capitalised on initial recognition at purchase value. Due to the principle of immateriality AXA Bank Europe decided to directly include these in the income statement.

(i) Assets at Fair Value Held for Trading
Non-fixed income securities are classified as assets at fair value held for trading if they:

- -are primarily acquired or entered into with the purpose of being sold or bought back in the short term;
- -form part of identified financial instruments that are jointly managed and for which indications exist of a recent, actual pattern of short-term profit taking.

For the calculation of net profits and net losses:

- a distinction is made between received dividends and value changes due to changes in fair value;
- no distinction is made between capital gains / losses and rating profits and losses;
- value changes are netted

(ii) Assets Designated at Fair Value through Profit or Loss

This classification is used at AXA Bank Europe in the following three instances.

1. the classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them through using a different basis of valuation. In most cases it involves non-fixed income securities, which are hedged by derivatives, but where it was not decided to apply hedge accounting;
2. the classification leads to more relevant information because a group of financial assets, i.e., specific categories of investment funds are managed and its performance evaluated on the basis of the fair value, in accordance with a documented risk management or investment strategy;
3. if it involves structured fixed income securities, where no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.

Following initial disclosure no reclassifications are possible within or outside this category.

For the determination of the net profits and net losses:

- a distinction is made between received dividends and value changes due to changes in fair value;
- no distinction is made between capital gains / losses and rating profits and losses.

(iii) Assets Available for Sale

This category is used for non-fixed income securities being available for sale or for non-fixed income securities, which could not be assigned to one of the above categories.

2.2.2.2 Subsequent Recognition

The subsequent rating takes place as follows:

- for categories (i) and (ii) each change between fair value and cost is recognised in the income statement, where the fair value represents the quoted price or, if there is no quoted price, recent price valuations for similar securities or a rating technique;
- for category (iii) the securities are valued at fair value, where any difference between fair value and cost is deferred in the Shareholders' equity.

In the case of categories (i) and (ii), no impairment test is carried out.
In the case of category (iii) and if there is objective evidence of non-recoverability, the securities are subjected to an impairment test related to individual assessment. The impairment is based on the market value and subsequent counter value in euros, where the unrealised loss is confirmed by a significant or long-term decrease in the fair value of a security compared to its cost price.
Regarding the individual assessment of the major or long-term decreases in value the following rules imposed by the parent company need to be applied

- unrealised losses of 20% or more;
- unrealised losses for a consecutive period of more than 6 months.

The cumulative unrealised loss (including Foreign exchange results) is transferred from Shareholders' equity and is recognised on the income statement as impairment loss.
Once an impairment on non-fixed income securities has become permanent at the end of a period, it cannot be reversed; the cost is adjusted from the date of the impairment to the decreased amount (regardless of the scope of reason for the depreciation) and at the same time this becomes the new cost for a potential subsequent further depreciation. Every additional depreciation is immediately recorded in the profit and loss account.
If it is not possible to determine a share's fair value, it is only valued at cost. In relation to the impairment test, the rules for non-fixed income securities remain in full force.
If within category (iii) a derivative is embedded in the basic contract, and it is not closely related to the economic features and risks of the basic contract, this embedded derivative shall be separated from the basic contract and valued separately as a derivative.
AXA Bank Europe has decided, in such cases, to designate these contracts at fair value through profit or loss (see discussion of relevant category above).
The dividends are recognised as income when the company secures the right to collect these dividends.
The derecognition of the non-fixed income securities takes place in the event of a sale on the transaction date. On this date the difference between the received payment and the carrying amount (after cross-entering any deferred income or expenses) is recognised in the income statement as a realised capital gain or loss.

2.3 Financial Instruments – Loans and Receivables

2.3.1 Performing Loans and Receivables

The credits granted by the company to its clients are recognised at fair value in the balance sheet on the date they are made available. They are assigned to the category 'Loans and receivables' measured at amortised cost.
Within this category there are currently no derivatives embedded in basic contracts, which are not closely related to the economic features and risks of the basic contract and consequently must be separated from the basic contract and valued separately as a derivative. Should this still be the case, such contracts shall be fully valued at fair value through the profit-and-loss account (see the description of relevant category within fixed income securities).

With the first entry, all marginal transaction costs are added and all remunerations received are deducted from the initial fair value:

- the acquisition costs on credit files are added to the purchase price and spread over the duration of the loans based on the effective interest rate;
- The file costs charged on the mortgages and investment loans are deducted from the purchase price and also spread over the duration of the loans based on the effective interest rate;

- the reinvestment remunerations charged on the refinanced mortgages are deducted from the purchase price and spread over the average duration of the mortgages.

The effective interest rate is the interest rate that discounts the expected contractual cash flows during the expected duration of the loans exactly to the net book value of the loan.

The disposal of the loans occurs on the maturity date or earlier in the case of a whole or partial repayment. Reinvestment remunerations on loans that are terminated appear all at once in the income statement. The portion of the acquisition costs yet to be written off is in that case reversed in the income statement in proportion to the amount paid back.

For the determination of the net profits and net losses:

- a distinction is made between interest rate margin and realised capital gains and losses;
- the results are not netted.

2.3.2 Non-performing Loans and Receivables

Risks of a doubtful and uncollectible nature are:

- the problem-risks of counterparties whose inability to observe their liabilities is established or almost certain;
- and also the risks in dispute, of which it is established or almost certain that the outcome of the settlement is or will be that the disputed receivables are uncollectible, or the disputed retrieval recourse cannot be exercised.

Risks with uncertain progression are:

- the problem-risks of counterparties of whom it has been ascertained or is predicted that they are experiencing difficulties observing their liabilities, yet whose inability is neither established or almost certain;
- and also the risks of dispute the settlement of which is uncertain.

Risks in which the counterparties are deemed 'unlikely to pay' occur:

- if AXA Bank Europe established a deterioration of the customer's credit worthiness;
- if the customer is assigned a forbearance measure (restructuring) and the loan or loans involved demonstrate payment arrears of 30 days;
- if the customer is in a probationary period after having been deemed 'uncertain'.

When there is an objective indication of non-recoverability, the outstanding loan is subject to an impairment test.
AXA Bank Europe makes use of a separate provision account, which reflects the impairment , undergone by the underlying financial asset as a result of credit losses. This provision account also takes into account the impact of the time value.
Negative differences between the calculated recoverable amounts and the carrying amount are recognised in the income statement as an impairment loss.
The recoverable amount takes into account the time value of the funds, where the expected cash flows are updated at the contract's original actual interest rate. Each decrease in provision due to the time value is recognised in the income statement as interest yield.
Each increase due to a downswing is recognised through the addition for impairment accounts in the income statement.
Each decrease due to objective indicators that show that the recoverable amount increases as a result of an improvement in the assessed recoverable cash flow is accounted for through the write-back of impairments in the income statement account. However, it shall never lead to an amortised cost, which would be higher than the amortised cost if no impairment depreciation had taken place.
After the impairment was booked the interest yield is recognised in the income statement on the basis of the actual interest of the underlying contracts.
The provisions are directly booked against the receivables if there is no possibility of recovery.

Loans with the status 'normal progression; are valued on a collective basis based on latent indicators (the model 'incurred but not yet reported losses') and the expertise of AXA Bank Europe. Where appropriate, provisions for credit lines not included are applied for loans in the status 'normal progression'.

For all credit types, it is the case that a non-individualised special depreciation is applied as from the status 'unlikely to pay' for the expected loss on these portfolios, determined based on statistical conclusions relating to the evolution of these risks. Where appropriate, provisions are applied for loans in the status 'unlikely to pay' for credit lines not included.

For all credit types, except for instalment loans, giro accounts of private individuals and the 'budget +' accounts (see below), it is the case that an individualised special depreciation is applied as from the status 'uncertain' for the expected loss on these portfolios, determined based on statistical conclusions relating to the evolution of these risks. Where appropriate, provisions are applied for loans in the status 'uncertain' for credit lines not included.

For all credit types, except for instalment loans (see below), it is the case that as from the status 'doubtful and uncollectible' the file is monitored individually and special depreciations are entered, taking into account the evolution of the file and in particular the securities. These files remain valued on an individual basis, even if the securities are sufficient. Each special depreciation is entered individually for each file.

For instalment loans not corresponding to the loans with the status 'normal progression' or 'unlikely to pay', an individualised special depreciation is applied for the expected loss on these portfolios, determined based on statistical conclusions relating to the evolution of these risks.

For giro accounts of private individuals and the 'budget +' accounts not corresponding to the loans with the status 'normal progression' or 'unlikely to pay', an individualised depreciation is applied for the expected loss on these portfolios, determined based on collective statistical conclusions, taking into account losses observed in the past.

For determining the net profits and losses:

- a distinction is made between the interest margin and surplus or reduced values realised;
- the results are presented net.

2.3.3 Loans and Receivables – Forbearance Measurements

Forbearance measures consist of concessions towards a borrower facing or about to face financial difficulties. Forbearance measures can be taken only if there is a mutual agreement between the borrower and the bank on these measures.
Concessions are changes in the modalities of a credit facility or a total or partial refinancing in favour of the borrower, which are granted, when the borrower is in financial difficulties. This favour wouldn't be granted if the debtor is not experiencing financial difficulties. Concessions may (and not must) entail a loss for the lender and typically imply a change in the terms and conditions of the credit contract.
Triggered by specific events, the bank's credit exposure on a borrower is reviewed. On that occasion, a risk assessment is made by experts who can be assisted by rating models. This assessment is ultimately submitted to the competent decision level. From the moment a concession will be or is granted to a borrower, the following situations must be seen as important indicators that the borrower is in financial difficulties. Financial difficulties refer to the situation in which the debtor is considered to be unable to comply with the terms and conditions of a credit ('troubled debt'). Financial difficulties must always be assessed on a client level. The concession is thus to be classified as a forbearance measure when:

1. the modified facility was totally or partially past-due by more than 30 days (without being in default) at least once during the three months prior to its modification or would be more than 30 days past-due, totally or partially, without modification;
2. simultaneously, with or close in time to the granting of additional debt, the borrower made payments of principal or interest on another credit within ABE; that was totally or partially 30 days past due at least once during the three months prior to its refinancing;
3. embedded forbearance clauses are used for borrowers who are 30 days past-due. Or who would be 30 days past-due without the exercise of these clauses;

When there are no indications that the debtor is in financial difficulties, the concession is not to be treated as forborne. By example, if the consumer asks for a reduction of his interest rate otherwise he will resign his loan, this is not forbearance even if it is a concession.
The forbearance classification on performing expositions can be stopped when all of the following conditions are met:

1. the facility is considered as performing;
2. a minimum 2-year probation period has passed from the date the forborne facility was considered as performing or granted;
3. regular payments of the full foreseen amount have been made during at least half of the probation period;
4. none of the exposures to the debtor is more than 30 days past-due at the end of the probation period (= minimum period during which a facility has to be classified as forborne).

2.4 Treasury

2.4.1 Regular Interbank Investments and Interbank Deposits

The interbank investments and interbank deposits are initially recognised in the balance sheet on the availability date at fair value (i.e., the value at which the funds were provided or obtained).
The interest revenues and the interest expenses are recognised pro rata temporis in the income statement by making use of the effective interest rate method.
Amortisation takes place on the due date.

2.4.2 Structured Investments and Structured Deposits

Structured investments and structured deposits are investments and deposits with embedded derivatives in a contract.
In the case of structured investments and liabilities where the embedded derivatives are closely linked to economic characteristics and risks of the basic contract, they must not be set apart.
If the derivatives embedded in the contract due to the close connection between the economic features and the risks do not have to be separated from the basic contract, the same rating rules apply as mentioned above for regular interbank investments and deposits without impairment to the application of the following paragraphs.
In the case of structured investments and liabilities where the closed derivatives are not closely linked to economic characteristics and risks of the basic contract, the derivatives must be bifurcated from the host contract.
In both cases, IFRS allows for the whole contract to be valued based on the fair value including the processing of value changes to the income statement on the condition that this classification leads to more relevant information because it eliminates or limits considerably inconsistency in the valuation of the inclusion (accounting mismatch) that would otherwise occur due to valuing of assets and liabilities or the inclusion of the profits and losses based on the different bases. The bank opts, on a case-by-case basis, to apply a fair value designation if a structured liability is fully covered by a derivative instrument but without the use of any hedge model.
Such investments and deposits are initially recognised at fair value in the balance sheet on the date they become available.
Next, the changes are included at their fair value in the income statement but split into an interest rate margin and a net difference when compared to the fair value. The changes in the fair value take into account any changes to the creditworthiness of the issuer (which is AXA Bank Europe in the case of liabilities).
Day one gains or losses should be deferred if the fair value was established on the basis of non-observable prices. This gain or loss must be written off over the term of the underlying instrument or until such time that observable prices are available. If material, day one gains and losses are deferred. This adjustment shall then be written off over the life of the underlying instrument or until the observable prices become available.
Amortisation takes place either on the due date or on the date of availability in the event of early repayment. In the latter situation the difference between the received/paid commission and the carrying amount is recognised in the income statement as a realised capital gain or loss.

2.4.3 Derivatives

Embedded derivatives
Derivatives embedded in basic contracts, which are valued at fair value and where the fair value differences are recognised in the income statement, are not separated.

Other derivatives
All other derivatives are recognised in the balance sheet at their fair value on the transaction date.
Changes in fair value are recognised directly in the income statement, except for derivatives used in cash flow hedges (see 2.4.4).

2.4.4 Hedge Accounting

The following types of hedges are possible:

- A portfolio interest rate fair value hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of the interest rate risk of the underlying hedged instrument. The effectiveness of the hedge is checked periodically through prospective and retrospective testing. During each effective period, the fair value change relating to the hedged risk of a reference amount is booked on the portfolio of underlying financial instruments. This change in value is amortised. Under IFRS, amortisation may be recorded as soon as a change in value has occurred. Amortisation shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. AXA Bank Europe has decided to commence amortisation when the hedging ends. The change in existing accumulated value at the end of June is amortised via the income statement over the remaining term of the instrument. In the new

model, the change in fair value recognised for the hedged risk is not amortised. Depreciation begins when the hedge stops. The deviation from fair value of the relevant derivatives is directly recognised in the income statement.

- During each ineffective period no fair value change is booked on the underlying financial instruments; The fair value change of the relevant derivatives is directly recognised in the income statement.
- A micro fair value hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of one or more financial risks of the underlying hedged instrument.

  The continued effectiveness of the hedge is checked periodically (prospective and retrospective testing) During each effective period the fair value change relating to the hedged risk is recorded for the financial instrument. These fair value changes are recognised directly in the income statement. The fair value change of the relevant derivatives is recognised directly in the income statement.

  Once the hedge ceases to be effective it is terminated and the value adjustments are written off in the event of debt instruments over the remaining term of the instrument by adjusting the effective actual rate.
- A cash flow hedge is a relationship between derivatives and underlying financial instruments documented through a hedge of future cash flows of the underlying hedged instrument. The effectiveness of the hedge is checked periodically through prospective and retrospective testing. During each effective period, the effective portion of the fair value change of the hedging instrument (derivative) is deferred in equity and the non-efficient portion is recognised in the income statement.

  Once the hedge ceases to be effective it is terminated. The deferred value changes remain deferred in the equity until the time that the expected future transaction takes place, after which it shall be accounted for symmetrically with the hedged risk in the income statement.

2.4.5 Repos and Reverse Repos

All repos and reverse repos satisfy the condition for being considered as financing transactions.
When entering reverse repos in the balance sheet the amounts paid are recorded as an investment with pledging of securities.
The rating rules are the same as those applied to regular interbank investments (see 2.4.1).
If, however, the underlying securities are sold, a liability is expressed in respect of the creditor of the collateral. This liability is valued at fair value.
Amortisation takes place on the due date.
When recognising repos in the balance sheet the amounts received are recognised as borrowings with securities collateral.
The rating rules are those applicable to regular interbank borrowings (deposits) (see 2.4.1).
For accounting purposes, the securities used as collateral under a repo are retained in the underlying securities portfolio. No accounting transfer takes place to another line item.
Amortisation takes place on the due date.

2.4.6 Securities Investments and Borrowings

Securities borrowings are not recognised on the balance sheet.
When the borrowed security is sold, the same rules apply as for a reverse repo (see 2.4.5).
Securities investments are not recognised on the balance sheet, as the securities which were lent remain in the underlying securities portfolio for accounting purposes. There is no accounting transfer to another line.

2.4.7 General

For the determination of the net profits and net losses:

- a distinction is made between interest rate margin and realised capital gains and losses;
- the results are not netted.

2.5 Fee Income and Financial Guarantees

2.5.1 Fee Income

A distinction is made between two types of commissions and their recognition in the income statement takes place as follows:

- commissions received for services are recognised on an accrual basis over the term of the services. Examples are reservation commissions for non-recognised credit line amounts, fees received from safe deposit boxes and management commissions.

- commissions received for the performance of a specific task are recognised at the time the task is performed. Examples are commissions for the purchase and sale of securities and money transfers.

2.5.2 Financial Guarantees Provided

The initial recognition of financial guarantees provided in the balance sheet takes place on the contract date. It takes place at fair value, which typically corresponds to the received commission for the provision of the financial guarantee. If the premium received does not correspond to market practices, the difference with the fair value is included directly in the income statement.
For the present, the received premium is amortised pro rata temporis over the term of the contract. This takes place on a per-contract basis.
It is subsequently checked (on the portfolio basis) whether a provision is to be created for potential or certain execution. This provision is discounted if the impact is tangible.
Derecognition takes place at maturity date or in the event of execution. The provided guarantee shall be booked for the guaranteed amount, which was built up through the provision.

2.6 Equity

Equity components are assessed at cost.
Treasury shares are deducted from the equity at purchase price, including directly assignable incremental transaction expenses.
Dividends are deducted from equity when they become due.

2.7 Financial Liabilities and Bank Deposits

(i) Financial Liabilities Measured at Amortised Cost

Operational debts are recognised in the balance sheet on the date they become available. They are assigned to the 'Deposits and debts' valuation category and valued at amortised cost.
Deposits and deposit certificates are initially recognised in the balance sheet at fair value (i.e., the amount of the obtained funding) on the date at which they are made available. They are also assigned to the 'Deposits and debts' category and valued at amortised cost without impairment to the application of the subsequent paragraphs regarding structured obligations.
On each balance sheet date interest accrued during the period is recognised in the income statement on the basis of the effective interest method.
The effective interest rate is the interest rate that exactly discounts the future contractually specified cash flows until maturity, to the purchase price, taking into account premiums, discounts and impact of step-up and step-down coupons.
The acquisition commissions related to deposit certificates are not amortised on an individual basis through the effective interest rate, but debited monthly in the form of an outstanding debt commission (which does not differ materially from the approach to the effective interest rate per individual transaction) and spread over the contractual term as interest expenses.
Deposits and deposit certificates are amortised on the expiry date or earlier in the event of early repayment. In the latter case the difference between the paid commission (deducting any penalties) and the amortised cost outstanding at the time of repayment is recognised in the income statement as a realised capital gain or loss.

For the determination of the net profits and net losses:

- a distinction is made between interest rate margin and realised capital gains and losses;
- the results are not netted.

In the case of structured deposits and liabilities where the closed derivatives are closely linked to economic characteristics and risks of the basic contract, they must not be set apart.
In the case of structured deposits where the closed derivatives are not closely linked to economic characteristics and risks of the basic contract, they must be set apart in accordance with paragraph 11 of IAS 39.
In such case, IFRS allows for the whole contract to be designated at fair value through profit or loss if this classification leads to more relevant information because it eliminates or limits inconsistency considerably in the valuation of the inclusion (accounting mismatch) that would otherwise occur due to the valuing of assets and liabilities or from the inclusion of the profits and losses with regard to this based on different rules. The bank opts, on a case-by-case basis, to apply a fair value designation if a structured liability is fully covered by a derivative instrument but without the use of any hedge model.

(ii) Liabilities Designated at Fair Value through Profit or Loss

This classification is used at AXA Bank Europe in both of the following cases:

1. the classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them based on different rules;
2. if it involves structured certificates, where no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.

   This indication is not possible :

   - where the derivative(s) determined in a contract do not lead to a major change in cash flows, which would otherwise be required by the contract;
   - where, after a swift or no analysis, when a similar hybrid (composed) instrument is considered for the first time, it is clear that the separation of the derivative(s) embedded in a contract is not permitted.

At AXA Bank Europe, it is mainly EMTN (European Medium Term Note) certificates issued by the AXA Belgium Finance subsidiary.
After initial recognition, no reclassification is possible within or outside of this category.
For the determination of net profits and net losses:

- a distinction is made between interest rate margin and changes in value due to changes in fair value;
- no distinction is made between capital gains / losses and rating profits and losses;

Such investments and deposits are initially recognised at fair value in the balance sheet on the date they become available.
Next, the changes are included at their fair value in the income statement. The changes in fair value take into account the effect of the change in the creditworthiness of AXA Bank Europe.
The fair value at acquisition of a financial instrument is usually the transaction price agreed. However, if AXA Bank Europe considers that the fair value is different from this transaction price and if the fair value was determined by unobservable elements, these are deferred by day 1 changes. This change must then be amortised over the term of the underlying instrument or until the time when observable prices are available.
Amortisation takes place on the due date or on the date of availability in the event of early repayment. In the latter situation, the difference between the received/paid commission and the carrying amount is recognised in the income statement as a realised capital gain or loss.

2.8 Foreign Currency Translation

The presentation currency of AXA Bank Europe is the euro. The functional currency is the euro for the head office and branches located in the Eurozone. Currently, the local currency is used as the functional currency for the branches that are located outside the Eurozone.

2.8.1 Determination of the Functional Currency

The functional currency for a branch that is located outside the Eurozone is determined on the basis of the primary economic environment in which an entity operates. This is typically the primary environment in which it generates and issues funds. Hereby account is taken of the following factors:

1. the currency:
   - which essentially determines the sale price of goods and services, and
   - of the country where the competition and regulations primarily determine the sales price of its goods and services.
2. the currency, which essentially determines labour and material costs, and other costs for the delivery of goods and the provision of services.

2.8.2 Conversion of a Functional Currency into a Presentation Currency

The results and financial status of a foreign branch in which the functional currency is not the euro are converted into euros on the following basis:

1. assets and commitments are converted for each balance sheet presented (i.e. including comparative figures) at the closing price on the balance sheet date;
2. profits and losses are converted for each income statement (i.e., including comparative figures) at an average exchange rate;
3. all resulting currency rates are recognised as a separate equity component.

2.8.3 Conversion of Monetary Components into a Functional Currency

Monetary components are currency units held as well as assets and liabilities which must be received or paid in a fixed number or a number to be determined of currency units. This concerns in particular fixed rate securities, loans and accounts receivable as well as the deposits and debts.
When recognised in the balance sheet, monetary components in foreign currency are converted into the functional currency at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.
Each month a monetary rating process takes place on the basis of the balance, where the total outstanding monetary balance in foreign currency is converted at the closing rate. All positive and negative differences are recognised in the income statement, regardless of the rating category to which the monetary components belong.
At amortisation, monetary components in foreign currency are converted into euros at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.

2.8.4 Conversion of Non-monetary Components into a Functional Currency

Non-monetary components are components other than monetary ones. This primarily involves non-fixed income securities.
When recognised in the balance sheet, non-monetary components in foreign currency are converted into euros at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.
The periodic non-monetary rerating process differs depending on the rating category:

1. for non-monetary components valued at cost, once the conversion into euros has taken place, this value in euros is maintained until derecognised from the balance sheet;
2. for non-monetary components belonging to the valuation categories 'Assets and liabilities held for trading' or 'Designated at fair value through profit or loss', a regular revaluation of the fair value applies, which consists of two components: the fair value difference and the foreign exchange result. Both components are recognised in the income statement;
3. for non-monetary components belonging to the rating category 'Assets available for sale', the periodic revaluation to fair value consists of two components: the fair value difference and the foreign exchange result. Both components are deferred in equity. If a negative revaluation must be booked as an impairment, both components will be transferred from equity to the income statement.

Upon derecognition, non-monetary components in foreign currencies are converted into euros at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.

2.9 Contingent Assets and Liabilities and Provisions

2.9.1 Contingent Assets and Liabilities

Contingent assets and liabilities
Contingent assets are not recognised in the balance sheet; Rather, they are included in the disclosure if an inflow of economic benefits is probable.
Contingent liabilities are not recognised in the balance sheet; they are, however, included in the disclosure, except in the very unlikely event of the possibility of an outflow of means including economic advantages .

2.9.2 Provisions

Provisions are only created if a liability exists as a result of a past event that can be reliably assessed and where a provision is necessary for a likely expense.
The existing liability can be either legally enforceable or be an actual liability.
The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties and any future events; they are discounted if the impact of the time value is material.
Compensation to be received in connection with the provisions made is recorded as an asset.
On each balance sheet date provisions are reassessed and adjusted, either to take into account the time value (developed through financial expenses), or to increase it (failing adequate provisions) or to reverse it (in the event of surplus provisions).
The provision shall only be used for the expenditure for which it was created.

2.10 Employee Benefits

Employee benefits are accounted for in the income statement in the year in which the services were provided.
For short-term employee benefits, which are paid within one year of the closing date, such as salaries, social security payments, sick leave, holiday pay and bonuses, provisions are created that are not discounted.
For long-term employee benefits not including benefit plans, such as career breaks, bonuses for 25 and 35 years of service, bonuses or other remuneration, only paid more than one year following the closing date, the calculation of cash value of gross liabilities applies; The actuarial differences as a result of the periodic revision of valuations and assumptions are recognised directly in the income statement.
At AXA Bank Europe, pension plans fall under the defined benefit plan category.
The amount recognised as a net liability on the basis of defined benefit rights consists of the net total of the following amounts:

1. cash value of gross liability on the basis of allocated pension rights as at the balance sheet date, where the 'projected unit credit' method is used;
2. less the fair value on the balance sheet date of any fund investments from which the liabilities must be settled directly.

The latter fund investments can involve both assets and insurance contracts.
Assumptions and estimates are periodically revised and adjusted.
Profits or losses on the major curtailment or settlement of an allocated pension regulation are recognised at the time the curtailment or settlement takes place.
Redundancy payments, including early retirement, are only recognised upon acquiring legal effect with regard to third parties. Discounting is also applied if the payment is more than one year from the balance sheet date.

2.11 Income Taxes

2.11.1 Current Taxes

Taxes due and tax refunds receivable over the current reporting period relating to current and previous periods are recognised as a liability, provided they have not yet been paid.
If the amount already paid, with respect to current and previous periods, is greater than the amount owed for these periods, the balance is recognised as an asset.

2.11.2 Deferred Taxes

Deferred tax liabilities are booked in the balance sheet for all temporarily taxable differences. They are created:

- through the income statement if the underlying temporary difference is also recognised through the income statement;
- through equity if the underlying temporary difference is also recognised through equity.

Deferred tax assets related to tax losses carried forward for transferable tax credit are only booked in the balance sheet if the temporary differences can be settled in accordance with local tax legislation.
Other deferred tax assets are always booked in the balance sheet since it is assumed that these temporary differences shall always be able to be recuperated.

At each closing date, the recoverability of the deferred tax asset is assessed. If the deferred tax asset cannot be recovered, impairment is accounted for. This impairment is reassessed at each closing date and adjusted, if needed, if additional information on the recoverability is obtained.
For accounting purposes netting takes place between deferred tax assets and deferred tax liabilities only inasmuch as the nature of the tax expense and the expiry date are similar for each fiscal entity.
For presentation purposes, netting between deferred tax assets and deferred tax liabilities occurs per fiscal entity.
The outstanding balance of the deferred tax assets or deferred tax liabilities is periodically revalued to take into account the changes in tax rates and/or tax legislation of the fiscal entity.
Assets or liabilities as a result of tax on profits are not discounted.

2.11.3 Estimate of Deferred Taxes

The following distinction is made with regard to deferred taxes and their recoverability
Deferred tax through Other Comprehensive Income
These tax assets are booked on:

- adjustments with regard to the actuarial assumptions used for the calculation of the provisions related to pension schemes;
- the valuation results on derivatives used for cash flow hedging;
- the valuation results on securities that are classified under the 'available for sale' category.

Generally, AXA Bank Europe does not expect to incur such losses on securities in the future since the strategy applied usually results in these securities being held in the portfolio until their maturity date. AXA Bank Europe has been anticipating expected IFRS changes and volatile markets into account for a few years and, therefore, the management of this 'available for sale' portfolio is driven, in these cases, by following a different strategy. Deferred tax is only entered for this category to the degree in which a larger or equal deferred tax liability is entered with regard to this portfolio that is also linked to the same underlying portfolio and to the same period.
As no impairment is noted on the receivable, no credit losses on debt instruments are expected. Therefore, the receivable is considered as fully recoverable.

Deferred tax as a result of a difference in the timing of accounts being processed (including losses)
A deferred tax asset is recognised insofar as future accounting profits will be available to both recover the deferred tax asset and for the unused tax credit balance that can be offset.

2.12 Property, Plant and Equipment and Intangible Assets

2.12.1 Property, Plant and Equipment

There is no capitalisation of tangible fixed assets secured under an operating lease and rental expenses are accounted for on a linear basis and included in the income statement over the term of the lease.
The initial recognition of tangible fixed assets obtained under a financial lease takes place for the fair and cash value of the minimum lease payments. Initially directly assignable expenses related to the acquisition are also capitalised. Financing expenses are recognised in the income statement on the basis of the implicit interest rate.
The initial recognition of tangible fixed assets acquired takes place at purchase value plus any additional attributable expense and directly attributable transaction costs. Financing expenses during the construction period are capitalised, if material.
Subsequent measurement takes place at amortised cost, which takes into account amortisation and periodic impairment testing.
For the depreciation, the residual value and the useful economic service life is taken into account.. Typically, the depreciation of buildings must take into account the 'component approach'. Due to the principle of immateriality on the one hand and in order to, on the other hand, also take into account the accounting policies imposed by the parent company, AXA Bank Europe has decided not to apply the component split for the time being.
On each reporting date, the impairment test for buildings and land compares the cost after deduction of any depreciation accounted for with the value in use determined on the basis of an independent survey:

- if the unrealised loss is less than 15%, no special impairment depreciation is booked;
- if the unrealised loss is more than 15% the 'discounted future cash flow' method is applied

If the value based on the discounted future cash flow is lower than the carrying amount, an impairment is booked for an amount equal to the difference between:

- the cost price after deduction of the recorded depreciation;
- the higher value of the independent surveys and the value based on discounted future cash flow.

After an impairment loss is recognised for a building, its outstanding amortisation table is adjusted.

If subsequently, the independent survey is more than 15% higher than the net carrying amount, the impairment is reversed for an amount corresponding to the difference between:

- the net carrying amount;
- the lowest of the independent assessment and the cost after deducting the depreciation recorded (calculated on the basis of the existing depreciation table for depreciation), with a maximum amount of for the previously booked value correction.

Subsequently the outstanding amortisation table is adjusted.

Tangible fixed assets held for sale are valued at the lowest carrying amount (cost minus previously booked depreciations) and the fair value less selling costs.
Such tangible fixed assets are no longer amortised and are presented separately on the balance sheet.
The linear depreciation method is used.

Depreciation booked during the financial year according to their economic life expectancy.

Assets	L Method (linear)	Depreciation percentage
		Min. - Max.
Land for own use	N/A	-
Buildings for own use	L	3%
Building design	L	10%
IT equipment	L	20%
Furniture, facilities	L	10%
Non-IT machines rolling equipment	L	20%

2.12.2 Intangible Fixed Assets

Set-up costs are directly recognised in the income statement, unless they can be identified as transaction costs for assets or liabilities
Purchased intangible assets, which satisfy the recognition criteria (future economic benefits and reliable measurement) and of which the useful life exceeds a year, are accounted for at purchase value, including additional expenses and directly attributable transaction costs. Software for which an annual license is paid is not capitalised.

The intangible assets are amortised on a linear basis over their economic life.
In the event of internally generated software, an intangible asset resulting from the development (or out of the development phase of an internal project) is recognised if and only if all conditions below are met:

1. technical feasibility to complete the intangible asset, so as to make it available for use;
2. intention to complete and use the intangible asset;
3. capacity to use the intangible asset;
4. how the intangible asset is likely to generate future economic benefits;
5. availability of adequate technical, financial and other means to complete the development and use the intangible asset;
6. capacity to reliably evaluate expenses attributable to the intangible asset during its development.

Costs that do not meet these criteria as well as research costs are not capitalised.

that do not meet these criteria as well as research costs are not capitalised.

- research phase: activities aimed at obtaining new knowledge; the search for applications or research findings or other knowledge; the search for alternatives for devices, products, processes, systems or services; formulation, design, evaluation and final selection of possible alternatives for new or improved devices, products, processes, systems or services.
- development phase: the design, construction and testing of pre-production or pre-use prototypes and models; the design of new devices, products, processes, systems and services; the design, construction and operation of a specific test environment; the design, construction and testing of a chosen alternative.

Mandatory projects, i.e. projects that are imposed by legislation, regulation or other non-avoidable and mandatory instances (e.g. system upgrades decided by an external provider) are always considered to have a positive business case without having to specifically demonstrate it. This is because it is considered that by doing the project high expenses are avoided such as having to manually solve the problem, recruiting external specialists, paying fines, etc.

Intangible fixed assets are subject to an impairment test.

- AXA Bank Europe assesses at each balance sheet date whether there is an indication of impairment. If such an indication exists, the bank shall estimate the recoverable amount of the asset. This amount is the highest of the fair value minus costs to sell or the value in use of the asset.
- If the recoverable amount of the asset is lower than the carrying amount, an impairment is booked for this difference.
- If there is an indication that an asset should be impaired, the recoverable amount of the asset shall be estimated. If it is impossible to estimate the recoverable amount of the asset, an entity must determine the recoverable amount of the cash-generating unit to which the asset belongs.
- Regardless of whether there is an indication of impairment, intangible assets with indefinite useful life must be tested annually for impairment. The test takes place by comparing the carrying amount with its recoverable amount. This rule also applies to assets that are not yet in use at the balance sheet date.

Depreciation booked during the financial year according to their economic life expectancy.

Assets	L Method (linear)	Depreciation percentage
		Capital Min. - Max.
Set-up expenses entered in the income statement in the financial year in which they were spent		
Software for own use, purchased from third parties	L	10% - 20%
Software internally developed	L	10% - 20%

2.13 Other Assets and Liabilities

Non-operational debtors and creditors are recognised in the balance sheet on the date they become available.
Other assets are recognised at the nominal value of the claim less any impairment.
Other liabilities are recognised at the nominal value of the debt.

2.14 Supplementary Information

2.14.1 Events After the Balance Sheet Date

Events after the balance sheet date that show circumstances that existed at the balance sheet date (for example, additional information about already-made estimates), will require an adjustment to the financial statements, if material.
Events after the balance sheet date that show circumstances that were created after the balance sheet date (for example, evolution of the dollar or the fair value of securities), will not require an adjustment to the balance sheet, the income statement, the changes in equity or cash flow statement. However, if material, information is provided on the nature and estimated financial impact in order to prevent the financial statements from being misleading.

2.14.2 Interim Financial Reporting

There is no specific interim financial reporting; the company only publishes its figures annually.

2.14.3 Changes in Accounting Policies and Accounting Estimates

When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate in accordance with IFRS.
A change in estimate is applied prospectively. Inasmuch as a change in estimate leads to changes in assets and liabilities, or relates to a component of the equity, this change is settled in the period in which the change has taken place, by changing the carrying amount of the relevant asset, the relevant liability or the relevant component of the equity.
Any change in the accounting policy must be applied retroactively.
If it is not feasible to determine the consequences of a change in a financial reporting policy on comparative information for one or more previous reporting periods, the new financial reporting policy is applied on the carrying amount of assets and liabilities from the start of the earliest period (the earliest period can be the reporting period) for which retroactive application is possible. For this period, the initial balance for each relevant component of the equity is adjusted accordingly.
If it is not feasible to determine the cumulative effect, at the beginning of the reporting period, of the application of a new accounting policy on all previous reporting periods, the comparative information is adjusted to apply the new financial reporting policy prospectively from the earliest time at which it is practically feasible.
In such cases additional relevant documentation is provided in the explanatory notes.

GLOSSARY

Description of Classifications in IFRS:

- Assets and liabilities held for trading:
  includes assets and liabilities with a view to short-term gains, as well as all derivatives, unless they were identified as effective hedge derivatives; the changes in fair value are recognised in the income statement.
- Financial assets and liabilities designated at fair value through profit or loss (fair value option):
  includes assets and liabilities which the company decides to value at fair value through profit or loss, because (1) the classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency ('an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them based on different rules, or (2) because the classification leads to more relevant information since a group of financial assets or liabilities are managed and their performance evaluated on the basis of their fair value in accordance with a documented risk management or investment strategy, or (3) it involves structured assets or liabilities, where no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.
- Financial assets held to maturity:
  all non-derivative financial assets with a fixed maturity date and fixed or definable payments where the intention exists, as well as the financial possibility to be held until maturity; they are measured at amortized cost.
- Loans and receivables
  all non-derivative financial assets with fixed or definable payments that are not quoted in an active market; ; they are measured at amortized cost.
- Financial assets available for sale:
  all non-derivative financial assets that do not belong to one of the previous categories; they are valued at fair value where all fair value fluctuations are recognised in the Shareholders' equity until realisation of the assets or until the time that depreciation occurs. In that case the cumulative rerating results are recognised in the income statement.
- Deposits and liabilities:
  all non-derivative financial liabilities that do not belong to one of the previous categories; they are valued at amortised cost.
- Property, plant and equipment kept for sale:
  property, plant and equipment which are likely to be sold. They are valued at the lower value of carrying amount or the fair value minus the sales costs, respectively.

3 Application of IFRS by AXA Bank Europe

The consolidated financial statements of AXA Bank Europe were drawn up in compliance with the International Financial Reporting Standards (IFRSs) – including the International Accounting Standards (IASs) and Interpretations - at 31 December 2016 as accepted within the European Union.
Accounting policies that are not specifically mentioned comply with the IFRSs as accepted within the European Union.

3.1 Application Dates

An overview is provided below of the impact of changes with regard to the IFRS standards. Any reference to the Group should be read as the consolidation scope of AXA Bank Europe, whose parent company is AXA Bank Europe.

Standards, amendments to standards, interpretations and amendments to interpretations that have been published, accepted within the European Union and for the first time applicable on 1 January 2016:

- Amendments to IFRS 11 – *Joint arrangements*, 'Accounting for Acquisitions of Interests in Joint Operations' (published on 6 May 2014). These have no impact on the consolidated financial statements of the Group;
- Amendments to IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible assets*, 'Clarification of Acceptable Methods of Depreciation and Amortisation' (published on 12 May 2014). These amendments have no impact on the consolidated financial statements of the Group;
- Amendments to IAS 16 – *Property, Plant and Equipment* and IAS 41 – *Agriculture*, 'Agriculture – Bearer Plants' (published on 30 June 2014). These have no impact on the consolidated financial statements of the Group;
- Amendments to IAS 27 – *Separate Financial Statements*, 'Equity Method in Separate Financial Statements' (published on 12 August 2014). These have no impact on the consolidated financial statements of the Group;
- Amendments to IAS 1 – *Presentation of Financial Statements*, 'Disclosure Initiative' (published on 18 December 2014). These amendments aim to provide better disclosures in the financial statements based on professional judgement by the company. These principles have been applied in the consolidated financial statements of the Group without major changes compared to last year;
- Amendments to IFRS 10 – *Consolidated Financial Statements*, IFRS 12 – *Disclosure of Interests in Other Entities* and IAS 28 – *Investments in Associates and Joint Ventures* – 'Investment Entities Applying the Consolidation Exception' (published on 18 December 2014). These have no impact on the consolidated financial statements of the Group;
- Amendments of the 2012-2014 cycle (published on 25 September 2014). These have a minimal impact on the consolidated financial statements of the Group:
    - IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* gives no additional explanation when an entity should reclassify an asset held for sale as held for distribution or vice versa and also indicates cases in which the processing as held for distribution should be stopped;
    - IFRS 7 – *Financial Instruments: Disclosures* provides additional information to determine whether a management contract is continuing involvement in a transferred asset, and also clarification in the netting notes in the abbreviated interim reporting;
    - IAS 19 – *Employee Benefits* clarifies that the high-quality corporate bonds used for estimating the discount rate for post-employment benefits must be in the same transaction currency as those of the fees to be paid;
    - IAS 34 – *Interim Financial Reporting* clarifies the meaning of 'elsewhere in the financial reporting' and requires a cross-reference.

Standards, amendments to standards, interpretations and amendments to interpretations that have been published, accepted within the European Union and only applicable at a future date:

- IFRS 9 *Financial Instruments* was published as a final version on 24 July 2014. This standard is applicable as from the financial year 2018.
  See chapter 3.2.
- IFRS 15 – *Revenue from Contracts with Customers*, published on 28 May 2014, originally effective since 1 January 2017, but amended in 2015 with an effective date of 1 January 2018 includes a five-step model to determine when revenue should be recognised.
  Step 1 = Identify the contract with the customer
  Step 2 = Identify the performance obligations in the contract
  Step 3 = Determine the transaction price
  Step 4 = Allocate the transaction price to the performance obligations in the contract
  Step 5 = Recognise revenue when (or as) the entity satisfies a performance obligation
  This IFRS is expected to have a minimal impact on the consolidated financial statements of the Group.

Other changes:

Standards, amendments to standards, interpretations and amendment to interpretations as published by the IASB are first subject to an endorsement process in the European Union before they are applicable in the consolidated financial statements of AXA Bank Europe. Currently a number of amendments are still in the pipeline of that EU endorsement process, of which the new standard IFRS 16 - *Leases* is the most important. This standard has been published on 13 January 2016, is applicable for the IASB as from 1 January 2019 and introduces a uniform accounting methodology for lessees. The Group is currently assessing the impact of this standard on the consolidated financial statements.

3.2 IFRS 9

IFRS 9 – *Financial Instruments* contains three phases.

The first phase relates to the classification and measurement of financial instruments. An initial publication on 12 November 2009 introduced the rules for financial assets. Here the requirement is to classify financial assets based on the business model in which they are held and based on the characteristics of the contractual provisions' cash flows. A second publication on 28 October 2010 introduced the rules for financial liabilities. The majority of rules were carried over from IAS 39, but some new requirements were set in case the option was taken to value the financial liabilities at fair value with fair value changes in the income statement. Here the difference in fair value is due to the change in the credit risk included in the equity (under other comprehensive income). The latter rule was published on 19 November 2013 eligible for early adoption. On 24 July 2014 a number of additional amendments were published in connection with the financial assets, which allowed a third measurement criteria for some simple liability instruments if the business model is aimed at a combination to receive contractual cash flows and sell financial assets. The changes to fair value were included in equity in this category (under other comprehensive income).

The second phase, last published on 24 July 2014, relates to a new method for calculating impairment on financial assets and credit commitment. The calculations made in this method are realised based on expected credit losses and therefore no longer on incurred credit losses. In addition, the method must be applied in the same way on loans and fixed income securities. Therefore, clauses should be included (from the first recording) for expected credit losses as well as (after first recording) changes to the expected credit losses.

The third phase, published on 19 November 2013, relates to general hedge accounting rules. The specific rules for open portfolios and macro hedging are still in a project phase. The requirements for these new hedge accounting rules are a more principle-based approach and are better in line with risk management practices.

Based on the current data, AXA Bank Europe does not expect any significant impact on the balance sheet or equity under the modified rules on classification and rating (first phase) and the general hedging rules (third phase).
As far as the second phase is concerned — the new method to calculate special impairments — AXA Bank Europe cannot provide a precise impact analysis currently because the models are currently being developed, including the possible choices and allocations within those models, and because the level of impairments will depend on the economic situation at the introduction of the new methodology and the assessment of the credit losses at that time. Based on the current data, it is however expected that the requirement to take the 'lifetime expected credit losses' into consideration with a significant increase of the credit risk since the initial recording, being the expected credit losses over a time span of the entire duration of the debt instrument (credit or fixed-rate effect), instead of 1 year upon initial uptake, may lead to an increase in the value of the special impairments.

Governance of the IFRS 9 Project:

The IFRS 9-project is monitored by a project Steering Committee reporting to a number of delegated members of the AXA Bank Europe Executive Committee. The following project components were defined:

- 'Classification and valuation': impact study of the first phase of IFRS 9. This impact study was largely completed in September 2016 (with some remaining issues in 2017). A section of the investment portfolio would be classified as continued for collecting cash flows, while another section would be deemed continued for collecting cash flows and sales. The retail activity would be deemed continued for collecting cash flows.
- 'Special depreciations': impact study of the second phase of IFRS9, including the determination of the methodology and the development of the models. The methodology was established and the models are currently being developed (see below). This project phase will in principle be concluded in June 2017.
- 'Accounting Information': determination and realisation of the necessary changes to the accounting systems following the two previous project phases. This part was commenced in August 2016 and is expected to be delivered by the end of June 2017.

There are in principle no major changes in the accounting systems. The completion of this section in June 2017 serves for commencing a parallel run in the second half of 2017.
- 'Financial Information': determination of the disclosures in the different financial reporting sets. This study was commenced in October 2016. The end of this section is scheduled in September 2017.

AXA Bank Europe has the intention to apply hedge accounting under IAS 39.

The IFRS 9-project is also supervised globally by the AXA Group, which is expected to only switch to IFRS 9 in 2021.

Impairment

Based on the recommendations of the EDTF ('Enhanced Disclosures Task Force') of December 2015 on useful disclosure to help market participants understand future changes in the 'impairment' section of IFRS 9, an overview of the key concepts, governance and processes AXA Bank Europe considers using. Point out that these core concepts, governance and processes, as well as the applicable bases for accounting policies and detailed procedures have not yet been validated by the Auditors by the end of 2016.

General Principle

Under IFRS 9, expected credit losses are required to be measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) ('stage 1'); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument) ('stage 2').

Interest revenue is calculated differently according to the status of the asset with regard to credit impairment. In the case of a financial asset for which there is no objective evidence of impairment at the reporting date ('stages 1 and 2'), interest revenue is calculated by applying the effective interest rate method to the gross carrying amount. In the case of a financial asset that has become credit-impaired ('stage 3'), interest revenue is calculated by applying the effective interest rate to the amortised cost balance, which comprises the gross carrying amount adjusted for any loss allowance.

Significant Increase in Credit Risk

At each reporting date, AXA Bank Europe will measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. If, at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, AXA Bank Europe will measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The criteria that AXA Bank Europe intends to use in order to identify a significant increase in the credit risk of a financial instrument at the reporting date will be based on the probability of default. AXA Bank Europe would transfer all financial instruments for which the probability of default over 12 months between origination date and reporting date will have increased by a relative amount and to an absolute fixed level. Additional triggers would be when the contractual payments are more than 30 days past due and in the case of forbearance. AXA Bank Europe would not rebut the presumption of 30 days past due.

Definition of Default

AXA Bank Europe's default definition is in line with Regulation (EU) No 575/2013 and EBA guidelines.

AXA Bank Europe will consider a financial asset to be in default when one or more of the following conditions are fulfilled:

- Unlikely to pay: the borrower is unlikely to pay its credit obligations to AXA Bank Europe in full, without recourse by AXA Bank Europe to actions such as realising collateral;
- 90 days past due: the borrower is past due more than 90 days on any material credit obligation to AXA Bank Europe;
- Pre-litigation: the borrower is 90 days past due and in remediation;
- Litigation: the borrower is 9 months further in pre-litigation or the facility is terminated.

Assumptions used for the cure rate:

- Unlikely to pay: the borrower is no longer in forbearance, the borrower is past due less than 30 days;
- 90 days past due: the borrower is past due less than 90 days;
- Pre-litigation: no more past due amount;
- Litigation: irrevocable process.

Probation period:

- Unlikely to pay: In the case of forbearance minimum 2 years since classification non-performing/facility granted;
- Pre-litigation: 6 months (no reminder over 6 months).

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in legislation, market practices,...

AXA Bank Europe has fully aligned the definition of default and credit-impaired.

Determination of Grouping
When applicable, the financial instruments will be grouped on the basis of loans with the same nature and same features:

- instrument type;
- rating

Write-off Policy
Loans and debt securities will be written off (either partially or in full) when there is no realistic prospect of recovery. This will generally be the case when AXA Bank Europe determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the AXA Bank Europe's procedures for recovery of amounts due.

Inputs, Assumptions and Estimation Techniques
The key inputs into the measurement of expected credit losses (ECL) will be the following variables:

- probability of default (PD): the probability that the counterparty will default over a certain time horizon;
- loss given default (LGD): percentage of exposure at default (EAD) to be lost in the event of default of the counterparty;
- exposure at default (EAD): amount to which the bank is exposed in the event of default of counterparty.

These parameters will generally be derived from internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information and any prudential conservativeness will be filtered out.

Two types of PDs will be used for calculating ECLs:

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This will be used to calculate 12-month ECLs;
- Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This will be used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures.

AXA Bank Europe intends to derive the 12-month marginal PD from the IRB (Internal Ratings Based) model under Basel, without conservative adjustments.
The lifetime PD would be determined by forecasting the marginal PDs for the different time steps by including forward-looking macro-economic information (regression model). Beyond the forecasting horizon of the macro-economic variables, a long term target PD estimate would be used to which the marginal PD will converge after some time. The typically decreasing PD behaviour, due to ageing, for certain portfolios such as mortgage loans, would be taken into account.
EAD would be determined based on an estimate of the exposure at a future default date.

LGD would be based on the difference between the contractual cash flows due and those that AXA Bank Europe would expect to receive, including from any collateral. For mortgage loans and professional loans secured by retail property, loan-to-value ratios would be used as a key parameter in determining LGD. For this purpose, a forecasted house price index would be used. Beyond the forecasting horizon of the loan-to-value ratios, expert opinion would be used to estimate the average yearly growth of the house price index.

AXA Bank Europe would derive the lifetime expected loss for financial instruments recognised on the balance sheet by discounting the expected losses (using the effective interest rate), the contractual pay-offs and possible prepayments, with adjustments for missing payments that occurred in the period before default occurred.

It is intended to calculate lifetime expected credit losses as a probability-weighted outcome probably based on 3 scenarios: a medium up-turn scenario, a base scenario and a medium down-turn scenario.

Forward-looking Information

AXA Bank Europe intends to include 3 years of forward-looking information.

The above paragraphs are applicable to AXA Bank Europe's retail portfolio. Deviations are possible regarding the non-retail portfolio.

4 Risk Management

4.1 General

AXA Bank Europe has continued to build towards coherent and prudent risk management in 2016. The bank has broadly implemented robust and effective strategies, policies, processes and systems to identify, measure, manage and monitor its risks.
AXA Bank Europe has continuously adapted risk policies in order to stay on track in a constantly changing environment.
The European Central Bank (ECB) is the competent authority for prudential supervision of AXA Bank Europe. This supervision was effectively carried out by the so-called Joint Supervisory Team (JST) that consists of members of the ECB and the national enforcement body. Regular consultation took place with the relevant supervisors by means of on-site inspections, workshops, interviews and reports.
In 2016, AXA Bank Europe also took part in a 'Supervisory Review and Evaluation Process' (SREP), led by the JST. During this process, the supervisor assessed the bank's risks and decided on minimum capital requirements for the bank in 2017, as well as a number of qualitative recommendations with which the bank will have to comply in future.

The bank's credit risk dropped further in 2016 with the realisation of the sale of its Hungarian branch. All retail activities in Hungary were transferred to OTP Bank in the last quarter of 2016. The official closure of the branch in Hungary is planned for 2017.
The Belgian mortgage market continued to suffer from a high degree of refinancing in 2016 as a result of low interest rates. AXA Bank Europe managed to reduce the pressure on profitability by achieving a significant new production of good quality mortgage loans.
In addition to retail business, AXA Bank Europe acted as an intermediary in providing financial services, mainly derivatives to various entities in the AXA Group.
Although a large volume of derivatives was traded in 2016 with entities in the AXA Group, the balance on AXA Bank Europe off-balance remained relatively stable due to the usual practice of compression in derivatives, mostly to LCH (central counterparty). In addition, fewer derivatives were needed to cover the interest rate risk in the bond portfolio since the portfolio has been significantly reduced.
The liquidity position of AXA Bank Europe remained at a comfortable level in 2016.
The bank's solvency position remains high due to a conservative investment strategy and a conservative dividends policy. The balance sheet total has dropped further in part due to a significant decrease in our investment portfolio, resulting in a positive impact on our leverage ratio.

AXA Bank Europe has further developed an internal stress testing program in 2016. This program describes the different stress test exercises, the risks that are stressed on a regular basis, the use and reporting of the stress test results. The program covers all material risks affecting AXA Bank Europe and performs different types of stress testing (per risk, based on scenarios, reverse stress testing).

Risk Appetite

The permanent identification and quantification of the bank's material risks are at the heart of the AXA Bank Europe risk policy. These risks are measured, limited and constantly tracked using an internal risk appetite framework (Risk Appetite Framework or abbreviated RAF).
In 2016, AXA Bank Europe has developed this so-called RAF further into a strategic tool. A strategic risk appetite was determined for the main areas (capital, profitability, economic values and liquidity), taking the stress sensitivity of these domains into account and in line with the guidelines of the AXA Group. This strategic risk appetite is translated into functional risk limits and forms a guide for the daily activities in the various risks and product lines. This risk appetite model was approved by the Board of Directors and is used by this management body and the Management Committee as a central tool for managing the risks in the bank.

All material risks are translated into relevant indicators, summarized in the 'risk dashboard'. This includes both regulatory and internal indicators. Different levels of severity are defined for each indicator, so management is warned in good time if an indicator approaches its maximum risk appetite. This 'risk dashboard' forms an integral part of the general risk monitoring process and is reported to the Management Committee monthly, and quarterly to the Board of Directors. These risks are also followed up in more detail by the relevant AXA Bank Europe risk committees.

The prospects in the strategic plan and the budget are checked against the RAF limits. The strategic plan undergoes multiple iterations until equilibrium is reached between both profitability and risks. The strategic plan was designed so all risks fall within the risk appetite and the regulatory limits, while taking new and existing regulations into account to meet the regulatory solvency requirements.
The risks are also subject to an economic capital model that generates forecasts covering different horizons. The economic capital is then distributed to all activities of the bank, and this based on the AXA Bank Europe risk objectives. The management of AXA Bank Europe imposes a limit on the total economic capital applied so as to ensure the bank has sufficient financial resources at all times.

Stress Testing

In 2016 AXA Bank Europe was submitted to SREP stress test exercise (SREP = 'Supervisory Review and Evaluation Process') of the European Central Bank (ECB). AXA Bank Europe wasn't part of the group of banks selected by the European Banking Authority (EBA) whose results were made public at the end of July, but of the group whose resilience was tested as input for the SREP exercise. Firstly, the quantitative results of the stress test were used as input to determine the ECB Pillar 2 capital guidelines (P2G), while the qualitative aspects were invoked to determine the Pillar 2 capital requirements. The qualitative aspects not only include an assessment of the extent to which AXA Bank Europe manages to deliver the required information in a timely manner, but also an assessment of the notion held by AXA Bank Europe of the risks contained in its business model.
The 2016 stress test was more extensive than the exercise of 2014 because the operational risk and CVA risk were also taken into account, among others. The solvency ratios were significantly higher than the results of the 2014 stress test, and there were two reasons for this. The test date was set at the end of 2015. At that time, the important risk mitigation measures were already fully implemented and there were no ABS or MBS present on the balance sheet any more. In addition, the solvency ratios at the end of 2015 – the starting point for the exercise – were significantly higher than in the previous stress test in 2014.
Most important, the exercise confirmed the causes of AXA Bank Europe's weaknesses. AXA Bank Europe's main risk exposure concerns possible fluctuations in interest rates and government spreads that have an immediate impact due to the size of its investment portfolio. It should however be noted that the investment portfolio has already been reduced by more than a third since the end of 2015. The second biggest risk factor concerns the retail credit risk due to the concentration of mortgage loans and therefore, de facto, the exposure to risks from the residential real estate market. In addition, the stress test confirmed the bank's exposure to interest rate fluctuations, which could lead to a decrease in net-interest revenue in the income statement.
The SREP stress test not only allowed AXA Bank Europe to correctly estimate the risks contained in its business model, but also provided valuable material to improve its own internal stress test framework.

In the following sections, we will focus more on the important risk categories to which AXA Bank Europe was exposed to in 2016, namely credit, market, liquidity, operational and strategic risks. All these risks have a potential impact on the bank's objectives in terms of solvency, liquidity and profitability.
The other risks of the bank are described in the AXA Bank Europe report 'Pillar 3 Risk Disclosure'.

4.2 Credit Risk

The credit risk is the risk of losses due to the default or deterioration of the credit quality of counter parties in credit activities.

AXA Bank Europe's main core business consists of pure retail bank activities, in other words, raising funds (daily transactions, savings products) and the supply of loans to its customers, especially households, professionals and small businesses through its network of independent agents. Most of the bank credit risk stems from these activities, which include both balance sheet and non-balance sheet entries, such as unused credit lines.

The credits/deposits ratio at the end of 2016 was 98%.

AXA Bank Europe also converted a part of its retail mortgage loans into RMBS ('Retail Mortgage-backed Securities'), part of which was converted into covered bonds that are sold on the financial markets, so a comfortable buffer could be constructed in terms of liquidity. Some of this liquidity is included in an investment portfolio with a low credit risk profile. (See chapter **Error! Reference source not found.**)

Another source of credit risk is the derivatives activity conducted to support the AXA Group activities, as well as for the management of repo and reverse-repo activities for the AXA Group.

4.2.1 Retail Credit Risk

AXA Bank Europe is exposed to credit risks as a result of credit activities involving Belgian retail customers. The risks associated with the retail credit portfolio in Belgium concern mortgages, consumer loans and business loans. The largest part consists of mortgage loans (with a share in 2016 of almost 88% of the total outstanding amounts).
The purpose of credit risk management is to prevent one or more credit events from affecting the solvency or profitability of the bank.
To achieve this objective, loan portfolios must remain within certain predetermined limits. These limits are determined by a previously elaborated risk appetite framework (RAF) in which functional limits are defined. These functional limits are translated into operational limits and it is these limits that are used on a daily basis to ensure the credit activity operates within the risk appetite defined by the

Board of Directors. One can get a good understanding of the risk-evolutions because of these and other extensive reports by Risk Management on risk factors in the Belgian retail loan portfolio.

In addition, credit risk management has developed a framework which makes it possible to evaluate the credit activity's risk-weighted return. A RAROC framework (risk-adjusted return on capital) was already developed for mortgage loans in 2015. The past year, a similar framework was developed for both professional and consumer credits. Thus, the RAROC framework grew to become an essential element in the profitability analysis of the retail credit activity.
In addition to qualitative models, risk management also includes quantitative models and opinions by experts. For instance, the bank uses an advanced internal ratings based model (IRBA) for its Belgian credit portfolio. Internal rating models have thus been developed. They are used to calculate capital requirements, but also for the acceptance and management of loans and for calculating provisions.

Portfolio

In chapter 21 'Loans and Receivables', the financial instruments are broken down by exposure to credit risk.

The mortgage loan portfolio experienced a strong net growth in 2016 by over 1 billion EUR thanks to a significant production and excellent quality, but this was partially offset by a high volume of refinancing on the Belgian market.

We noticed a decrease of 15 million EUR for the consumer credit portfolio, because the production was still not sufficient to offset the portfolio's natural erosion. This decrease is however lower than in 2015, where a decrease of 64 million EUR was observed.

In contrast to 2015, we noticed an increase of 51 million EUR on the professional loans portfolio. This is in line with the strategic initiatives of AXA Bank Europe to intensify the relationship in the professional segment.

Given the good coverage and the low probability of default for retail financing, the risk profile of the total loan portfolio is particularly low.

Guarantees

Mortgage Loan Guarantees

The loan must be secured by a mortgage (registration or mandate) on an immovable property (full ownership). The properties should be sellable in a normal manner. Property guarantees are required by law. The mortgage guarantees to be established are reusable in view of any subsequent mortgage loans. All the guarantees in addition to the mortgage guarantees must be established before the official registration of the credit (this therefore also applies for additional movable guarantees). With a bridging loan, a mortgage mandate is in principle established on both the property to be sold and the property to be acquired.

Guarantees for Business Loans

The guarantees are (1) real (they concern a property, movable or immovable, with an intrinsic value), (2) personal (they consist of a right of claim on a person) and/or (3) moral (they do not offer a bank any agent and are based on the fairness of those who issued them).
A list of guarantees that are regularly used for professional loans at AXA Bank Europe can be found in chapter 34.

Guarantees for Short Term Loans

Only one type of guarantee is used for a consumer credit: ceding a claim or ceding wages and other income.

Credit Quality

Performing

The credit losses amounted to a total of 3.6 million EUR in 2016, compared to 19.7 million EUR in 2015. The losses in 2016 are significantly lower than those in 2015, for 2 main reasons. The main driver for the lower losses is the structurally improved risk profile of the loan portfolio. It was decided in 2013 to tighten the credit policy so as to improve the quality of the portfolio. This adaptation has had a somewhat delayed effect on the credit losses in 2016. In addition, there are some exceptional elements which made a further contribution to the huge drop in credit losses in 2016 (e.g. important additional income as a result of the sale of already written off credits, an exceptional decline in commissions on mortgage loans due to the adjustment of the underlying commission model).

An essential part of the credit risk policy is formed by the 'Bank Collection' Department. The Department takes the necessary measures to reduce the bank's risk to a minimum depending on the nature and severity of the problem. In addition, the Department determines the monthly provisions amount needed for impairment losses.

We witnessed a global recovery of the observed default rate[1] (over a period of one year) in the Belgian portfolio, from which it can be concluded that the quality has increased and that the product mix of credits in Belgium has improved.

The default rate over 12 months for mortgage loans fell from 0.8%[2] in December 2015 to 0.5% in December 2016. The vintages of the new production are still declining and it is therefore expected that this downward trend will persist when economic conditions remain unchanged.

The default rate over 12 months for loans to professionals and small businesses dropped from 1.9% observed in December 2015 to 1.7% in December 2016, which reflects the defensive approach of the past few years.

A decrease in the default rate over 12 months was also observed for consumer loans (from 1.3% in December 2015 to 1.2% in December 2016) due to a better risk selection and a change of the product mix to loans with a particular purpose.

In chapter 15 'Impairment', the portfolio is split into a portion that is overdue but hasn't yet gone into default (overdue ≤ 90 days) and a portion that is overdue and in default (overdue > 90 days).

Non-performing

AXA Bank Europe's definition of default on the retail loan portfolio is fully in line with the ITS which was published by the European Banking Authority (EBA) in July 2014. AXA Bank Europe chose to implement a very strict definition of default, resulting in an increase in the number of loans flagged as 'unlikely to pay' and the corresponding commission amounts, without affecting the quality of the underlying portfolio changes. In concrete terms, this means that a client/loan is in default if at least one of the following conditions applies:

- The client/loan is 'unlikely to pay'
- The client/loan has '> 90 days payment arrears' but is not in 'pre-litigation'
- The client/loan is in 'pre-litigation' (PCX = ('précontentieux')
- The client/loan is in 'litigation' (CX = 'contentieux')

See specific table in chapter 15 'Impairment'

4.2.2 Non-retail Credit and Concentration Risk

The Wholesale Risk Committee is responsible for the checks on the extended limit framework concerning the credit quality of non-retail counterparties. The limit framework assesses exposures to counter parties at different levels (country, sector, type of instrument and counterparty) and prescribes limits at these different levels to limit both the individual counterparty risk and exposure to the concentration risk. The Wholesale Risk Committee works within the risk appetite context that has been approved by the AXA Bank Europe Board of Directors.

In addition, AXA Bank Europe also follows up on its investment portfolio in terms of:

1. Adequacy of securities for the calculation of the liquidity cover ratio (see chapter **Error! Reference source not found.**). The AXA Bank Europe investment policy is almost exclusively limited to assets of the highest liquidity class, as defined by Basel III (L1);
2. Adequacy of securities for the calculation of the solvency ratio.

In addition to the fact that credit and concentration risks are followed locally, this is also monitored at the AXA Group level.

AXA Bank Europe reports on a monthly basis all of its positions to the Central Risk Management Department of AXA Group to ensure compliance with this second set of limits.

4.2.2.1. Investment Portfolio

[1] 'Default rate over one year' means the ratio between the number of defaults that occurred during a period beginning one year before a date T (observation date) and the number of debtors that is assigned to this degree or pool, one year before that date (example date).
2 Based on the old default definition

In 2016, the investment portfolio book value (including the non-realized capital gains and losses) dropped from 7.4 billion EUR to 4 billion EUR, mainly due to the sale and maturing of government bonds. The majority of the AXA Bank Europe investments consist of high quality government bonds (67%) and supranational bonds (29%).

* In billions EUR

In addition, credit ratings and changes in the market price of AXA Bank Europe positions are carefully monitored to examine the vulnerability of the loan portfolio for a number of adverse developments. No position has a rating lower than investment grade. Geographically, the credit risk of the investment portfolio is limited to countries who are members of the European Union.

Breakdown of the government portfolio national and supranational (December 2016)

AXA Bank Europe follows its exposure to PIIGS countries closely. As several PIIGS government bonds matured in 2016 and were not reinvested, the total exposure to these PIIGS countries has dropped by 72.9 million EUR.

Exposure to Spain has dropped (from 197 million EUR to 151 million EUR), exposure to Italy has remained virtually stable and that to Portugal (15 million EUR end 2015) is gone. AXA Bank Europe only invests in government bonds of Spain and Italy.

You will find a list of accounting PIIGS-exposure as at 31 December:

Country	Type of Instrument	Market value 2015	Market value 2016	% evolution
Spain	Sovereign	197,077	151,155	-23%
Italy	Sovereign	340,062	328,758	-3%
Portugal	Sovereign	15,491	0	-100%

4.2.2.2. Counterparty Credit Risk of the Trading Room Activity

AXA Bank Europe offers a centralised platform for the entities of AXA Group to access financial markets. Several insurance entities within AXA Group use this platform, which offers two services. First of all, AXA Bank Europe is an intermediary for pure derivatives such as interest rate swaps that the AXA Group's insurance entities use to hedge market risk on their life insurance. In order to measure the counterparty credit risk of these derivatives, we take into account the possible future evolution of the derivative value in case of counterparty default. To achieve this, the derivatives are valued after applying market shocks. The losses that are caused by these market shocks should stay under the allowed limit for the counterparty. Secondly, AXA Bank Europe provides liquidity to insurance entities via standardized money market transactions ('reverse repos') in which AXA Bank Europe buys high-quality government bonds and commits to sell these bonds again at a specific future date and price. The volume of this activity amounted to 926 million EUR at the end of 2016, with maturities up to maximum 1 year. The value of the bonds should be 10% above the cash value for these transactions. This protects AXA Bank Europe from a loss due to negative price evolution of the bonds in case of a counterparty default.

The bank's exposure to derivatives and money market transactions, including the transactions within the AXA Group, which are described in the previous paragraph, is limited via a very strict policy regarding collateral requirements. Exposures to such transactions are subject to a daily credit risk monitoring and collateralized on a daily basis with both market counterparties and AXA Group counterparties. Guarantees exchanged are limited to cash and high-quality securities in order to ensure adequate limitation of credit exposures.
The counterparties for the trading room activity of treasury and derivatives are selected based on external ratings of three rating agencies (Fitch, Moody's and Standard & Poor's) which results in an internal AXA rating. In order to qualify as an active trading partner, counterparties should have an AXA rating of at least A-. There are also 'passive' counterparties which have a rating of at least BBB+. With these counterparties, there are still open positions from, but no new trades are allowed. These counterparties are of course monitored closely. For all derivatives, it is mandatory to enter into an 'ISDA Master Agreement' and a 'Collateral Service Agreement'. For repo transactions, it is mandatory to enter into a 'Global Master Repurchase Agreement'. Every new counterparty should be presented to and approved by the Wholesale Risk Committee.

Exposure at Default

AXA Bank Europe provides insight below in the so-called exposures at default of a counterparty related to the trading room activity, both for derivatives and (reverse) repos. The regulatory definition is used that takes the nature of the instruments into account and simulates the exposure amount incase of a counterparty default. This exposure is used to calculate the risk-weighted assets and capital requirements.

(i) Repo & Reverse Repo

AXA Bank Europe had two counter parties for this activity on 31 December 2016. AXA Belgium and LCH Clearnet Ltd, the central counterparty for these transactions. On the AXA Belgium side (reverse repo) there is no exposure at default as AXA Bank Europe receives sufficient collateral to cover the exposure on AXA Belgium. On LCH Clearnet side (repo) there is exposure (51.9 million EUR) considering that LCH Clearnet requires additional collateral from all its members.

(ii) Derivatives

The regulatory method to determine exposure at default for derivatives counterparties includes the following steps:

a) Transactions are grouped in 'netting sets', in which it is legally possible to add positive and negative market values;
b) For each transaction a risk factor is determined, which reflects the possible negative evolution of the transaction value in case of counterparty default;
c) (a) and (b) are added to the collateral that is given to a counterparty (if (a) is negative) or received from a party (if (a) is positive). The outcome of this calculation gives the exposure at failure per counterparty.

The aggregated results as at 31 December are displayed step by step below.

a) The sum of all positive market values amounts to 4,816 million EUR. Of these positive market values amounts, 3,978 million EUR is neutralised by negative market values. AXA Bank Europe emphasises here that this neutralisation goes beyond purely accounting netting of balance sheet items that is discussed in chapter 33 based on legally enforceable netting rights. Chapter 34 elaborates on the nature of the collateral.

b) The sum of the risk factors amounts to 429 million EUR. To clarify: this is the regulatory prescribed calculation of a negative evolution of the derivatives portfolio at the simultaneous default by all counterparties in stressed market conditions.

c) In total, AXA Bank Europe pledged 1,338 million EUR collateral and received 805 million EUR collateral. When we look across all counter parties, and charge the collateral at a) and b), we arrive at a total exposure of 511 million EUR in stressed market conditions and at the simultaneous default by all counterparties. Under stable conditions, this exposure still amounts to EUR 174 million. It is important to note that EUR 139 million in these figures stems from the high collateral requirements of the central counterparty LCH Clearnet.

As AXA Bank Europe has very high standards regarding the quality of its counterparties, none of the (reverse) repos and derivatives are past due or impaired.

Concentration Risk

AXA Bank Europe follows the regulatory requirements regarding the limitation of large exposures, where the exposure to a group of affiliated counterparties may not exceed 25% of the eligible capital. Due to the diversification of counterparties, the exposure to AXA Group is the only exposure that exceeds 10%, but it remains signicantly below the limit, which indicates a low concentration risk.

4.2.2.3. Securitisation of Retail Credits

With its covered bond program, AXA Bank Europe wants to complement its traditional funding basis of retail deposits with another stable funding source. The strong underlying quality of the mortgage and promissory loans is the iedeal collateral for a covered bond program.
The bank launched its first covered bonds in November 2010. The covered bond program amounts to 4,150 million EUR in 2016 of which 3,400 million EUR remains on a consolidated level: 3,400 million EUR in the market and the 750 million EUR retained by AXA Bank Europe were eliminated in the consolidated balance sheet. AXA Banque France has subscribed 400 million EUR of these covered bonds.

4.3 Market Risk

For market risk, AXA Bank Europe differentiates between the market risk that is related to the 'trading book' (accounting classification), and interest rate risk related to the 'banking book'. The trading book includes all financial instruments that are used in the context of specific trading activities. AXA Bank Europe does not carry out any trading activities for its own account. The financial instruments falling under the 'trading book' accounting classification, mainly concern the derivatives activity for AXA entities. The banking book includes all other financial instruments that do not belong to the trading book. These mainly concern the bank's retail business.

The Management Board of AXA Bank Europe is responsible for the management of market risk. However, day-to-day management is delegated to the 'Assets & Liabilities Committee' (ALCO) for interest rate risk concerning the banking book and to the 'Wholesale Risk Committee' (WRC) for the market risk concerning the trading book. In addition, ALCO and WRC evaluate the risk reports submitted by the AXA Bank Europe Risk Management Department. Finally, both committees also supervise compliance with the limits set out in the risk appetite framework.

4.3.1 Interest Rate Risk Banking Book

The interest rate risk in the banking book is defined as the risk of a decrease in economic value or the net interest income of the banking book as a result of changes in the market interest rates. It can be subdivided further into yield curve risk (also sometimes called gap risk), basic risk and risk through interest options.

At AXA Bank Europe, basic risk and risks due to interest options consist especially of mortgage loans with variable interest rates. The interest rates of these residential credits in Belgium are linked to the evolution of the OLO interest rates ('Obligation Linéaire'/'Lineaire Obligatie'). As a result, changes in the spread between OLO interest rates and interbank or swap interest rates, give rise to changes in the value and income of the banking book (= basic risk). In addition, the maximum interest rates of these mortgage loans are limited to protect the client (= risk due to interest).

The interest rate risk for AXA Bank Europe and its subsidiaries is measured and managed at the AXA Bank Europe Head Office level. In this context, the 'Assets & Liabilities Management' (ALM) Department acts as first-line of defence and the Risk Management Department as a second autonomous line of defence.

The monthly ALCO follows some (internal and regulatory) indicators to check and steer the interest rate risk. Both the risk of a drop in economic value (= 'value approach' indicators) and the risk of a drop in interest income (= 'earnings approach' indicators) are monitored.

The following table lists the values for 2 internal indicators: the Bank SI ('Solvency Indicator') and the Bank NII ('Net Interest Income').
The absolute Bank SI gives the impact of a parallel rise in market interest rates by 1% on the economic value of the banking book. The relative Bank SI expresses this impact as a percentage of the regulatory capital.
The Bank NII gives the impact of a parallel rise in market interest rates by 1% on the interest result of the banking book. This indicator corresponds to a new definition developed in the course of 2016 and wasn't available at the end of 2015.

	Dec-15	Dec-16
Bank SI (absolute)	-343 million EUR	-241 million EUR
Bank SI (relative)	-33%	-22%
Bank NII		15.7 million EUR

4.3.2 Market Risk Trading Book

Value at Risk

AXA Bank Europe maintains a conservative approach of the trading book market risk. The trading activities of the bank are mainly derived from AXA Bank Europe's role as centralized platform to the derivatives markets for the AXA Group insurance entities. The market risk is strongly limited because all positions at AXA Group entities within the trading activities are mirrored by positions with external counterparties on a 'back-to-back' basis. The AXA Bank Europe market risk consists primarily of the interest rate risk. In addition, the equity risk arising from the issue of 'Euro Medium Term Notes' (EMTN) is immaterial, since AXA Bank Europe hedged this exposure in the financial markets. AXA Bank Europe is also not involved in the trading activity of commodities.

All these activities are closely followed up by the AXA Bank Europe Risk Management Department within a framework of very strict limits. The 'Value at Risk' (VaR) for all activities related to the trading book is limited to 2.17 million EUR. The VaR at a confidence level of 99.5% and a time horizon of 10 days is calculated on a daily basis using 5000 'Monte Carlo' simulations. The VaR for all trading book activities at the end of 2016 was equal to 1.36 million EUR and is therefore well within the specified limit. In addition, this result is representative of the entire 2016. Finally, this model is also subjected to appropriate annual back testing in order to preserve the accuracy and relevance of the model.

Materiality Thresholds of the National Bank of Belgium

The trading book was subject to materiality thresholds that have been introduced by the National Bank of Belgium (NBB) in 2015 in the framework of the new Belgian banks legislation. The 'Non Risk-Based Ratio' for AXA Bank Europe, which is based purely on volume, is well below the threshold defined by the NBB. The 'Risk-Based Ratio', which reflects the underlying risks, is also remarkably lower for AXA Bank Europe than the regulatory threshold. This can be explained by the limited market risk resulting in low Market Risk Weighted Assets.

Furthermore, the risk limit framework of AXA Bank Europe ensures that the VaR with a 99% confidence level and a holding period of 1 day does not exceed 0.25% of T1 capital.

4.4 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in exchange rates. AXA Bank Europe operates a policy to minimise exposure to currency risk. Any material residual positions are hedged systematically. This risk was followed up and hedged on a monthly basis in ALCO in 2016. In addition, there is a capital charge for this risk when the total net position represents more than 2% of the equity. Finally, the currency risk in relation to the activities in Hungary disappeared with the completion of the sale of the Hungarian entity during 2016.

4.5 Liquidity Risk

The 'Basel Committee on Banking Supervision' (BCBS) defines the liquidity risk as the risk of not being able to quickly and easily increase the cash position to absorb shocks as a result of financial and economic stress.

In recent years, liquidity management was one of AXA Bank Europe's key priorities. This resulted in a suitable framework for liquidity risks, which is based on both regulatory and internal indicators. At the same time, the bank's liquidity contingency plan was adapted and the bank has set up a special task force which must intervene immediately and take the appropriate actions in case of systemic and idiosyncratic liquidity crises. This has led to a stronger awareness of liquidity risk at all management levels, as well as a more rigorous follow-up. Regular forward-looking projections of the main liquidity ratios support the active management of the liquidity risk within AXA Bank Europe.

AXA Bank Europe's strong liquidity position is reflected by a significant cash surplus, both in terms of regulatory Basel III-ratios and in terms of internal indicators. The internal indicators were brought in line with the AXA Group liquidity indicators, but adapted to the specific context of AXA Bank Europe. In addition, these internal stress indicators include both short term stress (one-month time frame) and long term (1 year time frame) that can occur today or tomorrow in our business plan.

AXA Bank Europe follows the Basel III liquidity indicators proactively. The LCR ('Liquidity Coverage Ratio') is binding since October 2015 and the NSFR ('Net Stable Funding Ratio') becomes binding in 2018. AXA Bank Europe has successfully adapted its strategy to meet these required indicators. For example, this strategy includes the bank's investment policy that is limited to quite liquid assets and attracting long-term stable funding. The main sources of stable funding are retail deposits (18.2 billion EUR at 31/12/2016) and covered bonds (3.4 billion at 31/12/2016). In view of the comfortable stock of liquid assets and a solid financing structure, the AXA Bank Europe LCR and NSFR clearly surpassed the minimum requirements by the end of 2016.

	12-2015	12-2016	Limit
LCR ratio (conso)	139%	169%	100%
NSFR (conso)	139%	139%	100%

Maturity Analysis Graph (High Level)

2016 (In EUR)	< 3 months	< 12 months	> 12 months	Total
Central Bank financing	200.000.000	0	150.000.000	350.000.000
Loans from financial customers	1.176.679.390	2.103.631	1.312.960	1.180.095.981
Unsecured funding (savings & current accounts of 'other financial corporates' + CIFP)	135.469.209	2.103.631	1.312.960	138.885.800
Repurchase Agreements	1.041.210.181	0	0	1.041.210.181
Secured loans	0	0	0	0
Retail funding:	15.965.513.425	354.063.197	1.900.823.301	18.220.399.924
Non maturing retail funding (savings and current accounts)	15.650.076.800	0	0	15.650.076.800
Maturing retail funding (deposits with agreed maturity, EMTN for retail, customer saving certificates)	315.436.626	354.063.197	1.900.823.301	2.570.323.124
AXA Group Financing:	102.463.221	7.247.765	698.974.714	808.685.700
Unsecured financing	98.574.422	0	0	98.574.422
EMTN	3.888.799	7.247.765	698.974.714	710.111.278
Other counterparties	3.300.425	1.000.000.000	2.413.035.409	3.416.335.834
Unsecured funding from non-financial customers	3.300.425	0	130.000	3.430.425
Covered bonds	0	1.000.000.000	2.412.905.409	3.412.905.409
Total	**17.447.956.461**	**1.363.414.593**	**5.164.146.384**	**23.975.517.438**

The fair value of derivatives is not included in this table since AXA Bank Europe doesn't consider these derivatives to be 'funding', considering the fact that they mostly form part of AXA Bank Europe's 'back-to-back' activities.

4.6 Operational Risk

Operational risk means: the risk of loss resulting from inadequate or missing internal processes, human error, or failing systems. A shortcoming or inadequacy can have both internal and external causes.

AXA Bank Europe applies the operational risk management framework that was developed by the AXA Group. This framework consists of an annual cycle that identifies, evaluates and quantifies the operational risks to which AXA Bank Europe can be exposed. This frame-

work also includes a process to collect, aggregate and report data from incidents and losses in a continuous way. Remedial actions are taken for the greatest risks and losses; the ultimate objective is to mitigate the operational risk for the bank as a whole.

Just as in past years, there was also a major focus in 2016 on detecting and combating fraud and cyber risks (hacking, phishing and cyber-attacks). The cooperation with the other control lines (Audit, Compliance, Information Security) was further strengthened and more work was done on the 'risk awareness' throughout the entire organization (organisation of training courses for the different business lines, participation of the Operational Risk service in major projects and product launches). An 'operational risk dashboard' was also operated in 2016. This dashboard contains indicators for the main domains and potential sources of operational risk; these indicators as such fulfil an important signalling function towards AXA Bank Europe's management.

In 2017, the focus will be on structural formalising, implementing and following up of actions to mitigate the greatest risks and incidents. The 'Loss Data Collection' process will be further optimized and formalized to ensure uniformity and maturity throughout the organization. Work will also be done on the 'Operational Risk Framework' to clearly define the borders and the playing field for all services and processes in AXA Bank Europe.

4.7 Strategic Risk

Strategic risk is the risk that the main objectives of AXA Bank Europe (in terms of profitability, solvency, liquidity and creating value) may not be realized due to wrong decisions, inappropriate resource allocation or not responding correctly to changes in the environment. It refers to decisions that are needed to adapt to the external business environment, to improve the internal organisation or exploiting new strategic opportunities.
The strategic threats are tracked through annual strategic planning, financial planning processes, processes concerning the approval of products and management of strategic projects.
AXA Bank Europe continued to implement the transformation plan that it had announced in 2014, in 2016. This plan focuses on two core activities: retail in Belgium and Intermediation services that are exclusively offered to entities of the AXA Group.
The bank's strategic plan confirms AXA Bank Europe's positioning as a simple and low-risk bank. The goal is to achieve sustainable growth, strengthening structural profitability and a superior customer experience.

4.8 Capital Management

4.8.1 Management

The capital risk is the risk that the bank has or may have insufficient capital to cover the risks to which the bank is exposed.
In practice, this is translated into a cross-check of the capital base against the minimum regulatory capital requirements (Pillar 1) and the economic capital requirements (Pillar 2).

The capital base is carefully monitored by the 'Capital Management Committee' that forms a partial working group of the 'Asset & Liability Committee' (ALCO) and that reports to the ALCO on a periodic basis. The Committee oversees the new regulations ('regulatory watch'), follows up on the current and projected solvency ratios, anticipates and manages the economic and regulatory capital requirements.
The calculations for regulatory capital are reported to the supervisor (COREP) on a quarterly basis.
The bank reports the required economic capital to the supervisor in an annual ICAAP file ('Internal Capital Adequacy Assessment Process'). The ICAAP is the internal review process of the institution itself, which allows it to assess the adequacy of its capital in light of its risk profile and its organisation.

4.8.2 Regulatory Environment

The EU introduced stricter rules around capital requirements for banks in the aftermath of the financial crisis that are based on the Basel III accords. The requirements for banks are set out in the 'Capital Requirements Regulation' (CRR) and the 'Capital Requirements Directive' (CRD IV). The CRR/CRD IV was gradually introduced since 1 January 2014 and will be fully in force in 2019.
The minimum capital ratios (Pillar 1 requirements) which are to be met according to CRR/CRD IV are 4.5% for the core capital (CET1), 6.0% for the tier 1 capital ratio and 8.0% for the total capital ratio.
Besides the minimum own funds requirements of the CRR, AXA Bank Europe should also comply with the various buffers that can be imposed in accordance with CRD IV.

The CRD IV provides for a capital conservation buffer. In times of an economic boom, this can be up to 2.5%. The premise is to reserve additional capital in times of financial prosperity. In times of financial stress, the institution will be able to use this capital. The condition is then that the institution may not pay out a dividend to shareholders. This buffer applied to the bank in 2016.

AXA Bank Europe may also be obliged to build a counter-cyclical capital buffer representing an additional Core Tier 1 capital requirement. This buffer's aim is to protect the bank against risks arising from the financial cycle and can be up to 2.5%, possibly higher. This requirement came into effect in 2016.

The Belgian regulator has appointed AXA Bank Europe as O-SII or 'other system-relevant institution' and therefore subject to an additional Core Tier 1 capital requirement (O-SII buffer) of 0.75%. The introduction of this buffer is phased in over a period from 1 January 2016 until 1 January 2018. This means that an additional capital requirement of 0.25% was imposed on AXA Bank Europe in 2016, which will be increased by 0.25% in 2017 and again in 2018.

In addition to the Basel III capital requirements, AXA Bank Europe must also comply with the solvency ratio of Basel I, and this until December 2017. In other words, the capital that the bank must hold must at all times be greater than or equal to 80% of the total minimum amount of capital that the bank would be required to hold in accordance with the Basel I rules.

Following his 'Supervisory Review and Evaluation Process' review, (SREP), the competent supervisory authority (the European Central Bank for AXA Bank Europe) may impose higher minimum ratios (= Pillar 2 requirements), because, for example, not all risks are properly reflected in the regulatory Pillar 1-calculations.

4.8.3 Own Funds

The accounting core capital will be adjusted with:

- prudential filters, which exclude certain items of own funds, such as changes in the value of own credit risk and additional value adjustments in the context of prudent ratings;
- and other deductions, such as intangible fixed assets, the deferred tax assets which are based on future profitability, deficits in terms of provision of 'Internal Rating Based approach' (IRB). When IRB is applied to calculate the credit risk, the Tier 1 capital is corrected with a surplus or shortage of provisions in relation to the IRB estimate of the expected losses.

The reconciliation of the shareholders' accounting equity with the useful equity based on IFRS can be seen in the table below.

COMPOSITION OF USEFUL CAPITAL	**31/12/2016**	**31/12/2015**
(in '000 Eur)		
Paid in capital instruments	681.318	681.318
Reserves (including retained earnings)	266.141	239.864
Result of the current year	95.335	27.228
Other reserves	1.125	1.120
Accumulated other comprehensive income	47.915	134.175
ACCOUNTING CET1 CAPITAL	**1.091.835**	**1.083.706**
Prudential filters	(26.221)	(13.266)
Value adjustment of own credit risk	*(18.672)*	*(11.503)*
Value adjustment of prudent valuation	*(7.550)*	*(1.763)*
Deductions of CET1 capital	(71.919)	(180.088)
Regulatory adjustments accumulated other comprehensive income	(35.518)	*(137.814)*
Immaterial fixed assets	*(8.537)*	*(6.885)*
Deferred tax assets that rely on future profitability	*(11.073)*	*(13.584)*
IRB provison shortfall	*(16.791)*	*(21.806)*
USEFUL CAPITAL (CET1)	**993.695**	**890.352**

The CET1 amounts to 993.7 million EUR in 2016 versus 890.3 million EUR in 2015.

AXA Bank Europe is allowed to include the consolidated net profit for 2016 (EUR 95.3 million) in the Core Tier 1 capital. The evolution of CET1 is further determined by the movements in accumulated other comprehensive income and the value adjustments.

The total equity includes:

- CET1
- additional Tier 1 capital consisting of applicable convertible bonds;
- Tier 2 capital, consisting of the useful value of the subordinated loans, perpetual subordinated loans and including Basel III transitional measures

TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	31/12/2016	31/12/2015
CET1 capital	**993.695**	**890.352**
Additional Tier 1 capital	**90.000**	**90.000**
TIER 1	**1.083.695**	**980.352**
TIER 2	**21.202**	**57.781**
Subordinated debts	11.636	31.116
Perpetual subordinated debts	9.566	26.665
Perpetuals	*15.943*	*38.093*
perpetuals phase out	*(6.377)*	*(11.428)*
TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	**1.104.897**	**1.038.133**

The total useful own funds evolves from EUR 1,038.1 million in 2015 to 1,104.9 million EUR in 2016

4.8.4 Risk Weighted Assets

The weighted risk volume is calculated according to the specific Basel calculation rules for weighted risks for which ABE has received approval. The bank uses the 'Internal Ratings Based' approach (IRB) to calculate the credit risk for the Belgian retail credit portfolio. Consideration is also given to the decision of the NBB to use an 'add-on' of five percentage points on the risk weight for exposures to Belgian mortgage loans of banks that use the IRB approach.
The standardised approach (SA) is applied for other credit exposures and market risks. The requirement concerning the operational risk follows the BIA ('Basic Indicator Approach').

RISK WEIGHTED ASSETS	31/12/2016	31/12/2015
(in '000 EUR)		
Risk weighted assets for credit risk	3.733.507	3.949.383
Risk weighted assets for market risk	135.603	111.638
Risk weighted assets for operational risk	736.386	731.892
Risk exposure amount for credit valuation adjustment (CVA-risk)	86.709	98.074
TOTAL RISK WEIGHTED ASSETS	**4.692.204**	**4.890.987**

AXA Bank Europe meets all the minimum capital requirements imposed by Basel III. The bank also meets the strictest percentage of Tier 1 capital imposed under SREP.

4.8.5 Capital Ratios

CAPITAL RATIOS	31/12/2016	31/12/2015
CET1 ratio	21,2%	18,2%
T1 ratio	23,1%	20,0%
CRD ratio	23,5%	21,2%
Fully loaded CET1 ratio	21,8%	20,6%
Fully loaded T1 ratio	23,7%	22,4%
Fully loaded total Capital ratio	23,9%	23,1%

The Common Equity T1, T1 and total capital ratio shall consider the transitional provisions of Basel III. The 'fully loaded' capital ratios assume a full implementation of Basel III.

AXA Bank Europe meets all minimum capital requirements imposed by Basel III. The bank also complies with the stricter percentages on Tier 1 capital imposed by SREP.

4.8.6 Leverage Ratio

The leverage ratio is a complementary measure within the Basel framework. It is the carry between Tier 1 and the total exposure measure (balance and off-balance sheet items).
The aim is to constrain excessive leverage and to bring institutions' assets more in line with their capital.
The ratio will become binding on 1 January 2018 but the guidelines of the BCBS ('Basel Committee on Banking Supervision') anticipate the disclosure of the leverage ratio and its components from 1 January 2015.
According to the current CRR legislation ('Delegated Act'), the AXA Bank Europe leverage ratio corresponds with the minimum benchmark of 3% and is equal to 4.1%. Fully loaded, the ratio is 4.2%.

LEVERAGE RATIO	31/12/2016	31/12/2015
Phase -in ratio	4,1%	3,4%
fully loaded ratio	4,2%	3,8%

5 Fair Value of Financial Assets and Liabilities

5.1 Fair Value - Retail Activities

For short-term assets and liabilities or at sight, AXA Bank Europe uses the book value as the best approach.
The fair value of the retail products is calculated in different steps:

- first, future cash flows are calculated based on product features (client's interest rate, payment frequency, etc.);
- these cash flows are subsequently adjusted for retail credits in order to take into account early repayments (2.5% on an annual basis for mortgage loans, 4% for investment credits, 10% on an annual basis for instalment loans);
- the calculation of the fair value, based on the Monte Carlo technique, includes the caps and floors embedded in floating mortgage loans. In this methodology, a group of interest rate scenarios are generated. The cash flows of the mortgage loans are simulated in each of these scenarios while taking into account the caps and floors. For example, the customer reset rate will depend on the simulated market rate, but shall not be higher than the contractually embedded cap linked to the mortgage loan. The fair value of the portfolio is determined by taking the average of the discounted cash flows in the Monte Carlo scenario.

Lastly, the (adjusted) cash flows are discounted on the basis of the IRS curve. The IRS curve is adjusted by the spread of costs for each product to take into account the management costs of the product concerned.

5.2 Fair Value - Financing Activities (Treasury)

The financial instruments are subdivided into 3 categories.

The first category consists of financial instruments for which a fair value level 1 is determined based on market prices in an active market.

Visibility of an active market is generally clear with market information available to the public and investors. There is no clear line or minimum activity threshold that represents 'transactions regularly taking place on the market', such that the level of actual transactions must be assessed while taking into account frequency and volume. However, low trading volume still represents a price if it is determined in a normal objective environment on an objective basis. The amounts of the transaction are important indicators of the fair value.

In the absence of an active market for a specific instrument or if market prices are not available or are not regularly available, valuation techniques will be used on the basis of the present value of future cash flows and the price will be determined on the basis of option models. These valuation techniques use market data such as yield curves, dividend yield, index levels and volatility. AXA Bank Europe uses information from Bloomberg, Markit and/or Interactive Data or provided by a reliable intermediary. These prices are then subject to an internal validation or are valued using internal rating techniques.

The use of observable input parameters results in a fair value level 2, while the use of unobservable input parameters leads to a fair value level 3, unless their influence is not significant. Observable inputs are developed using market data such as publicly available information about actual events or transactions, and reflect the assumptions market participants would use in setting the price of the instrument.

The significance of non-observable parameters is assessed (1) at the level of each individual financial instrument and (2) cumulatively.

1. the specific impact of non-observable parameters on the fair value of any financial instrument is assessed as soon as its mark-to-market exceeds [0.05%] of the total balance sheet. It is considered that it has more than an insignificant effect when it influences the change in fair value of a financial instrument by [30%] or more. In the case where AXA Bank Europe could not measure the specific impact of the unobservable parameter on the fair value of the instrument with reasonable efforts, the instrument is automatically classified in level 3;
2. at cumulative level, it is verified that the overall mark-to-market of all financial instruments using non-observable parameters that are not classified under level 3 does not exceed [2%] of the total balance sheet;

AXA Bank Europe uses a decision table in order to justify the level assigned to each class of instrument on the basis of these criteria.
A dedicated committee ensures a regular revision, at least once a year, of this decision table to ensure its accuracy and comprehensiveness. The dedicated committee is, at least, composed of the managers of the accounting policies (including CTFM) and the middle-office representing the business.

If, at level of this dedicated committee, there were still to be a disagreement over the fair value , the point would be escalated to the CFO of AXA Bank Europe for a decision on the level classification.

The second category includes the following elements:

Assets

Receivables from other bankers

Receivables from other bankers include interbank investments and reverse repo transactions.

The estimated fair value is based on discounted cash flows at current market conditions.

Loans and receivables from clients

These loans and receivables are recognised for their net carrying amount, after impairment. The estimated fair value of loans and receivables represents the discounted amount of the future expected cash flows. These expected cash flows are discounted in accordance with current market conditions, thus determining the fair value.

Liabilities

Deposits and borrowings

The estimated fair value of fixed-yield deposits, repo transactions and other fixed-yield borrowings without quoted market price is based on discounted cash flows at current market conditions.

Issued debt instruments

For issued certificates of deposit a discounted cash flow model is used based on a current yield curve applicable to the remaining term of the instrument until the expiry date.

Overview of assets and liabilities measured at fair value

Assets / Liabilities 2016.12 In '000 EUR	*Recognised or disclosed fair values*	*Fair Value detemined on the basis of stock market prices*	*Fair Value detemined on the basis of observable data other then stock market prices*	*Fair Value not detemined on the basis of market data*
Trading assets	1.643.504	16	1.617.633	25.856
Financial assets designated at fair value through profit or loss				
Available-for-sale financial assets	4.304.987	4.297.280	978	6.730
Assets derivatives - hedge accounting	97.758		97.758	
Financial liabilities held for trading	1.104.317		1.096.959	7.358
Financial liabilities designated at fair value through profit or loss	1.484.385		1.007.492	476.892
Liablitities derivatives - hedge accounting	401.701		401.701	

Table FVAL.1

(1) Only applied if such valuation technique is based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data.

Assets / Liabilities 2015.12 In '000 EUR	*Recognised or disclosed fair values*	*Fair Value detemined on the basis of stock market prices*	*Fair Value detemined on the basis of observable data other then stock market prices*	*Fair Value not detemined on the basis of market data*
Trading assets	1.555.673		1.534.226	21.448
Financial assets designated at fair value through profit or loss				
Available-for-sale financial assets	7.838.627	7.831.826	70	6.731
Assets derivatives - hedge accounting	126.126		126.126	
Financial liabilities held for trading	900.768	57	892.632	8.080
Financial liabilities designated at fair value through profit or loss	1.633.560		1.249.136	384.424
Liablitities derivatives - hedge accounting	544.533		544.533	

Table FVAL.2

(1) Only applied if such valuation technique is based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data.

See also chapter 33 Offsetting.

Level 3 fair value of financial assets / liabilities (in EUR '000)		(a) Net gains and losses included in:				
31.12.2016	RW Level 3 OPENING BALANCE	W&V	OCI	(b) Purchases, Sales and Settlements	(c) Net transfer in and out of Level 3	RW Level 3 CLOSING BALANCE
Assets available for sale	6.731	0	0	0	-1	6.730
Financial assets at fair value with fair value through profit and loss	0	0	0	0	0	0
Financial assets held for trading	21.448	3.997	0	364	47	25.856
Financial liabilities held for trading	-392.504	-1.476	0	-113.140	22.871	-484.250
Total level 3 financial assets / liabilities	**-364.326**	**2.521**	**0**	**-112.776**	**22.917**	**-451.664**

Table FVAL.3

(a) Corresponds to the realized and unrealized P & L and OCI during the period of financial assets / liabilities classified as Level 3 at the beginning (including the impact of foreign exchange income, interest income, impairment losses and

(b) Settlements during the period of financial assets / OBLIGATIONS classified as level 3 at the beginning (Purchases, Sales and redemption of securities)

(c) The net transfers in and out of Level 3 consists of the following movements: transfers from Level 2 to Level 3

Level 3 fair value of financial assets / liabilities (in EUR '000)		(a) Net gains and losses included in:				
31.12.2015	RW Level 3 OPENING BALANCE	W&V	OCI	(b) Purchases, Sales and Settlements	(c) Net transfer in and out of Level 3	RW Level 3 CLOSING BALANCE
Assets available for sale	6.731	0	0	0	0	6.731
Financial assets at fair value with fair value through profit and loss	0	0	0	0	0	0
Financial assets held for trading	91.955	-71.768	0	1.261	0	21.448
Financial liabilities held for trading	-354.783	21.200	0	-58.922	0	-392.504
Total level 3 financial assets / liabilities	**-256.097**	**-50.568**	**0**	**-57.661**	**0**	**-364.326**

Table FVAL.4

(a) Corresponds to the realized and unrealized P & L and OCI during the period of financial assets / liabilities classified as Level 3 at the beginning (including the impact of foreign exchange income, interest income, impairment losses and

(b) Settlements during the period of financial assets / OBLIGATIONS classified as level 3 at the beginning (Purchases, Sales and redemption of securities)

(c) The net transfers in and out of Level 3 consists of the following movements: transfers from Level 2 to Level 3

Financial assets held for sale for which the fair value is not based on the market value include shares that are recognised for their purchase price as the best estimate of the market value.

EMTNs issued by AXA Belgium Finance are financial liabilities held for trading purposes. Its fair value was determined on the basis of the 'discounted cash flow' method, where volatilities based on historical data were used as non-observable inputs. An increase (decrease) of 10% would lead to an increase (decrease) in fair value by 19.0 million EUR (2015: 18,0 million EUR).

The movements in the financial instruments for which the fair value is based on quoted prices or observable data other than quoted prices are mainly due to the following elements (in '000 EUR):

FV 2016	Level 1	Level 2	Level 3
Purchase/Sale/repurchase	-3.515.075		
From Level 2 to Level 1			
From Level 3 to Level 2		1	-1
Delta compared to evolution Market Value	-19.471	906	
TOTAAL	-3.534.546	907	-1

FV 2015	Level 1	Level 2	Level 3
Purchase/Sale/repurchase	-950.416	-464.829	
From Level 2 to Level 1	568.412	-568.412	
From Level 3 to Level 2			
Delta compared to evolution Market Value	-10.000	45	
TOTAAL	-392.004	-1.033.196	

The evolution of financial assets and liabilities held for transaction purposes is mainly due to derivative transactions within the 'hub' activities of AXA Bank Europe (access to the market for the main insurance entities of the AXA Group).

Fair value hierarchy: financial instruments at amortised cost

Asset/Liability 2016.12 in '000 eur	carrying amount (if different from fair value)	Recognised or disclosed fair values	Fair Value 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 & receivables	20.650.591	22.476.946			22.476.946
Debt securities					
Loans and advances	20.650.591	22.476.946			22.476.946
Held-to-maturity investments					
Debt securities					
Loans and advances					
Financial liabilities measured at amortised cost	23.400.741	23.566.539		3.597.950	19.968.589
Deposits	18.943.659	18.943.659			18.943.659
Debt securities issued	3.546.961	3.712.759		3.597.950	114.809
Other financial liabilities	910.121	910.121			910.121

Table.FVAL.7

The estimated Fair value of loans and receivables result from a calculation of the discounted amount of the loan cash flows using the 6 months swap curve

Loans and receivables (including finance leases) whose fair value was calculated in the same manner as for the covered bond (for which the fair value is based on information obtained by more than 20 market participants or obtained from Bloomberg.

Fair value hierarchy: financial instruments at amortised cost

Asset/Liability 2015.12 in '000 eur	carrying amount (if different from fair value)	Recognised or disclosed fair values	Fair Value 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 & receivables	19.765.932	21.494.970			21.494.970
Debt securities					
Loans and advances	19.765.932	21.494.970			21.494.970
Held-to-maturity investments					
Debt securities					
Loans and advances					
Financial liabilities measured at amortised cost	25.549.158	25.743.637		3.399.040	22.344.597
Deposits	21.082.083	21.082.083			21.082.083
Debt securities issued	3.367.077	3.561.556		3.399.040	162.517
Other financial liabilities	1.099.998	1.099.998			1.099.998

Table.FVAL.8

The estimated Fair value of loans and receivables result from a calculation of the discounted amount of the loan cash flows using the 6 months swap curve

Loans and receivables (including finance leases) whose fair value was calculated in the same manner as for the covered bond (for which the fair value is based on information obtained by more than 20 market participants or obtained from Bloomberg.

5.3 Day One Results

No day one results were recognised during the 2016 financial year.

5.4 Application of CVA and DVA on the Derivative Portfolio

Based on internal assessment by AXA Bank Europe, management believes that the impact of the application of CVA (Credit Value Adjustment) and DVA (Debit Value Adjustment) on the derivative portfolio amounted to gross CVA of 27.9 million EUR and gross DVA of 23.5 million EUR. The net impact (earnings) thus came to 4.4 million EUR (before tax).
IFRS 13 defines the concept of fair value. Concerning derivatives in particular, this standard requires integrating a measure of credit risk in the calculation of fair value through a CVA and a DVA. The CVA measures credit risk incurred by AXA Bank Europe on its counterpart while the DVA measures the credit risk incurred by the counterpart on AXA Bank Europe.

The CVA and DVA are calculated net by counterpart. The CVA (DVA) depends on the exposure at the closing date, the counterparty credit spread (AXA Bank Europe) and maturity of the deals. For any given offset, exposure consists of part of the current exposure, i.e. the difference between the fair value of the position at the reporting date and the value of collateral exchanged at the said date and, secondly, of the potential future exposure, i.e. the expected change in the fair value of the position over a period of 10 days.
This total exposure is maintained until the average maturity of deals.
The subpart 'current exposure' changes over time. For the first 10 days, it corresponds to the difference between the fair value of the positions on the closing date and the value of the collateral exchanged on that date. From the 11th day, this current exposure is replaced by the current maximum exposure as defined in the collateral contract (CSA Threshold and Minimum Transfer Amount) to which any initial margin paid/received is added at the closing date as well as any possible structural and important difference between the paid/received collateral and the valuations of AXA Bank Europe.

6 Critical Accounting Estimates and Judgements

AXA Bank Europe uses estimates and judgements when drawing up its consolidated financial statements on the basis of IFRS. These estimates and judgements are continuously tested and are based on past experience and other factors, including an acceptable assessment of future events based on currently known conditions.

Estimates and judgements take place primarily in the following areas:

- estimation of the realisable value for impairments on loans and receivables (see chapter 2.3), available for sale financial assets (see chapter 20) and property, plant and equipment and intangibles (see chapter 2.12)
- determination of the fair value of non-quoted financial instruments (see chapter 5)
- estimation of impairment for loan losses (see chapter 2.3)
- estimate of deferred tax assets (see chapters 2.11.3 and 16)
- valuation of CVA and DVA (see chapter 5.4)
- estimate of provisions for pension obligations (see chapter 13.2)
- estimate of current obligations resulting from past events when determining the level of provisions (see chapter 0)
- judgement on the classification of financial instruments (see chapters 2.2, 2.3, 2.4 and 2.7) and the mapping to the levels for determining the fair value (see chapter 5)
- estimation of the useful life for property, plant and equipment and intangible assets (see chapter 2.12).

7 Fee and Commission Income (Expenses)

Fee and commission income and expenses in '000 EUR	2016.12	2015.12
Fee and commission income		
Securities	20.057	16.146
Issued	18.169	13.658
Transfer orders	101	96
Other	1.787	2.391
Clearing and settlement		
Trust and fiduciary activities	977	1.019
Asset management		
Custody	977	1.019
Other fiduciary transactions		
Loan commitments		
Payment services	7.138	7.009
Structured finance		
Servicing fees from securitization activities		
Other	24.829	19.714
TOTAL	**53.001**	**43.888**
Fee and commission expenses		
Commissions to agents (acquisition costs)	32.267	26.805
Clearing, settlement and consignment	898	874
Other	9.276	8.294
TOTAL	**42.441**	**35.973**

Table FCIE.1

8 Realised Gains (Losses) on Financial Assets and Liabilities Not Measured at Fair Value through Profit or Loss

Net income from financial instruments not classified as fair value through profit or loss 2016.12 in '000 EUR	*Net*
Available-for-sale financial assets	261.089
Loans and receivables (including finance leases)	891
Held-to-maturity investments	
Financial liabilities measured at amortised cost	
Other	
TOTAL	261.980

Table GLNPL.1

Net income from financial instruments not classified as fair value through profit or loss 2015.12 in '000 EUR	*Net*
Available-for-sale financial assets	56.383
Loans and receivables (including finance leases)	2.850
Held-to-maturity investments	
Financial liabilities measured at amortised cost	
Other	
TOTAL	59.233

Table GLNPL.2

9 Gains (Losses) on Financial Assets and Liabilities Designated at Fair Value through Profit and Loss

Net income from financial instruments designated at fair value 2016.12 in '000 EUR	*Net*	*Amount of change in FV due to changes in the credit risk*
Financial assets designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	2.705	3.147
TOTAL	2.705	3.147

Table GLFVPL.1

Net income from financial instruments designated at fair value 2015.12 in '000 EUR	*Net*	*Amount of change in FV due to changes in the credit risk*
Financial assets designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	44.550	38.818
TOTAL	44.550	38.818

Table GLFVPL.2

10 Gains (Losses) from Hedge Accounting

Net income from hedging activities 2016.12 in '000 EUR	*Net*
Fair value changes of the hedging instrument [including discontinuation]	-102.670
Fair value changes of the hedged item attributable to the hedged risk	-102.501
Ineffectiveness in profit or loss from cash flow hedges	-479
Ineffectiveness in profit or loss from hedges of net investments in foreign operations	
TOTAL	-205.650

Table GLHA.1

Net income from hedging activities 2015.12 in '000 EUR	*Net*
Fair value changes of the hedging instrument [including discontinuation]	126.885
Fair value changes of the hedged item attributable to the hedged risk	-147.404
Ineffectiveness in profit or loss from cash flow hedges	-24.126
Ineffectiveness in profit or loss from hedges of net investments in foreign operations	
TOTAL	-44.645

Table GLHA.2

This includes the amortisation of the fair value change of the hedged position.

11 Other Operating Net Income

Other operating income and expenses in '000 EUR	2016.12	2015.12
INCOME	**33.382**	**30.904**
Tangible assets measured using the revaluation model		
Investment property		
Rental income from investment property		
Cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used		
Other income related to investment property		
Operating leases		
Other	33.382	30.904
EXPENSES	**1.707**	**1.243**
Tangible assets measured using the revaluation model		
Investment property		
Direct operating expenses (including repair and maintenance) arising from investment property that generated rental income during the period		
Direct operating expenses (including repair and maintenance) arising from investment property that did not generated rental income during the period		
Cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used		
Operating leases	1.705	1.243
Other	1	
TOTAL	**31.675**	**29.661**

Table OONI.1

12 Operational Lease Agreements

Leasing activities do not belong to the set of activities of AXA Bank Europe.
As lessee, AXA Bank Europe only has operational lease contracts.
Regarding operational lease arrangements, the tables below show the lease agreements of both company cars and corporate buildings.

Assets held under an operating lease as a lessee **2016.12** **In '000 EUR**	*Total amount of future minimum lease payments under non-cancellable operating leases*	*Total amount of future minimum sublease payments expected to be received under non-cancellable subleases*	*Minimum lease payments recognized as expense*	*Contingent lease payments recognized as expense*	*Sublease payments recognized as expense*
For the lessee - residual maturity					
< 1 year	1.085		803		
> 1 year ≤ 5 year	1.759				
> 5 year	54				
TOTAAL NOMINAL AMOUNT	**2.898**		**803**		

Table OLA.1

Assets held under an operating lease as a lessee **2015.2** **In '000 EUR**	*Total amount of future minimum lease payments under non-cancellable operating leases*	*Total amount of future minimum sublease payments expected to be received under non-cancellable subleases*	*Minimum lease payments recognized as expense*	*Contingent lease payments recognized as expense*	*Sublease payments recognized as expense*
For the lessee - residual maturity					
< 1 year	875		1.091		
> 1 year ≤ 5 year	1.485				
> 5 year	55				
TOTAAL NOMINAL AMOUNT	**2.416**		**1.091**		

Table OLA.2

13 Personnel Expenses

13.1 Breakdown of Personnel Expenses

Employee benefits in '000 EUR	2016.12	2015.12
Wages and salaries	60.974	72.579
Social security charges	24.645	25.696
Pension and similar expenses	-49	960
Share based payments		
Other	6.851	7.954
TOTAL	92.421	107.190

Table PE.1

13.2 Pension Liabilities and Other Benefits

13.2.1 General Principles

13.2.1.1 Defined Benefit Plans

The measured plans represent the pension plans on the one hand and the medical benefits on the other related to hospitalisation cover after retirement.
AXA Bank Europe has set up 12 pension plans of which 7 are legally structured as defined contribution type plans.

Pension plans are subject to social and prudential rules applicable in Belgium, in particular the law on supplementary pensions.

Because Belgian legislation is applicable to the second-pillar pension plans (law on supplementary pensions), all Belgian pension plans of the defined contributions type should be considered under IFRS as defined pension benefit plans. The law on supplementary pensions states that under the defined-contribution-type plans, the employer must ensure a minimum return of 3.75% on personal employee contributions and 3.25% on employer contributions. Since 2016, this minimum rate of return becomes a variable rate based on Belgian government bonds OLO but with a minimum fixed income at 1.75% and a fixed maximum income at 3.75%.

Because of this minimum income guarantee in Belgium for defined-contribution-type pension plans, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the underlying assets do not produce sufficient income in accordance with the legal requirements by paying all the employee benefits relating to the services rendered by the employee during the current and prior periods). Consequently, these pension plans should be classified and accounted for as defined pension benefit plans under IAS 19 *Employee Benefits*.

For this pension type, the accounting methods used to measure the assets and liabilities are as follows:

- The defined benefit obligation is determined by projecting the guaranteed minimal reserve on the calculation date against the minimum guaranteed rate at the targeted pension date, and by discounting this based on the determined discount rate, taking into account mortality and leave assumptions.
- The fair value of the assets is determined based on the actual build-up of reserves (taking into account the amounts deposited and the actual returns on the calculation date).

On the other hand, AXA Bank Europe provides 'hospitalisation' cover to employees at retirement. The cover offered is similar to that offered during the period of employment for a large part of the staff. AXA Bank Europe partially funds these employee benefits after retirement.

The financial assumptions used in the valuation of each plan at 31 December of each year are as follows:

	2016	2015	2014	2013	2012
Discount rate	1,50%	2,30%	1,80%	3,40%	2,20%
Inflation rate	1,60%	1,60%	2,00%	2,00%	2,00%
Percentage of salry increase	2,60%	2,60%	3,00%	3,50%	3,50%

Table PE.2

Health care costs increase at an estimated 2% yearly.

The mortality tables used to calculate these liabilities are the MR/FR mortality tables (1988-1989) with an age adjustment of minus five years.

The normal retirement age is 65 years in order to comply with expected long-term trends.

The probability of departure before retirement rate is set according to age according to the table below:

Age	percentage
< 20 year	0,0%
20 year <= 24 year	8,0%
25 year <= 29 year	8,0%
30 year <= 34 year	7,0%
35 year <= 39 year	5,0%
40 year <= 44 year	3,5%
45 year <= 49 year	2,0%
50 year <= 54 year	1,2%
55 year <= 59 year	0,8%
60 year <= 65 year	0,8%

Table PE.3

All of these assumptions have been set in keeping with the statistical observations on the populations concerned as well as with economic expectations.

The discount rate is determined at the closing date from the AA corporate bond market rates in the Eurozone and depending on the duration and characteristics of the plans. The duration of the liabilities is about 11 years at the end of 2016 compared to about 13 years at the end of 2015.
A decrease of 0.5% in the discount rate would change the total DBO (defined benefit obligation) to +5.7% and service costs during the period of +5.3%.
An increase of 0.5% discount rate would reduce the total DBO by -5.1% and service costs during the period by -4.8%.
An increase of 0.5% in the inflation rate would change the total DBO by +3.3% and service costs during the period would increase by +4.5%.
An increase of 0.5% in the inflation rate for medical costs would give rise to an increase in total DBO of +0.4% and service costs during the period would increase by +0.6%.
An increase of 0.5% in salaries would increase the total DBO by 7.0% while service costs during the period would increase by +8.3%.

13.2.1.2 Variation Annual Pension Liabilities and Other Benefits

The annual change in the defined benefit obligation is calculated based on the following items:

- service costs during the period representing the increase in the actuarial liability for an additional year of seniority;
- interest on the actuarial liability representing the cost of discounting over one year (interest cost);
- employee contributions;
- changes of plans (modification, curtailment, settlement, acquisitions and disposals, etc.);
- actuarial profits and losses due to changes in assumptions and to experience;
- the benefits paid by the employer and by the assets.

13.2.2 Information Presented in the Balance Sheet

Information presented in the balance sheet for pension and other benefits shows the difference between the benefit obligation and the fair value of plan assets. When this difference is positive, a provision is recognised. When this difference is negative, a prepaid charge is recorded in the balance sheet.

In addition, and in accordance with IAS 19 *Employee Benefits*, an asset class, called 'separate assets' is presented in the balance sheet. IFRS has created the concept of 'separate assets' which are assets that cannot be deducted from the actuarial debt. At AXA Bank Europe, separate assets are insurance contracts issued by certain subsidiaries to cover their defined benefit plans. In accounting terms, the result of separate assets is an increase in the provision recorded or a decrease in the prepaid charge. These assets are presented in a separate section of the following table. These assets are available to potential creditors only in case of bankruptcy. Their economic nature is thus similar to that of Plan Assets on a going-concern basis. However, this is because these assets are made available through an insurance policy that IFRS requires to recognise them in the category 'separate assets', despite their economic nature.
Following IAS 19, AXA Bank Europe recognises all actuarial gains and losses in a special line in other comprehensive income (OCI).

Actuarial gains and losses are defined as adjustments due to changes in actuarial assumptions and experience effects (changes in population characteristics between two assessments). Actuarial losses and gains also include differences between the expected income (that corresponds to the discount rate in accordance with IAS 19) and the actual income from financial investments.

In addition to changes between the expected return from assets as mentioned above, IAS 19 requires the management of tax and social contributions applicable to pensions and healthcare in Belgium.

The table below shows the changes in the benefit obligation and changes in plan assets for pension plans and other benefits under the categories 'plan assets' and 'separate assets' at 31 December 2016.

(In '000 EUR)	12.2016	12.2015
Changes in the commitment		
Actuarial liability at the start of the period	145.792	161.060
Service cost	5.133	4.043
Interest on the actuarial liability	2.699	2.911
Employee contributions.	447	416
Modification, curtailment, (incl. acquisitions and disposals, etc.)		
Actuarial profits and losses due to changes to experience.	599	-2.899
Actuarial differences resulting from change in the hyp for Demographics		
Actuarial differences resulting from change in the hyp for Financials	17.511	-20.713
Benefits paid	-10.888	-9.284
Benefits paid directly by the employer.	-100	-94
Amendment to IAS 19 (cf. Note 1.General principles)		11.239
Effect of exchange rate changes		-887
Actuarial liability at the end of period (A)	**161.193**	**145.792**
Evolution of Plan Assets hedging		
Fair value of assets at beginning of period	10.106	11.070
Implicit return on assets	187	188
Actual return on plan hedging assets, excluding the implicit return on assets	576	136
Employer contributions.	639	5
Employee contributions.	5	
Incoming (outgoing) transfers (incl. acquisitions and disposals)		
Benefits paid	-653	-1.292
Effect of exchange rate changes		
Fair value of assets at end of period (B)	**10.860**	**10.106**
Changes in Separate Assets		
Fair value of assets at beginning of period	91.908	82.649
Implicit return on assets	1.666	1.442
Actual return on plan hedging assets, excluding the implicit return on assets	1.548	1.838
Employer contributions.	6.183	2.583
Employee contributions.	442	411
Incoming (outgoing) transfers (incl. acquisitions and disposals)		
Benefits paid	-10.335	-8.086
Effect of exchange rate changes		
Recording off DC plans		11.069
Fair value of assets at end of period	**91.412**	**91.908**
Funding of liabilities		
Underfunded plans (plan by plan)	-150.333	-135.686
Overfunded plans (plan by plan)		
Unfunded commitments (B) - (A)	-150.333	-135.686
Unrecognised past service cost		
Cumulative impact of asset ceiling		
Liabilities recorded in the statement of financial position (excluding Separate Assets)		
Recognised assets		
Provisions recorded	-150.333	-135.686
Net position (excluding Separate Assets)	**-150.333**	**-135.686**
Net economic funding (including: Separate Assets)		
Net position (excluding Separate Assets)	-150.333	-135.686
Fair value of Separate Assets at end of period	91.412	91.908
Net economic funding (including: Separate Assets)	**-58.921**	**-43.778**

Table PE.4

This variation is mainly explained by changes in financial assumptions, the discount rate changed from 2.30% at the end of 2015 to 1.50% at end of 2016.

13.2.3 Annual Pension and Other Benefits Expense

Annual pension and other benefits expense recorded in the income statement (included in 'cost of pension obligations and other benefits') is presented below at 31 December 2016 and 31 December 2015:

(In '000 EUR)	12.2016	12.2015
Annual pension expense and other benefits		
Service cost	5.580	4.459
Curtailments and settlements		
Employee contributions	-447	-416
Interest on the actuarial liability	2.699	2.911
Implicit return on Plan assets/separate assets	-1.853	-1.630
Restrictions/settlement		-887
Total	**5.979**	**4.437**

Table PE.5

13.2.4 Evolution of the Provision on the Balance Sheet (Excluding Separate Assets)

Change in the provision recorded on the balance sheet between 1 January 2016 and 31 December 2016 only presents the change of the provision recognised in the accounts of AXA Bank Europe. This reconciliation does not include 'separate assets'. It thus does not fully represent the economic reality. The table below shows the detailed changes in the liabilities recorded on the balance sheet with separate assets added at the end of each financial year.

The separate assets represent the fair value of assets backing the obligations under defined benefit plans covered by both insurance policies at AXA Bank Europe that give direct rights to employees and by insurance policies with related parties which are outside the consolidation scope. In such circumstances, these assets cannot qualify as plan assets deducted from the commitments but represent reimbursement rights recognised as separate assets in accordance with the recommendations of IAS 19. Assets and insurance technical reserves (in the case of entities in the consolidation scope) also remain in the consolidated balance sheet.

The change in net economic funding commitments between 1 January 2016 and 31 December 2016 reflects the changes in the provision recognised in the accounts of AXA Bank Europe and the changes in separate assets.

(in '000 EUR)	12.2016	12.2015
Progression in the provision recorded in the statement of financial position at the start of the period	**-135.686**	**-149.990**
Annual pension expense and other benefits	-8.087	-6.295
Employer contributions.	639	5
Employer benefits	100	94
Benefits paid by Seperate Assets	10.235	7.992
Actuarial gain/losses recognised in Soci component	-17.534	23.748
DC plans		-11.239
Provisions presented in the statement of financial position at the end of the period	**-150.333**	**-135.686**
Fair value of separate assets at end of the period	91.412	91.908
Net economic funding for commitments at the end of the period	**-58.921**	**-43.778**

Table PE.6

13.2.5 Upcoming Outflows (Benefits Paid and Employer Contributions)

Estimated future benefit payments

Expected future benefits amounted to 1.5 million EUR for 2017 and 2 million EUR for 2018. These amounts may vary depending on differences between assumptions and reality in future years.

Expected employer contributions to plan assets and separate assets

Entities must annually pay the cost to benefits for which the contributions are determined as a percentage of pensionable salary depending on the age or the seniority of the beneficiaries. The estimated amount of employer contributions payable in 2017 for pension commitments is 6.2 million EUR. This amount may vary depending on differences between assumptions and reality in future years and represents contributions not directly related to the IFRS annual pension expense and other benefits.

13.2.6 Pension Assets

Due to the longevity of pension liabilities, plan assets generally include stocks, bonds and real estate.

The plan assets of AXA Bank Europe are mainly insurance contracts with a guaranteed rate of return. These contracts are underwritten by AXA Belgium.

Regarding the existing Anhyp former regime, as of 1 July 1983, the funding vehicle is a pension fund. The financial assets contribution to the pension fund at 31 December.2016 is 18% shares, 82% bonds.

13.3 Share-based Payments

13.3.1 General Principles

The instruments specified below for share paymenst are mainly instruments settled in shares, but also include instruments with cash settlement. The unit costs of the share based payments with settlement in shares do not vary for a given plan while the costs of the instruments settled in cash are updated at every closure.
The total burden for AXA Bank Europe is not significant.

13.3.2 Stock Options AXA SA

The group of Senior Executives can receive shares from AXA within the framework of the share option schemes of the company. These options can be subscription options that imply the issue of new AXA shares or purchase options that imply the transfer of personal shares. The conditions for each option grant can vary. Currently, the options (i) are allocated for a price not lower than the average of the closing prices of AXA shares on the Paris stock exchange for the twenty days preceding the allocation; (ii) are valid for at least 10 years, and (iii) they can generally be exercised in tranches of 33.33% per year from the third up to the fifth anniversary of the option allocation date.
For beneficiaries, the stock options granted have been unconditionally acquired for the first two tranches while the third tranche can be exercised if a performance condition for AXA shares is met when compared to the 'DowJones Europe Stoxx Insurance' benchmark index.

The following table provides an overview of current options.

2016.12	Options (in '000 EUR)	Average Price EUR
Outstanding at 1/1	405,0	
Allocations	0,0	
Capital increases	0,0	
Excercised	-4,5	13,99
Options expired and cancelled	-1,0	14,89
Movements within the Group	2,9	
Outstanding at 31.12	**402,4**	**18,92**

Table PE.7

2015.12	Options (in '000 EUR)	Average Price EUR
Outstanding at 1/1	559,7	
Allocations	31,2	22,90
Capital increases	0,0	
Exercised	-174,4	16,60
Options expired and cancelled	-6,0	19,70
Movements within the Group	-5,5	
Outstanding at 31.12	**405,0**	**19,06**

Table PE.8

The number of options in circulation and the number of options that can be exercised at 31 December 2016 are shown thereafter in accordance with the expiry date:

Date of Grant	Excercise Price	Outstanding	Exercisable
2006-03-31	27,75 €	86.097,00	86.097,00
2007-05-10	32,95 €	75.775,00	75.775,00
2008-04-01	21,00 €	37.947,00	37.947,00
2009-03-20	9,76 €	14.567,00	14.567,00
2010-03-19	15,43 €	16.968,00	16.968,00
2011-03-18	14,73 €	40.571,00	40.571,00
2012-03-16	12,22 €	25.500,00	25.500,00
2013-03-22	13,81 €	36.800,00	24.533,33
2014-03-24	18,68 €	36.960,00	12.320,00
2015-06-19	22,90 €	31.249,00	0,00

Table PE.9

The Black and Scholes model for valuing options has been used to establish the fair value of the AXA share options. The consequence of exercising options before their expiry date is taken into consideration based on a hypothesis for the expected lifecycle that arises from the observation of historical data. The volatility of the AXA share is estimated using the implicit volatility method validated through the analysis of historical volatility to ascertain the hypothesis' coherence.
The hypothesis for the expected dividend of the AXA share is based on market consensus. The risk-free return arises from the interest curve of the Euro Swap for the corresponding maturity.

13.3.3 Shareplan AXA SA

AXA gives its employees the option of becoming shareholders thanks to a special issue that is reserved for them. In the countries that meet legal and tax requirements, two investment options are proposed: the traditional shareholder plan and the plan with leverage.
The traditional plan gives employees the option to subscribe to AXA shares based on the initial contribution (through the mutual investment fund of the company or through shares held directly) with a maximum discount of 20%. These shares are unavailable for 5 years (unless there is an accelerated release as provided by the applicable regulations). Employees carry the risk of all share evolutions when compared to the subscription price.
The leverage plan gives employees the option to subscribe to AXA shares based on 10 times their initial contribution (through the mutual investment fund of the company or through shares held directly) with a discount. The leverage on the personal contribution of employees takes place in the form of a loan (without recovery on the employee above the value of the shares) that is granted by a third party bank. These shares are unavailable for 5 years (unless there is an accelerated release as provided by the applicable regulations). Employees who participate in the leverage scheme are given the guarantee of their initial personal contribution and also a certain percentage of the value increase of the share (when compared to the unreduced reference price) for the total invested amount.
At the end of the unavailability period of 5 years, employees can choose from the following: to buy out their saving credit (exit with cash settlement) or transfer their credit invested in the leverage formula to the traditional fund.
The costs of the shareholder plan are valued by taking into account the 5-year restriction for the employee. The approach adopted prices the share based on a replication strategy by which the participant would sell the share on the stock exchange after the 5 year restrictive period and would borrow the amount that is required to immediately purchase an unencumbered share with loan funding by future selling and the dividends paid out during the restrictive period. The opportunity profit must be added to the cost of the plan for the leverage plan that is implicitly offered by AXA since it allows its employees to enjoy the institutional price (and not the stock exchange retail price) for the derivatives.
The AXA Group has proposed to its employees within the framework of the Group employees shareholding policy that they subscribe to a reserved capital increase for a price of 15,53 EUR for the traditional plan (20% discount when compared to the reference price of 19,40 EUR calculated based on the average of the 20 closing prices on the stock exchange before the date of the announcement) and 17,73 EUR for the leverage plan (8,63% discount when compared to the reference price) during the past financial year. The AXA Bank Europe employees subscribed for an amount of 0.5 million EUR.

	2016		2015	
	Traditional	Leveraged	Traditional	Leveraged
Plan maturity (in years)	5	5	5	5
[A] Discount to face value	20.00%	8.63%	20.00%	8,57%
Reference price (in '000' EUR)	19,4	19,4	22,17	22,17
Subscription price (in '000' EUR)	15,53	17,73	17,74	20,27
Interest rate on employee loan	6,85%	7,26%	7,24%	7,60%
5-year risk-free rate (euro zone)	-0,07%	-0,07%	0,36%	0,36%
Dividend yield	7,18%	7,18%	6,59%	6,59
Early exit rate	2,63%	2,63%	1,20%	1,20%
Debit interest rate	-0,39%	-0,39%	-0,09%	-0,09%
Retail/institutional volatility spread	N/A	2,77%	N/A	2,39%
[B] Cost of the lock-up for the employee	18,72%	8,57%	19,68%	8,54%
[C] Opportunity gain	0,00%	1,91%	N/A	1,99%

Tableau PE.10

13.3.4 AXA Miles

AXA (the controlling parent company of AXA Bank Europe) allocated 50 free shares to each employee of the Group on 16 March 2012. This allocation and its 4+0 scheme also benefited AXA Bank Europe employees (therefore, a period of 4 years for acquiring the rights without a non-transferability period).

The free shares are valued based on the approximation that was selected for the Share Plan described in this section with assumptions adjusted to the structure of the plan based on the price of 13.18 EUR per share on 16 March 2012 and an expected waiving of the rights of 5% is applied prior to their acquisition.

In march 2016 the AXA miles have been converted into AXA shares.

13.3.5 Performance Shares

In 2013, AXA established common procedures for awarding 'Performance Shares' to employees eligible for this. Under the terms of the plan, the beneficiaries of 'Performance Shares' are entitled to receive a specific number of shares from AXA, based on performance criteria defined by AXA. The period for measuring that performance is 2 years. The period for acquisition of the rights is 3 years. Payment of the performance shares awarded (2013 plan) is made in shares.

Since 2014 the performance period is 2 years for the first tranche and 3 years for the second, followed by a deferred acquisition period of 1 year.

For performance shares granted from 2015, the performance period is 3 years followed by a deferred acquisition period of 1 year.

14 General and Administrative Expenses

Other operating expenses in '000 EUR	2016.12	2015.12
Marketing expenses	8.794	9.048
Professional fees	44.228	44.569
IT expenses	5.076	4.911
Rents to pay or to receive	-1.656	-930
Other	106.990	82.033
TOTAL	163.432	139.631

Table GAE.1

Banking taxes

On 11 August 2016, the law of 3 August 2016 enacting the new regime for banking taxes was published in the Belgian Official Journal. The new regime simplifies the landscape by replacing the following 4 taxes and contributions by a single banking tax:

- subscription tax (annual tax on collective investment institutions, credit institutions and insurance institutions);
- subscription tax 'bis' (annual tax on credit institutions);
- contribution for the financial stability by Belgian banks to the Belgian resolution fund;
- deduction limitations in corporate tax (in relation to tax losses carried forward, dividends received and notional interest deduction).

The taxable basis for the banking tax is the arithmetic mean of the monthly amount of 'debt towards clients' in the Schema A reporting of the year preceding the tax year. For 2016 however it has been based on the amount of 'debt towards clients' as of 31 December 2015 (i.e. not on an arithmetic mean of the monthly amount) The tax rate at this moment is 0.13231% (the tax rate shall be adapted on a yearly base, based on new data concerning the taxable base and the target budgetary purposes). As such, the 2016 banking tax amounts to 54.8 million EUR for AXA Bank Europe.

Contribution to the Single Resolution Mechanism

The Single Resolution Mechanism (SRM) is one of the pillars of the European Union's banking union. The SRM came into force on 19 August 2014 and is directly responsible for the resolution of the entities and groups directly supervised by the European Central Bank (ECB). The centralised decision making is built around the Single Resolution Board (SRB).

In 2016, the contributions are based on a combination of 2 guidelines:

- 60% in accordance with a target determined at national level (Belgian deposit guarantee system)
- 40% in accordance with a target determined at the Banking Union level

These percentages will gradually evolve during the next years to become 100% based on the Banking Union target by 2023.

The contributions to be paid by each institution are determined in proportion to its relative risk profile, based on a detailed calculation methodology. Of these contributions 1/8 of the 2015 payment to the national authority is deducted. As such, the 2016 contribution for AXA Bank Europe amounts to 13 million EUR.

Furthermore, in application of the EU regulations, the SRB has decided to accept that 15% of the 2016 payment obligation of institutions may take the form of irrevocable payment commitments (IPC's).

IPC's can be defined as an obligation on the part of credit institutions to pay their contributions in the future. The IPC's are mandatorily backed by a cash collateral for the same amount as the IPC's. The SRB is entitled to call for payment of the IPC by sending a notice to the credit institution.

Contrary to cash contributions, which are reflected in the profit and loss statement (P&L) upon their payment, the IPC's and the cash collateral are considered as contingent liabilities under IFRS. Contingent liabilities are not recognised on the balance sheet nor in the income statement, but – if the possibility of any outflow in settlement is not remote – they are disclosed.

As from the moment of providing the cash collateral to the SRB, the cash is transferred on the balance sheet from 'Cash and balances with central banks' to 'Other assets'.

As there are currently no indications that the SRB would call for cash payment (and so no present obligation), no provision has been set up.

AXA Bank Europe has used IPC's as payment of its 2016 contributions for an amount of 2 million EUR

15 Impairment

2016.12 In '000 EUR	*Overdue ≤ 90 days*	*Overdue > 90 days & ≤ 180 days*	*Overdue > 180 days & ≤ 1 year*	*Overdue > 1 year*	*Net carrying amount of the impaired assets*	*Specific allowances for individually assessed financial assets*	*Specific allowances for collectively assessed financial assets*	*of which forbearance*	*Collateral and other credit enhancements received as security for the related impaired and past due assets*
Equity instruments					23				
Quoted									
Unquoted but FV determinable					23				
Equity instruments at cost									
Debt instruments									
Central governments									
Credit institutions									
Non credit institutions									
Corporate									
Loans & advances	1.096.040	39	46	37	255.707	70.973	19.327	3.026	
Central governments	236								
Credit institutions									
Non credit institutions	26.239		0	1	5.214	1.670	70	40	
Corporate	50.612	0	4	11	17.318	12.865	420	607	
Retail	1.018.953	38	42	26	233.174	56.439	18.836	2.379	
Bills & own acceptances									
Finance leases									
Securitized loans									
Consumer Credit	111.936				11.431		7.728		
Mortgage loans	882.106	5			215.107	39.856	9.480	2.179	
Term loans	14.797				2.726	7.382	1.415		
Current accounts	10.115	33	42	26	3.801	7.208	213		
Other					107	1.992			
Other financial assets									
TOTAL	**1.096.040**	**39**	**46**	**37**	**255.707**	**70.973**	**19.327**	**8.231**	
Allowances for incurred but not reported losses on financial assets Non specifically attributable collaterals							**7.286**		

Table IMP.1

2015.12 In '000 EUR	Overdue ≤ 90 days	Overdue > 90 days & ≤ 180 days	Overdue > 180 days & ≤ 1 year	Overdue > 1 year	Net carrying amount of the impaired assets	Specific allowances for individually assessed financial assets	Specific allowances for collectively assessed financial assets	of which forbearance	Collateral and other credit enhancements received as security for the related impaired and past due assets
Equity instruments					23				
Quoted									
Unquoted but FV determinable					23				
Equity instruments at cost									
Debt instruments					23				
Central governments									
Credit institutions									
Non credit institutions									
Corporate									
Loans & advances	1.114.486	637	111	41	276.165	75.760	22.479	2.717	
Central governments	36								
Credit institutions									
Non credit institutions	25.760	5	8	1	3.257	1.812	51	24	
Corporate	48.132	60	64	13	24.868	14.245	582	757	
Retail	1.040.557	572	39	27	248.040	59.703	21.846	1.936	
Bills & own acceptances									
Finance leases									
Securitized loans									
Consumer Credit	115.758				15.982		10.217	211	
Mortgage loans	903.280	447			223.828	41.164	10.496	1.725	
Term loans	14.449				4.635	9.011	915		
Current accounts	7.069	125	39	27	3.267	7.129	218		
Other					329	2.399			
Other financial assets									
TOTAL	**1.114.486**	**637**	**111**	**41**	**276.165**	**75.760**	**22.479**	**2.717**	

Allowances for incurred but not reported losses on financial assets Non specifically attributable collaterals							11.962		

Table IMP.2

Overview of impairment 2016.12 in '000 EUR	*Additions*	*Reversals*	*Total*
Impairment losses on financial assets not measured at fair value through profit or loss	47.184	34.338	12.846
Financial assets measured at cost (unquoted equity and related derivatives)			
Available for sale financial assets measured at fair value through equity			
Loans and receivables measured at amortized cost (including finance leases)	47.184	34.338	12.846
Held to maturity investments measured at amortized cost			
Impairment on			
Property, plant and equipment			
Investment properties			
Intangible fixed assets			
Goodwill			
Other			
Investments in associates and joint ventures accounted for using the equity method			
Other			
TOTAL	**47.184**	**34.338**	**12.846**
Interest income on impaired financial assets accrued in accordance with IAS 39			

Table IMP.3

Overview of impairment 2015.12 in '000 EUR	*Additions*	*Reversals*	*Total*
Impairment losses on financial assets not measured at fair value through profit or loss	57.682	29.761	27.920
Financial assets measured at cost (unquoted equity and related derivatives)			
Available for sale financial assets measured at fair value through equity			
Loans and receivables measured at amortized cost (including finance leases)	57.682	29.761	27.920
Held to maturity investments measured at amortized cost			
Impairment on			
Property, plant and equipment			
Investment properties			
Intangible assets			
Goodwill			
Other			
Investments in associates and joint ventures accounted for using the equity method			
Other			
TOTAL	**57.682**	**29.761**	**27.920**
Interest income on impaired financial assets accrued in accordance with IAS 39			

Table IMP.4

Allowances movements for credit losses 2016.12 In '000 EUR	Opening balance	Increases due to amounts set aside for estimated loan losses	Decreases due to amounts reversed for estimated loan losses during the period	Decreases due to amounts taken against allowances	Transfers between allowances	Other adjustments	Closing balance
Specific allowances for individually assessed financial assets	-75.760	-20.424	3.826	20.671		714	-70.973
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-1.812	-480	90	486		46	-1.670
Corporate	-14.245	-3.702	693	3.747		643	-12.865
Retail	-59.703	-16.242	3.042	16.438		25	-56.439
Specific allowances for collectively assessed financial assets	-22.479	-2.245	5.398				-19.327
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-51	-19					-70
Corporate	-582	-49	211				-420
Retail	-21.846	-2.178	5.187				-18.836
Allowances for incurred but not reported losses on financial assets	-11.962	0	4.676				-7.286
TOTAL	**-110.201**	**-22.670**	**13.899**	**20.671**		**714**	**-97.586**

Tabel IMP.5

Allowances movements for credit losses 2015.12 In '000 EUR	Opening balance	Increases due to amounts set aside for estimated loan losses	Decreases due to amounts reversed for estimated loan losses during the period	Decreases due to amounts taken against allowances	Transfers between allowances	Other adjustments	Closing balance
Specific allowances for individually assessed financial assets	-198.787	-26.849	6.456	21.848		121.571	-75.761
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-1.623	-643	154	523		-224	-1.813
Corporate	-14.965	-5.048	1.214	4.108		445	-14.246
Retail	-182.199	-21.158	5.088	17.217		121.350	-59.702
Specific allowances for collectively assessed financial assets	-63.401	-4.811	897			44.835	-22.480
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-106	-11	2,00			64	-51
Corporate	-558	-125	23,00			77	-583
Retail	-62.737	-4.675	872,00			44.694	-21.846
Allowances for incurred but not reported losses on financial assets	-28.133	-1.191	561			16.802	-11.961
TOTAL	**-290.321**	**-32.851**	**7.914**	**21.848**		**183.208**	**-110.202**

Table IMP.6

The amount recorded as 'maximum credit exposure' refers to the recorded book value except for loans and advances where the unused granted credit line margin has also been added.

Credit exposure 2016.12 in '000 EUR	*Maximum credit exposure*
Equity	7.804
Debt instruments	4.298.683
Loans & advances (balance)	20.650.591
Loans & advances (credit margin on credit lines)	1.065.007
Derivatives	1.739.763
Other	98.168
TOTAAL	27.860.016

Carrying amount of financial assets pledged as collateral for	4.474.130
Liabilities	2.966.594
Contingent liabilities	1.507.536

Table IMP.7

Credit exposure 2015.12 in '000 EUR	*Maximum credit exposure*
Equity	6.857
Debt instruments	7.831.770
Loans & advances (balance)	19.765.932
Loans & advances (credit margin on credit lines)	1.051.391
Derivatives	1.554.504
Other	101.635
TOTAAL	30.312.089

Carrying amount of financial assets pledged as collateral for	7.624.691
Liabilities	5.986.939
Contingent liabilities	1.637.752

Table IMP.8

For the rules applied regarding the accounting of impairments we refer to section 2.2 and 2.3 above.

More details on collateral and guarantees received can be found in chapter 34.

16 Income Taxes

In the 2015 financial year, the taxable base did not result in any corporation tax owed. The total notional interest deduction (deduction for risk capital) of the current financial year, amounting to 8.7 million EUR, was used. It was nevertheless not possible to use (a part of) the stock accrued from previous financial years up to and including 2011. The limitation of transferability means the stock of transferable notional interest deduction is further reduced to 58.6 EUR: of which a maximum of 26.4 million EUR is still usable in 2018 (2019 tax year).
In contrast, the stock of transferred DBI reduction from the previous years (7.1 million EUR), as well as the DBI deduction of the current year (2.9 million EUR) could indeed be employed. No DBI deduction is transferred to next year.

Significant elements of the tax estimate:

- Accounting result based on Belgian accounting rules ('Belgian GAAP'): 69.4 million EUR (including result of the AXA Bank Hungary branch office)
- Rejected expenses: 2.2 million EUR
- Taxed reserves movements: 8.9 million EUR
- Taxed depreciations: -0.1 million EUR
- DBI deduction: 10.0 million EUR
- Deduction for risk capital: 8.7 million EUR
- Imputation of transferable fiscal losses: 37.5 million EUR

The positive accounting result of the AXA Bank Hungary branch did not give rise to a tax charge in Hungary at the end of 2016.

In its equity, AXA Bank Europe has tax-free reserves amounting to 213.1 million EUR (unchanged compared with 2015), on which no deferred tax amounting to 72.4 million EUR (unchanged compared with previous financial year) was calculated. If these reserves were paid out, these would be taxed. Provided the bank is a 'going concern', these reserves are required as part of the equity for the bank's business operations, and there is no intention to pay these out.

Based on the budget exercise over a five-year time horizon of AXA Bank Europe, with a margin concerning uncertainties in the assumptions used being taken into account, a deferred tax on the assets was included for a section of non-employed fiscal transferable losses (106.2 million EUR). AXA Bank Europe did not enter any deferred tax on the assets for the remaining section of the non-employed fiscal transferable losses (52.3 million EUR).

The limitation of the fiscal deduction for credit institutions in corporation tax (so-called Michel I tax – see chapter 14 – General and administrative expenses – 'Banking taxes'), as this entered into force during the course of 2015 and which could amount to a maximum of 11.9 million EUR for AXA Bank Europe in 2016, was ceased over the course of 2016 (within the scope of introducing a new annual tax on credit institutions to replace the existing annual taxes, the deduction-limiting measures in corporation tax and the special amounts for financial stability).

Reconciliation of statutory tax to effective tax 2016.12 in '000 EUR	*Net amount*	%
1. Tax expense using statutory rate	37.298	
1.1. Net profit before taxes	109.732	
1.2. Statutory tax rate		33,99%
2. Tax impact of rates in other jurisdictions	-4.034	
3. Tax impact of non taxable revenues	-8.586	
4. Tax impact of non tax deductible expenses	479	
5. Tax impact of utilisation of previously unrecognised tax losses		
6. Tax impact on tax benefit not previously recognised in profit or loss		
7. Tax impact from reassessment of unrecognised deferred tax assets		
8. Tax impact of change in tax rates		
9. Tax impact from under or over provisions in prior periods	-5.314	
10. Other increase (decrease) in statutory tax charge	-15.802	
11. Tax expense using effective rate	14.398	
11.1. Net profit before taxes	109.732	
11.2. Effective tax rate		13,12%

Table IT.1

Reconciliation of statutory tax to effective tax 2015.12 in '000 EUR	*Netto bedrag*	%
1. Tax expense using statutory rate	15.103	
1.1. Net profit before taxes	44.433	
1.2. Statutory tax rate		33,99%
2. Tax impact of rates in other jurisdictions	37.524	
3. Tax impact of non taxable revenues	-9.694	
4. Tax impact of non tax deductible expenses	-598	
5. Tax impact of utilisation of previously unrecognised tax losses		
6. Tax impact on tax benefit not previously recognised in profit or loss		
7. Tax impact from reassessment of unrecognised deferred tax assets		
8. Tax impact of change in tax rates		
9. Tax impact from under or over provisions in prior periods	990	
10. Other increase (decrease) in statutory tax charge	-45.509	
11. Tax expense using effective rate	17.203	
11.1. Net profit before taxes	44.433	
11.2. Effective tax rate		38,72%

Table IT.2

The tax claim recognised by AXA Bank Europe includes taxable reserves and provisions as well as tax claims on temporary differences due to IFRS restatements and fiscally transferred losses. Regarding these temporary differences, the major part relates to fair value changes in the investment portfolio. It can be momentarily assumed that most of these securities will be held until maturity. Based on the budget analyses carried out by management, AXA Bank Europe does not expect any issues regarding the recoverability of these claims.
In the following analysis of assets and deferred tax liabilities, no legal entity is distinguished.

A break-down of the recoverability of the deferred tax assets appears below:

Analysis of deferred tax assets and liabilities	31/12/2016 Net deferred tax assets	31/12/2016 Net deferred tax liabilities	31/12/2016 Net deferred taxes
Deferred taxes through result	112.247	84.882	27.365
Deferred taxes through revaluation reserve for financial assets available for sale	5.185	52.992	-47.807
Deferred taxes through cash flow hedge revaluation reserve	11.255	0	11.255
Deferred taxes through profit and losss on defined benefit plans	12.463	0	12.463
Deferred taxes on reserves for income through Stock Option Plan	0	579	-579
Total deferred taxes	141.150	138.453	2.697

Table IT.3

Analysis of deferred tax assets and liabilities	31/12/2015 Net deferred tax assets	31/12/2015 Net deferred tax liabilities	31/12/2015 Net deferred taxes
Deferred taxes through result	128.478	93.036	35.442
Deferred taxes through revaluation reserve for financial assets available for sale	3.377	83.348	-79.971
Deferred taxes through cash flow hedge revaluation reserve	5.462	20	5.442
Deferred taxes through profit and losss on defined benefit plans	7.028	0	7.028
Deferred taxes on reserves for income through Stock Option Plan	0	577	-577
Total deferred taxes	144.345	176.981	-32.636

Table IT.4

Income tax expense current and deffered in '000' EUR	2016.12	2015.12
Current income tax expense, net	7.743	2.405
Deferred tax expense, net	8.078	14.187
Total	15.821	16.592

Table IT.5

Deferred tax assets per expected date of utilization

31/12/2016	*Deferred tax asset-expected date of utilization 1 year*	*Deferred tax asset-expected date of utilization 2 year*	*Deferred tax asset-expected date of utilization 3 year*	*Deferred tax asset-expected date of utilization 4 year*	*Deferred tax asset-expected date of utilization 5 year*	*Deferred tax asset-expected date of utilization 6 year*	*Deferred tax asset-expected date of utilization Between 7 and 11 years*	*Deferred tax asset-expected date of utilization > 11 years*	*Deferred tax asset-expected date of utilization No date determined*	***TOTAL***
Deferred tax asset on taxable transferred losses	3.943	3.721	5.078	10.984	12.384					36.110
Other deferred tax assets	15.048	715	704	614	31.318	8	189	56.444		105.040
TOTAL DTA	**18.991**	**4.436**	**5.782**	**11.598**	**43.702**	**8**	**189**	**56.444**	**0**	**141.150**

Table IT.6

Deferred tax assets per expected date of utilization

31/12/2015	*Deferred tax asset-expected date of utilization 1 year*	*Deferred tax asset-expected date of utilization 2 year*	*Deferred tax asset-expected date of utilization 3 year*	*Deferred tax asset-expected date of utilization 4 year*	*Deferred tax asset-expected date of utilization 5 year*	*Deferred tax asset-expected date of utilization 6 year*	*Deferred tax asset-expected date of utilization Between 7 and 11 years*	*Deferred tax asset-expected date of utilization > 11 years*	*Deferred tax asset-expected date of utilization No date determined*	***TOTAL***
Deferred tax asset on taxable transferred losses			6.025	4.839	20.707	2.388				33.959
Other deferred tax assets	5.959	3.469	21	11	38.610	8	18	62.290		110.386
TOTAL DTA	**5.959**	**3.469**	**6.046**	**4.850**	**59.317**	**2.396**	**18**	**62.290**	**0**	**144.345**

Table IT.7

Deferred tax assets as on the last use date

31/12/2016	*DTA last use date 1 year*	*DTA last use date 2 year*	*DTA last use date 3 year*	*DTA last use date 4 year*	*DTA last use date 5 year*	*DTA last use date 6 year*	*DTA last use date Between 7 and 11 years*	*DTA last use date > 11 years*	*DTA last use date No due date*	***TOTAL***
DTA on taxable transferred losses									36.110	36.110
Other deferred tax assets	11.268	13	2				181	5.004	88.572	105.040
TOTAL DTA	**11.268**	**13**	**2**	**0**	**0**	**0**	**181**	**5.004**	**124.682**	**141.150**

Table IT.8

Deferred tax assets as on the last use date

31/12/2015	*DTA last use date 1 year*	*DTA last use date 2 year*	*DTA last use date 3 year*	*DTA last use date 4 year*	*DTA last use date 5 year*	*DTA last use date 6 year*	*DTA last use date Between 7 and 11 years*	*DTA last use date > 11 years*	*DTA last use date No due date*	***TOTAL***
DTA on taxable transferred losses									33.959	33.959
Other deferred tax assets	2.047	3.460	13	336	38.602			3.377	62.551	110.386
TOTAL DTA	**2.047**	**3.460**	**13**	**336**	**38.602**	**0**	**0**	**3.377**	**96.510**	**144.345**

Table IT.9

Deferred tax liabilities per expected date of utilization

31/12/2016	*Deferred tax liability-expected date of utilization 1 year*	*Deferred tax liability-expected date of utilization 2 year*	*Deferred tax liability-expected date of utilization 3 year*	*Deferred tax liability-expected date of utilization 4 year*	*Deferred tax liability-expected date of utilization 5 year*	*Deferred tax liability-expected date of utilization 6 year*	*Deferred tax liability-expected date of utilization Between 7 and 11 years*	*Deferred tax liability-expected date of utilization > 11 years*	*Deferred tax liability-expected date of utilization No date determined*	***TOTAL***
Other deferred tax liabilities	1.625	4.414	5.822	10.730	52.160	6.235	10.637	46.251	579	138.453
TOTAL DTL	**1.625**	**4.414**	**5.822**	**10.730**	**52.160**	**6.235**	**10.637**	**46.251**	**579**	**138.453**

Table IT.10

Deferred tax liabilities per expected date of utilization

31/12/2015	*Deferred tax liability-expected date of utilization 1 year*	*Deferred tax liability-expected date of utilization 2 year*	*Deferred tax liability-expected date of utilization 3 year*	*Deferred tax liability-expected date of utilization 4 year*	*Deferred tax liability-expected date of utilization 5 year*	*Deferred tax liability-expected date of utilization 6 year*	*Deferred tax liability-expected date of utilization Between 7 and 11 years*	*Deferred tax liability-expected date of utilization > 11 years*	*Deferred tax liability-expected date of utilization No date determined*	***TOTAL***
Other deferred tax liabilities	14.439	29.808	33.912	520	47.529	309	4.191	45.696	577	176.981
TOTAL DTL	**14.439**	**29.808**	**33.912**	**520**	**47.529**	**309**	**4.191**	**45.696**	**577**	**176.981**

Table IT.11

Deferred tax liability as on the last use date

31/12/2016	*DTL last use date 1 year*	*DTL last use date 2 year*	*DTL last use date 3 year*	*DTL last use date 4 year*	*DTL last use date 5 year*	*DTL last use date 6 year*	*DTL last use date Between 7 and 11 years*	*DTL last use date > 11 years*	*DTL last use date No due date*	***TOTAL***
Other deferred tax liability	1.625	635	5.822	10.730	55.939	6.235	10.637	843	45.987	138.453
TOTAL DTL	**1.625**	**635**	**5.822**	**10.730**	**55.939**	**6.235**	**10.637**	**843**	**45.987**	**138.453**

Table IT.12

Deferred tax liability as on the last use date

31/12/2015	*DTL last use date 1 year*	*DTL last use date 2 year*	*DTL last use date 3 year*	*DTL last use date 4 year*	*DTL last use date 5 year*	*DTL last use date 6 year*	*DTL last use date Between 7 and 11 years*	*DTL last use date > 11 years*	*DTL last use date No due date*	***TOTAL***
Other deferred tax liability	5.078	4.602	392	10.881	57.617	21.565	30.573	189	46.084	176.981
					55.939					
TOTAL DTL	**5.078**	**4.602**	**392**	**10.881**	**57.617**	**21.565**	**30.573**	**189**	**46.084**	**176.981**

Table IT.13

17 Cash and Balances with Central Banks

	2016.12 en '000 EUR	2015.12 en '000 EUR
Components of cash and cash equivalents		
On hand (cash)	57.389	62.342
Cash and balances with central banks	560.706	269.567
Loans and receivables	39.081	5.246
Available for sale assets		
TOTAL	657.176	337.155

Table CBCB.1

18 Financial Assets Held for Trading

Counterparty breakdown Carrying value in '000 EUR	2016.12	2015.12
Derivatives held for trading	1.642.004	1.554.504
Equity instruments		
Quoted		
Unquoted but FV determinable		
Equity instruments at cost		
Debt instruments issued by	1.499	1.169
Central governments		
Credit institutions	1.488	1.169
Non credit institutions	3	
Corporate	8	
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income (if accounted for separately)		
TOTAL	1.643.504	1.555.673

Table FATRA.1

19 Financial Assets Designated at Fair Value through Profit or Loss

Counterparty breakdown Carrying value in '000 EUR	2016.12	2015.12
Equity instruments		
Quoted		
Unquoted but FV determinable		
Debt instruments issued by		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income if accounted for separately		
TOTAL	0	0

Table FAFVPL.1

20 Available-for-sale Financial Assets

Counterparty breakdown 2016.12 In '000 EUR	*Fair value of unimpaired assets*	*Fair value of impaired assets*	*Total net carrying amount*	*< Impairment >*
Equity	7.781	23	7.804	11
Quoted	96		96	
Unquoted but FV determinable	978		978	
Equity instruments at cost	6.707	23	6.730	11
Debt instruments issued by	4.297.184		4.297.184	
Central governments	3.670.691		3.670.691	
Credit institutions	626.493		626.493	
Non credit institutions				
Corporate				
Loans & advances to				
Central governments				
Credit institutions				
Non credit institutions				
Corporate				
Retail				
Accrued income (if accounted for separately)				
TOTAL	**4.304.965**	**23**	**4.304.988**	**11**

Table FAAVS.1

Counterparty breakdown 2015.12 In '000 EUR	*Fair value of unimpaired assets*	*Fair value of impaired assets*	*Total net carrying amount*	*< Impairment >*
Equity	6.835	23	6.857	11
Quoted	56		56	
Unquoted but FV determinable				
	70		70	
Equity instruments at cost	6.708	23	6.731	11
Debt instruments issued by	7.831.770		7.831.770	
Central governments	7.082.401		7.082.401	
Credit institutions	749.369		749.369	
Non credit institutions	0			
Corporate				
Loans & advances to				
Central governments				
Credit institutions				
Non credit institutions				
Corporate				
Retail				
Accrued income (if accounted for separately)				
TOTAL	**7.838.604**	**23**	**7.838.627**	**11**

Table FAAVS.2

AXA Bank Europe has currently no investments in equity related funds and has a very small equity portfolio of 7.8 million EUR. These shares mainly represent for 6.7 million EUR participating interests in non-consolidated subsidiaries, such as Motor Finance Company N.V. and Beran N.V. (see chapter 25 Investments in associates, subsidiaries and joint ventures). In line with IAS 39 *Financial Instruments: Recognition and Measurement*, the shares have been measured at cost as they do not have a quoted price in an active market and because their fair value cannot be reliably measured. Furthermore AXA Bank Europe has also some participations in financial intermediary entities (such as Visa Belgium) for 1.0 million EUR. The General Shareholders meeting of Visa Belgium decided on 16 December 2016 to grant a dividend to the shareholders of Visa Belgium under the form of cash (AXA Bank Europe: 0.6 million EUR), shares (AXA Bank Europe: 0.5 million EUR) and a deferred payment until 2017 (AXA Bank Europe: 0.2 million EUR). These amounts were recognised as dividend in the income statement. Another amount (AXA Bank Europe: 0.9 million EUR) was not distributed. This amount has been booked as an unrealised gain on the share of Visa Belgium (through other comprehensive income, OCI). Lastly, AXA Bank Europe has a very immaterial amount (0.1 million EUR) investments in shares. In 2016, there were no other realised or unrealised gains or losses on available-for-sale equity instruments.

21 Loans and Receivables

Counterparty breakdown 2016.12 In '000 EUR	*Unimpaired assets*	*Impaired assets (total carrying amount)*	*of which forbearance measurements*	*< Allowances for individually assessed financial assets >*	*< Allowances for collectively assessed financial assets >*	*Total net carrying amount*	*Average net carrying amount*
Debts instruments issued by							
Central governments							
Credit institutions							
Non credit institutions							
Corporate							
Loans and receivables to	20.394.884	353.293	214.487	-70.973	-26.613	20.650.591	20.495.990
Central governments	677					677	508
Credit institutions	1.120.614					1.120.614	1.449.243
Non credit institutions	1.603.557	6.954	11.593	-1.670	-70	1.608.772	1.674.128
Corporate	867.559	30.603	14.218	-12.865	-420	884.877	863.851
Retail	16.802.478	315.736	188.676	-56.439	-26.123	17.035.652	16.508.260
Accrued income (if accounted for separately)							
TOTAL	**20.394.884**	**353.293**	**214.487**	**-70.973**	**-26.613**	**20.650.591**	**20.495.990**

Table LR.1

Counterparty breakdown 2015.12 In '000 EUR	*Unimpaired assets*	*Impaired assets (total carrying amount)*	*of which forbearance measurements*	*< Allowances for individually assessed financial assets >*	*< Allowances for collectively assessed financial assets >*	*Total net carrying amount*	*Average net carrying amount*
Debts instruments issued by							
Central governments							
Credit institutions							
Non credit institutions							
Corporate							
Loans and receivables to	19.489.767	386.367	188.268	-75.760	-34.441	19.765.932	24.079.826
Central governments	167					167	73
Credit institutions	1.265.904					1.265.904	1.847.101
Non credit institutions	1.673.968	5.120	10.143	-1.812	-51	1.677.225	5.121.299
Corporate	815.353	39.695	13.537	-14.245	-582	840.221	838.269
Retail	15.734.374	341.551	164.588	-59.703	-33.808	15.982.415	16.261.670
Accrued income (if accounted for separately)							
TOTAL	**19.489.767**	**386.367**	**188.268**	**-75.760**	**-34.441**	**19.765.932**	**24.079.826**

Table LR.2

Loans and receivables with maturity > 1 year:16,838 million EUR (2016) and 18,603 million EUR (2015).

Loans and receivables (excluding credit institutions) 2016.12 in '000 EUR	*Central governments*	*Non credit institutions*	*Corporate*	*Retail*
Bills & own acceptances				
Finance leases				
Reverse repo		925.605		
Consumer Credit		3.606	4.217	823.906
Mortgage loans	413	61.028	763	15.851.063
Term loans	264	425.665	863.991	223.624
Current accounts		3.144	15.906	52.372
Other		189.725		84.687
TOTAL	**677**	**1.608.773**	**884.877**	**17.035.652**

Table LR.3

Loans and receivables (excluding credit institutions) 2015.12 in '000 EUR	*Central governments*	*Non credit institutions*	*Corporate*	*Retail*
Bills & own acceptances				
Finance leases				
Reverse repo		962.374		
Consumer Credit		3.287	3.640	839.980
Mortgage loans		47.734	796	14.809.307
Term loans	167	428.432	817.802	216.253
Current accounts		3.067	17.983	52.453
Other		232.331		64.422
TOTAL	**167**	**1.677.225**	**840.221**	**15.982.415**

Table LR.4

22 Derivatives

Derivatives are understood to mean swaps, futures, forwards and options. The value of these contracts is calculated according to the case, based on the closing price, interest-rate level, exchange rate, rate of the underlying assets, implicit or historical volatility, expected dividends or the correlation between the different underlying instruments.

Within the scope of its banking activities, AXA Bank Europe uses the following derived financial instruments, classified based on the IFRS categories:

Far Value Hedge

1. Macro hedging of a part of the mortgages portfolio with fixed interest rate

   AXA Bank Europe uses interest-rate swaps to hedge the fair value fluctuations of the mortgages portfolio with fixed interest rate due to the evolution of the interest rate. AXA Bank Europe thus hedges the interest-rate risk between mortgages (long-term interest rate) and their financing (short-term interest rate).

   AXA Bank Europe has therefore set up a model of fair value hedge for a section of the mortgages portfolio with fixed interest rate. This model was first applied on 1 April 2015, but was adjusted in July 2009 in order to refine the modelling of the instrument hedged, and thus to enhance the efficiency of the hedge relationship.

   The efficiency of the hedge relationship is periodically examined using prospective and retrospective tests. If the model is efficient, the fluctuation of the fair value of the instrument hedged, namely the section of the mortgages portfolio with fixed interest rate included in the fair value hedge documentation, is included in the result, just like the fluctuation of the fair value of the derivatives concerned.

   Due to the significant volumes of refinancing and repayments established, AXA Bank Europe regularly checks whether any over-hedge is occurring. This check is performed by comparing the mortgage portfolio with fixed interest with the hedge-swaps portfolio, the respective volumes of which being classified for each interest level group and taking a commercial margin into account.

   Based on this check, an overhedge of a nominal amount of 72 million EUR has been observed at the end of 2016. Therefore, interest rate swaps for this amount have been closed early. This transaction has led to a realised loss of 21 million EUR, for the negative value of the swaps (replacing the outstanding unrealised loss at the early closure of the swaps). Simultaneously, a part of the accounting hedge reserve linked to these swaps has been transferred one shot to the profit and loss account, leading to a loss of 22 million EUR.

   Next to this, a series of additional swaps for a notional amount of 557 million EUR has been closed early in a proactive way and replaced by swaps at current market conditions in order to keep the interest rate position of AXA Bank Europe unchanged. This transaction has led to a realised loss of 36 million EUR compensated by a write-back of the fair value correction for the same amount. The part of the hedging reserve linked to these swaps – 38 million EUR – has been amortised in the profit and loss account until the initial maturity date of the terminated swaps or the possible observation of an additional overhedge. The negative impact for 2016 is 3 million EUR.

2. Micro Hedge of Fixed-rate Securities with Interest Swaps

   Existing fixed-rate securities of AXA Bank Europe's investment portfolio are individually hedged using an interest swap. In the event the efficiency of this fair value hedge can be demonstrated, the value fluctuation of the instrument hedged resulting from the evolution of the interest rate of the fixed-rate security is included in the result.

3. Micro Hedging of a Part of the Mortgages Portfolio with Floating Interest Rate

   AXA Bank Europe has purchased interest caps on the market in order to hedge the margin of the mortgages portfolio with floating interest rate. AXA Bank Europe hedges the risk of the fair value fluctuations of the caps in the mortgages that could be performed depending on the importance of the increase in the Euribor interest rate. This hedge occurs in the form of a dynamic portfolio hedge. This model is regularly analysed in order, if necessary, to add new hedge instruments to it, and to take the new mortgage allocations into account. A regression analysis on a quarterly basis provides an efficiency test of the model. This model has been applied since July 2010.

4. Micro Hedging of the Covered Bonds Issued by AXA Bank Europe SCF

   The covered bonds issued by AXA Bank Europe SCF are hedged by interest swaps within the scope of micro fair-value hedge. A regression analysis on a quarterly basis provides an efficiency test of the model. During the efficient periods, the fair value fluctuation of the covered bonds is entered in the result in accordance with the hedge of the interest risk.

5. Micro Hedge of Fixed-interest Securities Swapped Using Long-term Sale Contracts and Interest Swaps

   In order to establish a number of latent surplus values on certain lines of fixed-interest securities from the investment portfolio that have already been hedged by interest swaps, AXA Bank Europe has in addition concluded a series of long-term sale contracts of those securities, as well as receiver swaps with deferred departure date. These elements were documented in a micro hedge relationship of the total fair value of these securities.
   The entirety of these documented transactions expired in 2016.

Cash Flow Hedge

A hedge of latent surplus value on a part of the investment portfolio, the interest risk of which was not hedged by interest swaps, was terminated by concluding long-term sale contracts with maturity dates running up to 2017. This involves micro hedge relationships in the strict sense with the aim of safeguarding the cash flows received by AXA Bank Europe. These transactions have delivered a positive result of 21.6 million EUR in 2016 and an expected result in 2017 of 30.8 million EUR.

These transactions on fixed-interest securities are of a definite nature, provided the long-term selling entails non-optional contractual liabilities.

Fair Value Option

The EMTN issues, the performance swaps serving as hedge and the structured deposits or securities used as a means of transferring the saving funds concerned between AXA Belgium Finance and AXA Bank Europe are classified as fair value option, based on the principle of a close economic relationship between these transactions, and as far as possible to avoid any imbalance concerning recognising the results.

Freestanding Derivatives

1. Macro Hedge Transactions
   Within the scope of the additional hedge of the mortgages portfolio, and specifically mortgages with floating interest rate adjusted every five years, swaptions are used as macro hedge of the risk in the interest caps that are part of the mortgages involved.
   This category furthermore consists of old interest caps for which no hedge model was developed.

2. Trading Activity
   The trading portfolio, primarily resulting from AXA Bank Europe's intermediation activity for the benefit of the insurance companies of the AXA group, consists of interest swaps, total return swaps, currency swaps of exchange-term contracts, swaptions and index options.

Derivatives – Held for Trading Purposes

By nature	By type 2016.12 In '000 EUR	*Notional amount*	*Carrying amount Assets*	*Carrying amount Liabilities*
Interest rate	Option / Cap / Floor / Collar / Swaption	7.305.535	354.450	21.178
	IRS	61.045.884	1.068.036	950.536
	FRA			
	Forward			
	Interest future	270.002		
	Other	665.799		
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other	7.235.778	115.165	10.229
Currency (FX)	FX forward	4.096.225	93.557	94.143
	FX future			
	Cross currency swap	329.866	10.796	28.231
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
Accrued income / expenses (if accounted for separately)				
TOTAL		80.949.088	1.642.004	1.104.317

Table DHA.1

By nature	By type 2015.12 In '000 EUR	*Notional amount*	*Carrying amount Assets*	*Carrying amount Liabilities*
Interest rate	Option / Cap / Floor / Collar / Swaption	6.101.421	17.959	16.721
	IRS	59.053.900	1.351.436	807.971
	FRA			
	Forward			
	Interest future	856.521		
	Other	752.133		
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other	6.121.943	102.111	8.740
Currency (FX)	FX forward	4.886.807	79.471	32.178
	FX future			
	Cross currency swap	296.411	3.527	35.101
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
Accrued income / expenses (if accounted for separately)				
TOTAL		78.069.137	1.554.504	900.712

Tabel DHA.2

Derivatives – Hedging Activities (Micro Hedging)

By type of risk	By instrument 2016.12 In '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	89.564	57.853	4.858.500
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL		**89.564**	**57.853**	**4.858.500**
Cash flow hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS			
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
FULL Cash flow hedge	Forward Sale debt security		33.114	678.000
TOTAL			**33.114**	**678.000**
Hedges of a net investment in a foreign operation				
TOTAL		**89.564**	**90.967**	**5.536.500**

Table DHA.3

By type of risk	By instrument 2015.12 in '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	49.672	208.637	6.549.000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL		**49.672**	**208.637**	**6.549.000**
Cash flow hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS			
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
FULL Cash flow hedge	Forward Sale debt security	61	16.070	884.000
TOTAL		**61**	**16.070**	**884.000**
Hedges of a net investment in a foreign operation				
TOTAL		**49.733**	**224.707**	**7.433.000**

Table DHA.4

Derivatives - Hedging Activities (Macro Hedging)

Hedging of interest rate portfolio 2016.12 in '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges	8.194	310.735	7.074.409
Cash flow hedges			

Table DHA.5

Hedging of interest rate portfolio 2015.12 in '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges	76.393	319.826	6.310.662
Cash flow hedges			

Table DHA.6

See also chapter 33 Offsetting.

23 Property, Plant and Equipment

PPE measured after recognition using the revaluation model 2016.12 In '000 EUR	*Owner-occupied land and building*	*IT equipment*	*Office equipment*	*Other equipment (including cars)*	*Total carrying amount*
Opening balance	40.502	231	298	349	41.379
Additions	571		13	91	675
Acquisition through business combinations					
Disposals	-250				-250
Disposals through business combinations					
Depreciation	-1.913	-183	-32	-51	-2.179
Impairment losses recognized in profit or loss					
Impairment losses reversed in profit or loss					
Foreign currency translation effects					
Transfers	67				67
To and from non-current assets held for sale					
To and from investment property					
Other changes		9		114	123
Ending balance	**38.976**	**57**	**279**	**503**	**39.815**
Amortization financial year	1.913	183	32	51	-2.179
Amortization previous year	26.662	1.903	2.019	481	31.065
Cumulated Amortization	**28.575**	**2.086**	**2.051**	**532**	**33.244**

Table PPE.1

PPE measured after recognition using the revaluation model 2015.12 In '000 EUR	*Owner-occupied land and building*	*IT equipment*	*Office equipment*	*Other equipment (including cars)*	*Total carrying amount*
Opening balance	43.321	1.143	65	1.250	45.779
Additions	625		295	7	927
Acquisition through business combinations					
Disposals					
Disposals through business combinations					
Depreciation	-1.844	-290	-14	-55	-2.203
Impairment losses recognized in profit or loss					
		-282	-49	-807	-1.138
Impairment losses reversed in profit or loss					
Foreign currency translation effects					
Transfers					
To and from non-current assets held for sale					
To and from investment property					
Other changes	-1.600	-340		-46	-1.986
Ending balance	**40.502**	**231**	**298**	**349**	**41.379**
Amortization financial year	1.844	290	14	55	2.203
Amortization previous year	24.818	1.613	2.005	426	28.862
Cumulated Amortization	**26.662**	**1.903**	**2.019**	**481**	**31.065**

Table PPE.2

24 Intangible Fixed Assets

Currently there is no goodwill recognised in the consolidation scope of AXA Bank Europe.

AXA Bank Europe launched an IT programme by the name of SWITCH in 2015. In April 2015, in consultation with AXA Group, AXA Bank Europe decided to transform the initial big-bang project approach into a multi-annual roadmap of different independent projects (Atlas, Loan Origination and Credit Scoring) with the same final objective of a radically simplified bank (architecture and retail business systems and processes) with lower costs structurally. The project costs associated with this for the year 2016 are a combination of costs related to project management, study phase and development phase. Based on the IFRS rules, an amount of 2.9 million EUR was capitalised in 2016 (Atlas 1.6 million EUR – Loan Origination 0.9 million EUR – Credit Scoring 0.4 million EUR).

Other intangible assets accounted for by using the revaluation model 2016.12 in '000 EUR	*Goodwill*	*Internally developed software*	*Acquired software*	*Other internally developed intangible assets*	*Other intangible assets*	*Total carrying amount*
Opening balance		6.886	0		0	6.885
Additions from internal development		3.848				3.848
Additions from separate acquisition						
Adjustments from business combinations						
Retirement & disposals						
Transfers to and from non-current assets Held for Sale						
Adjustments resulting from subsequent recognition of deferred tax assets						
Amortization recognized		-2.289	-104			-2.393
Increases or decreases resulting from revaluations and impairment losses recognized or reversed directly in equity						
Impairment recognized in profit or loss						
Impairment reversed in profit or loss						
Foreign currency translation effects						
Other movements		71	104	22		197
Ending balance		8.515	0	22		8.537
Amortization financial year		2.289	104			**2.393**
Amortization previous year		13.525	3.012		7	16.543
Cumulated Amortization		**15.814**	**3.116**		**7**	**18.937**

Table IFA.1

Other intangible assets accounted for by using the revaluation model 2015.12 in '000 EUR	*Goodwill*	*Internally developed software*	*Acquired software*	*Other internally developed intangible assets*	*Other intangible assets*	*Total carrying amount*
Opening balance		3.888	1.394		165	5.447
Additions from internal development		4.802	110			4.912
Additions from separate acquisition						
Adjustments from business combinations						
Retirement & disposals						
Transfers to and from non-current assets Held for Sale						
Adjustments resulting from subsequent recognition of deferred tax assets						
Amortization recognized		-1.758	-383			-2.141
Increases or decreases resulting from revaluations and impairment losses recognized or reversed directly in equity						
Impairment recognized in profit or loss			-1.508		-165	-1.673
Impairment reversed in profit or loss						
Foreign currency translation effects						
Other movements		-46	387			341
Ending balance		**6.886**	**0**		**0**	**6.885**
Amortization financial year		1.758	383			**2.141**
Amortization previous year		11.767	2.629		7	**14.402**
Cumulated Amortization		**13.525**	**3.012**		**7**	**16.543**

Table IFA.2

25 Investments in Associates, Subsidiaries and Joint Ventures

AXA Bank Europe has the following limited number of subsidiaries:

- AXA Belgium Finance bv (NL), Griekenweg 213 - 4835 NA Breda (Netherlands)
- AXA Bank Europe SCF (Société de Crédit Foncier), rue Carnot 203/205 - 94138 Fontenay-sous-Bois (France)
- Motor Finance Company N.V., Grotesteenweg 214 - 2600 Berchem (Belgium)
- Beran N.V., Grotesteenweg 214 - 2600 Berchem (Belgium).

AXA Bank Europe holds a participation of 10% in the SPV Royal Street. A fair representation of the consolidated position requires that SPV is included and this in line with SIC-12 principles. The interest rate risk remains at ABE given the mutual exchange of interest payments via a total return swap. The credit risk also remains on the balance sheet of AXA Bank Europe as the junior-branches of RMBS, issued by SPV, would be impacted first in the case of credit default.

In addition, it also holds a 20% stake in Bancontact Mister Cash. Alongside AXA Bank Europe, four other banks each own 20% in this company. The firm aims to manage and license intellectual property rights, whether or not related to payment schemes with cards and all other related transactions. Every shareholder is entitled to 1 director for each 20% bracket of the share ownership and the decisions of the Board must be taken with a majority of 4/5. Because of its low materiality, this company is not included in the consolidation scope.

AXA Belgium Finance bv was included in the consolidation scope. This is a Dutch private limited company, which issues securities and other debt instruments on the Luxembourg securities market.

SPV Royal Street and AXA Bank Europe SCF are two entities that are used by AXA Bank Europe to attract funds in addition to the more traditional forms of retail financing through securitisation operations and issue of covered bonds. The structure as it has now been set up does not have a transfer of risk or rewards as a result of the total return swap between AXA Bank Europe and SPV Royal Street. Both entities were thus integrally included in the AXA Bank Europe consolidation scope.

The funds of these subordinated loans were used for the establishment of a reserve fund in the SPV which has never been applied to date.

To support its operation, AXA Bank Europe has granted a subordinated loan of 64 million EUR to the SPV.

There were no changes to the consolidation scope during the 2016 financial year.

	Entiteit 2016.12 In '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
Summarised financial information of subsidiaries and joint ventures	Accounted for by using full consolidation :					
	AXA Belgium Finance bv (NL)	100,00%	1.643.905	1.638.620	721	31/12/2015
	SPV Royal Street	10,00%	6.014.291	6.005.795		31/12/2015
	AXA BANK Europe SCF	100,00%	4.859.656	4.744.622	3.287	31/12/2015
	Entiteit 2016.12 In '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
	Not accounted for by using full consolidation :					
	Beran N.V.	100,00%	2.038	13	-17	31/12/2015
	Motor Finance Company N.V.	100,00%	10.043	6.128	-315	31/12/2015
	Bancontact-Mister Cash (voorheen Brand & Licence Cy)	20,00%	9.237	3.173	429	31/12/2015

Tabel IASJ.1

Further explanation regarding these companies that have not been included in the consolidation scope of AXA Bank Europe in view of the intangible nature:

Motor Finance Company N.V.

This is the vehicle in which investments in self-banking devices , which are leased to agents, are housed.

Beran NV

On 22 January 2008, Beran NV purchased the residual rights and the emphyteutic lease relating to immovable property located at Grote Steenweg 214 in Berchem resulting in the termination of co-ownership with Fortis.

26 Other Assets

Carrying amount in '000 EUR	2016.12	2015.12
Employee benefits	92.532	92.759
Servicing assets for servicing rights		
Prepaid charges	973	921
	4.655	6.809
Accrued income (other than interest income from financial assets)		
Precious metals, goods and commodities		
Other advances	46	46
Other	-38	1.099
TOTAL	**98.168**	**101.635**

Table OA.1

27 Financial Liabilities Held for Trading

Counterparty breakdown Carrying amount in '000 EUR	2016.12	2015.12
Deposits from credit institutions		
Current accounts / overnight deposits		
Deposits with agreed maturity		
Deposits redeemable at notice		
Other deposits		
Derivatives held for trading	1.104.317	900.712
Short positions		57
In equity instruments		
In fixed income instruments		57
Deposits (other than from credit institutions)		
Current accounts / overnight deposits		
Deposits with agreed maturity		
Deposits redeemable at notice		
Other deposits		
Debt certificates (including bonds)		
Certificates of deposits		
Customer saving certificates (also when dematerialised)		
Bonds		
Convertible		
Non-convertible		
Other		
Other financial liabilities		
Accrued expenses (if accounted for separately)		
TOTAL	1.104.317	900.768

Table FLTRA.1

28 Financial Liabilities Designated at Fair Value through Profit or Loss

Debt certificates include EMTNs (European Medium-term Notes).. These EMTNs are issued by AXA Belgium Finance, a subsidiary of AXA Bank Europe. AXA Bank Europe has opted for valuation at fair value through profit or loss and has therefore included these issues in the balance sheet at their market value.

AXA Bank Europe has chosen to evaluate its own credit risk based on EMTN according to the spread AXA Bank Europe pays in the primary market - as defined at the reporting date - since much larger volumes are traded on the primary than on the secondary market. That is why they offer a more adequate assessment of the credit risk of AXA Bank Europe on the retail market. This method calculates the difference between the margin's level that AXA Bank Europe applies to the issues for private investors on the date of issue and the same level on the reporting date. This difference is used to determine the cash flow at the date of each coupon. They are then discounted to determine the credit risk ratio for each issue.

This fair value amounted to a total of 1,484 million EUR with a nominal amount of 4,923 million EUR on 31 December 2016.

The year-to-date impact of the share in the bank's own credit risk in the amount of the fair value resulted in a decrease of 3.2 million EUR of the fair value of the liabilities.

Counterparty breakdown 2016.12 In '000 EUR	*Carrying amount*	*Amount of cumulative change in fair values attributable to changes in credit risk*	*Difference between the carying amount and the amount contractually required to pay at maturity*
Deposits from credit institutions			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Deposits (other than from credit institutions)			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Debt certificates (including bonds)	1.484.385	4.522	3.438.816
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	1.484.385	4.522	3.438.816
Convertible			
Non-convertible	1.484.385	4.522	3.438.816
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	**1.484.385**	**4.522**	**3.438.816**

Table FLFVPL.1

Counterparty breakdown 2015.12 In '000 EUR	*Carrying amount*	*Amount of cumulative change in fair values attributable to changes in credit risk*	*Difference between the carrying amount and the amount contractually required to pay at maturity*
Deposits from credit institutions			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Deposits (other than from credit institutions)			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Debt certificates (including bonds)	1.633.560	7.669	-159.651
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	1.633.560	7.669	-159.651
Convertible			
Non-convertible	1.633.560	7.669	-159.651
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	**1.633.560**	**7.669**	**-159.651**

Table FLFVPL.2

29 Financial Liabilities Measured at Amortised Cost

29.1 Deposits

Counterparty breakdown 2016.12 In '000 EUR	*Central governments*	*Non credit institutions*	*Corporate*	*Retail*	*Total carrying amount*
Deposits from credit institutions					48.640
Current accounts / overnight deposits					2.511
Deposits with agreed maturity					46.130
Deposits redeemable at notice					
Other deposits					
Deposito's (andere dan van kredietinstellingen)	382.981	489.581	1.098.970	15.892.425	17.863.958
Current accounts / overnight deposits	26.974	262.598	838.973	1.914.492	3.043.037
Deposits with agreed maturity	5.065	130.340	51.373	1.584.292	1.771.070
Deposits redeemable at notice					
Other deposits	350.942	96.644	208.624	12.393.641	13.049.850
Special deposits					
Regulated deposits	942	51.854	103.671	12.392.332	12.548.800
Mortgages related deposits					
Other deposits	350.000	44.789	104.953	1.308	501.050
Deposit guarantee system					
Debt certificates (including bonds)					3.546.961
Certificates of deposits					
Customer saving certificates (also when dematerialised)					
Bonds					114.809
Convertible					
Non-convertible					114.809
Other					3.432.152
Subordinated liabilities					89.042
Other financial liabilities					910.121
Accrued expenses (if accounted for separately)					
TOTAL					**22.458.722**

Table FLAC.1

Counterparty breakdown 2015.12 In '000 EUR	*Central governments*	*Non credit institutions*	*Corporate*	*Retail*	*Total carrying amount*
Deposits from credit institutions					10.783
Current accounts / overnight deposits					10.783
Deposits with agreed maturity					
Deposits redeemable at notice					
Other deposits					
Deposito's (andere dan van kredietinstellingen)	178.864	1.139.721	1.077.886	14.592.527	16.988.998
Current accounts / overnight deposits	18.461	540.427	786.279	1.568.409	2.913.576
Deposits with agreed maturity	5.544	516.088	60.298	1.450.529	2.032.460
Deposits redeemable at notice					
Other deposits	154.859	83.205	231.308	11.573.589	12.042.962
Special deposits					
Regulated deposits	666	51.693	119.402	11.570.416	11.742.176
Mortgages related deposits					
Other deposits	154.194	31.513	111.906	3.173	300.785
Deposit guarantee system					
Debt certificates (including bonds)					3.249.269
Certificates of deposits					
Customer saving certificates (also when dematerialised)					
Bonds					162.517
Convertible					
Non-convertible					162.517
Other					3.086.753
Subordinated liabilities					117.807
Other financial liabilities					1.099.998
Accrued expenses (if accounted for separately)					
TOTAL					**21.466.856**

Table FLAC.2

29.2 Subordinated Liabilities

Maturity date 2016.12 In '000 EUR	*Convertible subordinated debts*	*Non convertible subordinated debts*	*Other term subordinated debts*	*Subordinated advances*
Current year				
Current year +1		46.351		
Current year +2		12.014		
Current year +3		4.129		
Current year +4		3.505		
Current year +5		2.911		
Current year +6				
Current year +7				
Current year +8				
Current year +9				
Current year +10				
More than current year +10				
Perpetuals		20.132		
TOTAL		**89.042**		

Table FLAC.3

Maturity date 2015.12 In '000 EUR	*Convertible subordinated debts*	*Non convertible subordinated debts*	*Other term subordinated debts*	*Subordinated advances*
Current year				
Current year +1		12.135		
Current year +2		45.020		
Current year +3		12.014		
Current year +4		4.129		
Current year +5		3.505		
Current year +6		2.911		
Current year +7				
Current year +8				
Current year +9				
Current year +10				
More than current year +10				
Perpetuals		38.093		
TOTAL		**117.807**		

Table FLAC.4

29.3 TLTRO-loans

AXA Bank Europe has subscribed to 150 million EUR of TLTRO-II loans with a 4-year term. The TLTROs are Eurosystem operations that provide financing to credit institutions for periods of up to 4 years. They offer long-term funding at attractive conditions to banks in order to further ease private sector credit conditions and stimulate bank lending to the real economy. The benefit of the below-market interest rate is accrued in the income statement over the life of the TLTRO-II. The outstanding TLTRO-I loans have been fully repaid.

30 Repos and Reverse Repos

The debt certificates specified below are related to financial assets that have been recognised here for their IFRS book value.

Transferor : Repo No derecognition of transfers of financial assets out of : 2016.12 In '000 EUR	*Equity instruments*	*Debt instruments*	*Loans and advances*	*Other*	*Total*
Financial assets held for trading					
Financial assets designated at fair value through profit or loss					
Available-for-sale financial assets		2.568			2.568
Loans & receivables (including finances leases)					
Held-to-maturity investments					
Other					
TOTAL		**2.568**			**2.568**

Table RRR.1

Transferor : Repo No derecognition of transfers of financial assets out of : 2015.12 In '000 EUR	*Equity instruments*	*Debt instruments*	*Loans and advances*	*Other*	*Total*
Financial assets held for trading					
Financial assets designated at fair value through profit or loss					
Available-for-sale financial assets		3.568.953			3.568.953
Loans & receivables (including finances leases)					
Held-to-maturity investments					
Other					
TOTAL		**3.568.953**			**3.568.953**

Table RRR.2

Transferor : Liabilities (financing obtained) 2016.12 in '000 EUR	*Total*
Repo	
Credit institutions	
Other than credit institutions	1.031.061
Total	**1.031.061**

Table RRR.3

Transferor : Liabilities (financing obtained) 2015.12 in '000 EUR	*Total*
Repo	
Credit institutions	1.426.009
Other than credit institutions	2.656.292
Total	**4.082.301**

Table RRR.4

Transferee : Assets (financing granted) 2016.12 in '000 EUR	*Total*
Reverse repo	
Credit institutions	
Other than credit institutions	925.605
Total	**925.605**

Table RRR.5

Transferee : Assets (financing granted) 2015.12 in '000 EUR	*Total*
Reverse repo	
Credit institutions	
Other than credit institutions	962.374
Total	**962.374**

Table RRR.6

The inclusion of the repurchase agreements and reverse repurchase agreements occurs here for the paid amounts and received amounts, respectively.
See also Chapter 33.

31 Provisions

2016.12 in '000 EUR	*Restructuring*	*Provisions for Tax litigation and pending legal issues*	*Pensions and other post retirement benefit obligations*	*Loan commitments and guarantees*	*Other provisions*	*TOTAL*
Opening balance		**34.544**	**154.708**	**318**	**19.436**	**209.006**
Additions		949	3.156	9.854	6.893	20.853
Amounts used		-404	-8.176		-3.603	-12.183
Unused amounts reversed during the period						
Acquisitions (disposals) through business combination						
Increase in the discounted amount (passage of time) and effect of any change in the discount rate						
Exchange differences						
Other movements		4.470	15.492	-318	-4.151	15.493
Closing balance		**39.559**	**165.180**	**9.854**	**18.575**	**233.169**

Table PROV.1

2015.12 in '000 EUR	*Restructuring*	*Provisions for Tax litigation and pending legal issues*	*Pensions and other post retirement benefit obligations*	*Loan commitments and guarantees*	*Other provisions*	*TOTAL*
Opening balance		34.590	173.199	1.784	119.563	329.136
Additions			5.934		5.627	11.561
Amounts used			-9.541	-717	-7.858	-18.116
Unused amounts reversed during the period						
Acquisitions (disposals) through business combination						
Increase in the discounted amount (passage of time) and effect of any change in the discount rate						
Exchange differences						
Other movements		-46	-14.884	-749	-97.896	-113.574
Closing balance		**34.544**	**154.708**	**318**	**19.436**	**209.007**

Table PROV.2

Clarifications regarding the major components of these provisions at AXA Bank Europe appear below.

Provisions for Tax Disputes

This section includes provisions as part of possible additional taxes, which are contested by the bank. In this context a number of clients claimed compensation from the bank, for which provisions were also recognised.

In the short term no major development is expected in these cases.

Ongoing Legal Disputes

The main element of this section is the provision for litigation concerning agents and former agents. It mainly concerns disputes due to cases of fraud. In 2016 this provision has been set to zero.

Estimates vary as to the period of settlement of these disputes that are heterogenous and unpredictable at times.

Restructurings

The social liabilities are formed by liability of the company Anhyp for the fusion with Ippa, from which AXA Bank Europe arose. This involve individual arrangement running up to 2018 at latest, the most significant amounts of which were entered in the 2007-2008 period.

Pension Obligations and Other Benefits under Pension Obligations

The majority here relates to the provision under IAS19. For more details and information, please refer to chapter 13.2 Pension liabilities and other benefits.

The group plan on social liabilities mentioned under the 'restructuring' point is also included here. No provision has been recorded since the beginning of the year. The provision was completely extinguished at the year-end 2014.

During the 2016 financial year, new provisions of 2.7 million EUR and an allocation of the provision of 7.0 million EUR were established under the existing regulations at AXA Bank Europe. Therefore, on 31 December 2016, these provisions were 11.2 million EUR. They were included in the CTC of 7 May 2007 and in its extension of 25 November 2009 and in the CTC of 16 March 2011.

The balance of the provision for credit time was 0.2 million EUR at 1 January 2016. In 2016, no provision was added. At 31 December 2016 an amount of 0.1 million EUR has been used.

Other provisions

The column 'Other provisions' includes mainly the provision for closure of the Hongarian branch (13.2 million EUR). 'Other provisions' also includes a provision for early departure of 4.2 million EUR in line with the expectations of management.

32 Other Liabilities

Carrying amount in '000 EUR	2016.12	2015.12
Employee benefits	-2.071	476
Social security charges	18.086	22.819
Servicing liabilities for servicing rights		
Leasing liabilities		
Accrued charges (other than from interest expenses on financial liabilities)	1.893	2.825
Income received in advance	1.389	1.641
Other debts	47.069	36.031
Other	-3.900	-14
TOTAL	**62.466**	**63.778**

Table OL.1

33 Offsetting

Offsetting in the Balance Sheet

IAS 32 – *Financial Instruments - Presentation* requires the presentation of financial assets and financial liabilities on a net basis when doing so reflects an entity's expected future cash flows from settling two or more separate financial instruments.

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when, AXA Bank Europe

(a) currently has a legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

To meet the criterion (a), AXA Bank Europe must currently have a legally enforceable right of set-off. This means that the right of set-off:

(a) must not be contingent on a future event; and
(b) must be legally enforceable in all of the following circumstances:

(i) the normal course of business;
(ii) the event of default; and
(iii) the event of insolvency or bankruptcy of the entity and all of the counterparties.

To meet criterion (b), AXA Bank Europe must intend either to settle on a net basis or to realise the asset and settle the liability simultaneously. Although AXA Bank Europe may have a right to settle net, it may still realise the asset and settle the liability separately.

AXA Bank Europe clears the positions on its OTC interest rate swaps daily with a number of intermediary banks:

- LCH Clearnet CM CSI (Credit Suisse)
- LCH Clearnet CM HSBC Bank Plc (HSBC)
- AXA LIFE EUROPE LTD (France FoS VA)
- AXA LIFE EUROPE LTD (GERMANY branch)
- AXA LIFE EUROPE LTD (MEDLA branch)
- AXA LIFE EUROPE LTD (UK FoS VA Bus)
- AXA LIFE EUROPE LTD (GMAB)
- AXA LIFE EUROPE LTD (JAPAN)

For each of the clearing members, the amounts cleared include:

- interest payments on the swap and all other payments (upfront fees, premiums, early termination amounts, ...)
- variation margin evolutions, covering the changes in the positive/negative net value of all traded derivatives through the intermediary bank.

The clearing is performed separately for each currency. The calculation is made at the end of day, and the difference versus the previous day is settled net in one single cash payment on the following day, for each currency.

The netting of the derivatives position is legally enforceable and is not contingent on a future event, therefore meeting the IFRS requirements.

The amounts that have been netted in the balance sheet can be found in the first three figures columns in the tables below.

Repos and reverse repos are currently not subject to offsetting as they are currently not part of master netting agreements that allow for offsetting in all circumstances.

Offsetting in the Disclosures

IAS 32 requires that, in other circumstances than mentioned above, financial assets and financial liabilities should be presented separately from each other consistently with their characteristics as resources or obligations of the entity. Financial instrument transactions under a 'master netting arrangement' with a counterparty that only provide for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract do not provide a basis for offsetting unless both of the criteria above are satisfied.

At AXA Bank Europe, all transactions under master netting agreements not mentioned above are reported gross.

Furthermore, IFRS 7 – *Financial Instruments - Disclosures* requires disclosure of the following quantitative information:

- the amounts subject to an enforceable master netting agreement or similar agreement that are not offset,, including

- amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria of IAS 32
- amounts related to financial collateral (including cash collateral); and

- the net amount after deducting these amounts from the net amounts presented in the financial position.

AXA Bank Europe simulates this potential netting based on the following criteria:

- netting by counterparty
- of all repos, reverse repos derivatives and the related collaterals
- for derivatives: separately for hedging and trading positions
- collateral: initial and variation margin

The amounts of this potential netting can be found in the other figure columns in the tables below.

Financial assets – offsetting

Carrying amounts in '000 EUR 2016.12	Gross amounts before offsetting	Amounts set off against financial liabilities	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Financial guarantees	Net position
Derivatives - trading	4.677.865	3.035.861	1.642.004	1.090.990	509.580	41.434
Derivatives - hedging	138.755	40.997	97.758	63.237	30.338	4.183
Reverse Repos	925.605	0	925.605	925.605	0	0
Total	5.742.225	3.076.858	2.665.367	2.079.832	539.918	45.617

Tableau OFFS.1

Financial liabilities - offsetting

Carrying amounts in '000 EUR 2016.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Financial guarantees	Net position
0						
Derivatives - trading	4.550.588	3.446.271	1.104.317	578.455	474.331	51.531
Derivatives - hedging	727.177	325.476	401.701	253.537	141.049	7.114
Repos	1.031.061	0	1.031.061	1.031.061	0	0
Total	6.308.826	3.771.747	2.537.079	1.863.053	615.380	58.645

Tableau OFFS.2

Financial assets – offsetting

Carrying amounts in '000 EUR 2015.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Financial guarantees	Net position
Derivatives - trading	4.784.460	3.228.787	1.555.673	929.355	626.318	0
Derivatives - hedging	146.792	20.666	126.126	71.953	50.779	3.394
Reverse Repos	962.374	0	962.374	962.370	9	4
Total	5.893.626	3.249.453	2.644.173	1.963.678	677.106	3.398

Tableau OFFS.3

Financial liabilities - offsetting

Carrying amounts in '000 EUR 2015.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Financial guarantees	Net position
Derivatives - trading	4.635.980	3.735.212	900.768	314.141	586.627	0
Derivatives - hedging	866.755	322.222	544.533	237.983	287.476	19.074
Repos	4.082.301	0	4.082.301	4.070.303	10.276	1.722
Total	9.585.036	4.057.434	5.527.602	4.622.427	884.379	20.796

Tableau OFFS.4

34 Contingent Assets and Liabilities

CONTINGENT ASSETS AND LIABILITIES Reference amounts 2016.12 en '000 EUR	Provided	Received
Non-included section of the credit lines	1.065.007	
Credit-replacing security	1.486.648	22.564.554
Collateral concerning repos, reverse repos and derivatives	1.870.561	2.881.340
Other obligations	2.988.894	3.313.422

Tableau CAL.1

CONTINGENT ASSETS AND LIABILITIES Reference amounts 2015.12 en '000 EUR	Provided	Received
Non-included section of the credit lines	1.051.391	158.238
Credit-replacing security	1.616.194	24.397.922
Collateral concerning repos, reverse repos and derivatives	6.007.831	2.172.645
Other obligations	1.229.813	3.100.819

Tableau CAL.2

Information regarding the most important lines:

The line 'Non-included section of the credit lines' contains the margin available on the credit lines involved. A credit line involved is the fixed liability for granting a credit line. The liability applies as fixed if it cannot be revoked at any moment with immediate effect.

The line 'Credit-replacing security' contains the securities received on loans and the securities provided relating to liabilities due to borrowing or due to deferred payment.

Given collateral on loans include the liabilities of the bank to retail clients. The risk is very limited because of diversification of the portfolio and mainly the fact that the granted loans are guaranteed by the clients.

Received collateral on loans are related to mortgage loans, consumer loans and professional loans.

Mortgage loans must be fully guaranteed by a mortgage (recording or mandate) on real property (full property). Property guarantees are required by law. The mortgage guarantees that must be provided can be reused in the context of potential subsequent mortgage loans. All guarantees complementing mortgage guarantees must be provided before registering the loan. This also applies to additional collateral securities. A mortgage mandate is usually drawn up for both the property to be purchased and the property to be sold in the case of a bridge loan.
For consumer loans only one type of guarantee is used: transfer of debt collection or act of relinquishment of wages and other income.

For professional loans the most important guarantees are the following:

- Fair guarantees
  - Mortgage and mortgage registration
  - Authentic pledging of business
  - Subrogation to the benefit of the seller of movable property
  - Securities collateral
  - Pledging of account balance
  - Transfer of all 'traditional life insurance' rights
  - Transfer of all insurance policy rights Branch 21 and 23
  - Transfer of salary

- Personal or moral guarantees
  - Security
  - Mortgage mandate
  - Irrevocable commitment by a third party

Valuation of these guarantees:

- Mortgage and mortgage registration: valuation in function of

    - The appraisal value of the property on the basis of a valuation report or updated valuation by a professional (such as a real estate expert, a notary or a broker), a recent purchase, based on knowledge of the property by the point of sale, etc.
    - The rank of the subscription
    - The voidability of the subscription because of a suspicious period in view of a bankruptcy
    - Note: mortgage mandates are not booked

- Business asset pledge: valuation in function of
    - The importance and the marketability of the fixed asset
    - The size and distribution of receivables
    - The size of the inventory of non-perishable raw materials or finished products
    - The value of the rental property
    - Privileges of higher rank (lessor, equipment)
    - Transferability as a 'going concern'
    - The rank of the subscription
    - The voidability of the subscription because of a suspicious period in view of a bankruptcy
    - The assessment of the administrator or liquidator

- Substitution in the privilege of the seller of movable property (including transfer of debts and transfer of pay): valuation in function of
    - The creditworthiness of the assigned debtor
    - Whether or not the character of the transferred claim is disputed

- Pledging of account balances: appreciation to 100% of the deposit

- Transfer of insurance policy rights: appreciation at 0%

- Personal or moral guarantees: valuation in function of the proven solvency of the security deposit (especially its real estate assets) or its determination to honour the commitment through a respected serious debt reduction plan.

The line 'Collateral concerning repos, reverse repos and derivatives' contains the assets provided and received by the bank within the scope of its 'repo-reverse repo' and derivatives activities, depending on the fluctuation of the market value of the transactions.

In the framework of the 'Global Master Repurchase Agreement' (GMRA), AXA Bank Europe only accepts government bonds. Since August 2007 however, AXA Bank Europe has concluded one GMRA with AXA IM in which she also accepted non-governmental paper, provided it qualifies as collateral by the ECB. Currently there are no open positions in this GMRA.

In the repo activity, a distinction can be made between 2 types of collateral:

- the collateral received when concluding a new deal, mostly Belgian (and sometimes French) government bonds.

- the collateral required during the term of the deals according to the fluctuation of the market value of the initially provided collateral. This additional collateral is mostly settled in cash (at Eonia interest rate) but sometimes in Belgian or French government bonds.

In derivatives activities, the general rule applies that collateral is systematically requested. Only cash (at Eonia interest rate) and Belgian, German, Italian, French, Swiss and UK government bonds with a residual term of minimum 1 year and maximum 10 years will be considered for this collateral.

All collateral received can be sold or reused by AXA Bank Europe as collateral.
AXA Bank Europe is obliged to return this collateral.

The line 'Other obligations' contains all other obligations received and provided.

Encumbered Assets

Certain assets have been encumbered : securities given in repo, bonds given as collateral to the European Central Bank (ECB) for obtaining financing and bonds given as collateral to the Belgian tax authorities.

35 Equity

For figures see 'Consolidated balance sheet– equity'

The paid-in capital amounts to 681.3 million EUR and consists of 493,744,650 shares without making a reference to the nominal value. It was paid up in full.
The other capital equity instruments issued consist of Contingency Convertible Bonds.
The reserves from other comprehensive income include the reserves from the foreign currency translation, the revaluation of the available-for-sale financial assets, the revaluation of the cash flow hedges and the reserves for pension liabilities (non-realised results and actuarial gains and losses on defined benefit plans).
The 'other reserves' section comprises the legal reserves and the transferred results from the AXA Bank Europe parent company and the consolidation reserves resulting from the first IFRS inclusion into this latter and all consolidation reserves for the subsidiaries.
The consolidation reserves also include the Fund for General Bank Risks. It was established by the bank to deal with unforeseeable risks and future unexpected losses. This fund amounts to 32 million EUR.

36 Profit Allocation and Dividends per Share

The Board of Directors proposes to transfer the statutory profit for the year, together with the retained earnings, to the next financial year, after allocation to the legal reserve. No dividends will be distributed.

37 Segmented Information

Operating segments are components of AXA Bank Europe

- that engage in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Management Committee of AXA Bank Europe to make decisions about resources to be allocated to the segments and assess their performance, and;
- for which discrete financial information is available.

The Management Committee of AXA Bank Europe is considered to be the chief operating decision maker as defined under IFRS 8 – Operating Segments.

The following operating segments are reported separately based on the guidelines of IFRS 8:

- Retail banking (including Treasury and ALM);
- Intermediation activities.

The retail banking activity consists mainly of collecting funding (daily operations, savings products) and providing loans to its customers (households, professionals and small businesses) through its network of independent agents. The reported figures include the related ALM results (Assets and Liabilities Management), whose main purpose is to manage the exposure of AXA Bank Europe to interest rate, liquidity and foreign exchange risks. The treasury activity consists of providing short term liquidity and funding as a support for the growth of the retail business.

The intermediation activities consist mainly of providing funding, cash management and derivatives for several AXA Group entities.

Transactions between the different operating segments are carried out on an arm's length basis.
The following principles are applied:

- allocation of ALM results: in addition to the commercial margin, AXA Bank Europe may grant a conversion margin for its retail activities. The parameters used for determining said grant are economic capital together with assets and liabilities of the retail activities;
- funds transfer pricing: the management of cash resources and ALM within AXA Bank Europe is centralised. With a view to transferring the interest rate risk of the commercial activities to the centralised ALM, the funds transfer pricing methodology is used. This means that deposits that are provided for safekeeping by the commercial business units are reinvested at the central ALM and that the loans allocated by the commercial business units are financed by the central ALM while using the funds transfer pricing interest rate.

The reconciliations between the total of the operating segments and the group result are mainly:

- differences in mapping between the segment reporting and the consolidated income statement;
- elements not included in operating income in the segment reporting;
- differences between the valuation rules of the segment reporting (based on AXA Group rules) and the consolidated income statement (based on AXA Bank Europe rules).

Segment reporting – income statement

2016 in '000 EUR	'Retail banking (including Treasury and ALM)	Intermediation	Reconciliation	Amounts consilidated financial account
Interest margin (incl. commissions and realized gains)	306.985	17.172	37.615	361.772
Operating expenses	-225.335	-11.238	-29.592	-266.165
Impairments	-6.949		-5.897	-12.846
Taxes	-6.143	-175	-9503	-15.821
Underlying earnings	68.558	5.759	-7.377	66.940
Discontinued Operations				28.395
Net income				95.335

Tabel SI.1

2015 in '000 EUR	'Retail banking (including Treasury and ALM)	Intermediation	Reconciliation	Amounts consilidated financial account
Interest margin (incl. commissions and realized gains)	310.420	40.915	18.478	369.813
Operating expenses	-219.738	-13.422	-11.469	-244.629
Impairments	-19.562	0	-8.358	-27.920
Taxes	-6.570	-588	-9.434	-16.592
Underlying earnings	64.550	26.905	-10.783	80.672
Discontinued Operations				-53.444
Net income				27.228

Tabel SI.2

Major items reported in the column 'Reconciliation':

a) Interest margin

- difference in mapping between the segment reporting and the consolidated income statement (2016: 8.9 million EUR – 2015: -9.6 million EUR
- elements not included in underlying earnings in the segment reporting (2016: 31.4 million EUR – 2015: 35.9 million EUR, mainly forex results and fair value measurements)
- differences between the valuation rules of the segment reporting (based on AXA Group rules) and the consolidated income statement (based on AXA Bank Europe rules) (2016: -3.6 million EUR – 2015: -9.9 million EUR, mainly due to a different starting date of a cash flow hedge (effect in 2015), and the revaluation of the working capital of the Hungarian branch (effect in 2015 and 2016))

b) Operating expenses:

- difference in mapping between the segment reporting and the consolidated income statement (2016: -3.4 million EUR – 2015: 6.4 million EUR)
- certain expenses that are not included in operating income in the segment reporting (2016: -25.0 million EUR – 2015: -15.3 million EUR)

c) Impairment on loans:

- differences in mapping between the segment reporting and the consolidated income statement (2016: -5.5 million EUR – 2015: -7.2 million EUR)

d) Taxes:

- elements not included in underlying earnings in the segment reporting (2016: -9.1 million EUR – 2015: -14.7 million EUR, tax effects on the elements not included in underlying earnings)
- differences between the valuation rules of the segment reporting (based on AXA Group rules) and the consolidated income statement (based on AXA Bank Europe rules) (2016: 1.0 million EUR – 2015: 4.7 million EUR, mainly due to the differed taxes on the differences in valuation rules).

38 Related-party Transactions

Amounts to be paid and to be received from related parties 2016.12 In '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Selected financial assets	122.263	4.774		462	1.489.002
Shares					
Bonds					
Loans	122.263	4.774		462	1.489.002
Selected financial liabilities		264		349	865.595
Deposits		264		349	102.899
Issued securities					762.695
Notional amount of granted credit lines, financial guarantees and other guarantees		9.244			
Received credit lines, financial guarantees and other guarantees					
Notional amount of derivatives					36.245.861
Provisions for impairment on debt instruments, guarantees and commitments					

Table RPT.1

Expenses and income resulting from transactions with related parties 2016.12 In '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Interest received	2029				1.157.211
Interest paid	1				1.191.619
Dividends received					
Commission received	213				3.266
Commission paid					3.829
Income or (-) expenses on the sale of financial assets and liabilities not at fair value through profit or loss					
Income or (-) expenses on the sale of non-financial assets					
Expenses or (-) write-back of expenses during the current period concerning amortised debt instruments, guarantees and commitments					

Table RPT.2

Amounts to be paid and to be received from related parties 2015.12 In '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Selected financial assets	120.363	4.913		606	2.180.574
Shares					
Bonds					
Loans	120.363	4.913		606	2.180.574
Selected financial liabilities		383		2.274	1.223.603
Deposits		383		2.274	385.838
Issued securities					837.765
Notional amount of granted credit lines, financial guarantees and other guarantees		10.744			
Received credit lines, financial guarantees and other guarantees					158.238
Notional amount of derivatives					33.556.299
Provisions for impairment on debt instruments, guarantees and commitments					

Table RPT.3

Expenses and income resulting from transactions with related parties 2015.12 In '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Interest received	128				954.137
Interest paid					1.018.285
Dividends received					
Commission received					3.618
Commission paid					3.779
Income or (-) expenses on the sale of financial assets and liabilities not at fair value through profit or loss					
Income or (-) expenses on the sale of non-financial assets					
Expenses or (-) write-back of expenses during the current period concerning amortised debt instruments, guarantees and commitments					

Table RPT.4

The following entities and persons are considered to be related parties to AXA Bank Europe:

- AXA SA as parent company of AXA Bank Europe;
- the subsidiaries of AXA Bank Europe, even those that are not included in the consolidation scope (see chapter 25)
- key management personnel of AXA Bank Europe
  As employees of AXA Bank Europe, the key management personnel benefit from the same employee benefits as other employees, without any extras. Discounts on AXA products (banking and insurance) and other client benefits offered by external companies are accessible to each employee on the intranet and are therefore also available to key management personnel. Consequently, no separate database regarding these persons is kept by AXA Bank Europe.

Key management Compensations in '000 EUR	2016.12	2015.12
Short-term employee benefits	2.442	3.454
Post-employment benefits		
Other long-term benefits	261	201
Termination benefits		
Share based payments	655	886
TOTAL	3.358	4.541

Table RPT.5

- other related parties, including fellow subsidiaries that are part of the AXA SA consolidation scope.

In addition, there is also the AXA Bank Europe pension fund. As at 31/12/2016, the defined benefit obligation amounts to 14.6 million EUR (13.7 million EUR at 31/12/2015) and the plan assets EUR 10.9 million EUR (10.1 million EUR at 31/12/2015).

The related parties of AXA Bank Europe do not include any parent company with joint control nor entities with significant influence over AXA Bank Europe.
All related party transactions are executed on an arm's length basis.

Further information on certain line items:

- 'Term loans' include the reverse repo transactions with AXA Belgium
- 'Equity instruments TRS' include the total return equity swaps in which AXA Bank Europe acts as an intermediary between AXA SA and AXA Vie France. Within the framework of this transaction, cash is both received and paid out as collateral. The net impact on the AXA Bank Europe income statement is immaterial.

The internal transfers to the agents network has been formally documented through an agreement. The resulting impact is, however, not material for the bank.

39 Government Grants and Assistance

AXA Bank Europe receives structural deductions within the framework of social security. These deductions primarily involve two types:

- Structural one-off deductions calculated in compliance with the Royal Decrees of May 2003 and January 2004.
- Deductions related to the 'older employees' target group (above the age of 57).

The amounts thus established totalled approximately 2.3 million EUR and 0.2 million EUR

40 Financial Relationships with Auditors

Carrying amount in '000 EUR	2016.12	2015.12
	PWC	PWC
Remuneration of the auditors	454	515
Remuneration for exceptional activities or special commissions performed within the company by the auditors		
Other audit activities	*130*	*115*
Advisory activities		
Other activities outside audit activities	*0*	*0*
Remuneration of persons with wich the auditors: are connected to the excercise of a mandate on the level of the group of which the company that publishes the information at the head	69	52
Remunaration for exceptional or special commissions performed within the company by persins associated with the auditors		
Other audit activities	*6*	*8*
Taks advice	*0*	*0*
Other activities outsiede audit activities	2	8

Table FRWA.1

41 Discontinued Operations

The management of AXA Bank Europe has reached its target by completing the transfer of the Hungarian activities of the bank to OTP, the largest Hungarian bank. This sale constitutes the final step of the repositioning of AXA Bank Europe as a retail bank, 100% oriented to the Belgian market.

The sale to OTP covers all the Hungarian activities of AXA Bank Europe, including the credit and deposit portfolios and operational systems. In Belgium, the sale had no impact on employees. In Hungary, all the employment contracts were transferred to the buyer.

Compared to the provision at end 2015, the Hungarian activity generated a positive impact on the AXA Bank Europe's 2016 income statement.

Consolidated income statement in '000 EUR	2016.12	2015.12
Discontinued operations		
Financial & operating income and expenses	-31.481	41.567
Interest income	23.029	52.511
(Interest expense)	10.531	17.696
Expenses on share capital repayable in demand		
Dividend income		
Fee and commission income	4.667	6.513
(Fee and commission expenses)	3.246	1.807
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	7.644	319
Gains (losses) on financial assets and liabilities held for trading (net)	-53.865	61.132
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)		
Gains (losses) from hedge accounting		
Exchange differences, net	436	-89.804
Gains (losses) on derecognition of assets other than held for sale, net	-458	-26
Other operating net income	842	30.425
Administration costs	24.281	27.414
Depreciation	824	1.047
Provisions	-467	-109.485
Impairment losses on financial assets not measured at fair vaue through profit or loss	-83.359	98.614
Impairment losses on property, plant and equipment	266	
Impairment losses on financial assets not measured at fair vaue through profit or loss resulting to discontinued operations		76.808
Taks expense (income) related to profit or loss from discontinued opertions	-1.422	612
TOTAL PROFIT OR LOSS AFTER TAX FROM DISCONTINUED OPERATIONS	28.396	-53.444

42 Events After the Balance Sheet Date

There have been no material events after the balance sheet date that would require adjustments to the 2016 IFRS Consolidated Financial Statements of AXA Bank Europe.

Board of Directors
Peter Devlies (since 2 March 2017)
Jef Van In, chairman (since 28 March 2017)
Sabine De Rycker
Françoise Gilles
Jeroen Ghysel
Marie-Cécile Plessix
Patrick Lemoine
Emmanuel Vercoustre
Marc Bellis (*)
Patrick Keusters (*)
Philippe Rucheton (*)
Frank Goossens (since 22 November 2016)

Jacques de Vaucleroy, chairman (until 30 June 2016)
Céline Dupont (until 13 July 2016)
Frank Koster (until 13 July 2016)

Management Committee
Peter Devlies, chairman (since 2 March 2017)
Sabine De Rycker
Françoise Gilles
Jeroen Ghysel
Emmanuel Vercoustre, chairman (since 27 July 2016 – until 2 March 2017)
Frank Goossens (since 22 November 2016)

Jef Van In, chairman (until 27 July 2016)
Céline Dupont (until 13 July 2016)

Audit Committee
Patrick Keusters, chairman (*) (since 4 February 2016)
Philippe Rucheton, (*)
Patrick Lemoine

Nomination Committee
Jef Van In, chairman (since 28 March 2017)
Marc Bellis (*)

Jacques de Vaucleroy, chairman (until 30 June 2016)
Frank Koster (until 13 July 2016)

Remuneration Committee
Jef Van In, chairman (since 28 March 2017)
Marc Bellis (*)

Jacques de Vaucleroy, chairman (until 30 June 2016)
Frank Koster (until 13 July 2016)

Risk Committee
Philippe Rucheton (*) (chairman)
Patrick Lemoine
Patrick Keusters (*) (since 1 January 2016)

Statutory Auditor
PwC, Auditors, bcvba, represented by Tom Meuleman (licenced auditor)

(*) independent director, according to art 526 Company Code

Free Translation

AXA BANK EUROPE NV

Statutory auditor's report to the general shareholders' meeting on the consolidated financial statements for the year ended 31 December 2016

6 April 2017

Free Translation

This document is a free translation of the report issued by PwC Bedrijfsrevisoren/PwC Reviseurs d'Entreprises bcvba/sccrl in the Dutch and French language on 6 April 2017 on the consolidated financial statements of AXA Bank Europe NV (prepared in the Dutch and French language). The audited consolidated financial statements of AXA Bank Europe NV and the accompanying auditor's report will be deposited and will be available at the National Bank of Belgium (www.nbb.be). The accompanying free translation of the consolidated financial statements has not been audited by PwC Bedrijfsrevisoren/PwC Reviseurs d'Entreprises bcvba/sccrl, so we are therefore only liable in the context of our audit report originally drafted in the Dutch and French language.

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY AXA BANK EUROPE NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of AXA Bank Europe NV ("the Company") and its subsidiaries (jointly "the Group") for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated balance sheet amounts to EUR '000' 27.994.508 and the consolidated income statement shows a profit for the year of EUR '000' 95.335.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs), as endorsed in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PwC Bedrijfsrevisoren cvba, burgerlijke vennootschap met handelsvorm - PwC Reviseurs d'Entreprises scrl, société civile à forme commerciale - Financial Assurance Services
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and consolidated balance sheet as at 31 December 2016 and of its consolidated income statement and its consolidated cash flow statement for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Sint-Stevens-Woluwe, 6 April 2017

The statutory auditor
PwC Bedrijfsrevisoren bcvba
represented by

Tom Meuleman
Accredited auditor

ISSUER

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