AXA Bank Belgium

2017 IFRS Consolidated Financial Statements

Contents

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.

<u>Deferred tax through Other Comprehensive Income</u>

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.

<u>Deferred tax as a result of a difference in the timing of accounts being processed (including losses)</u>

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

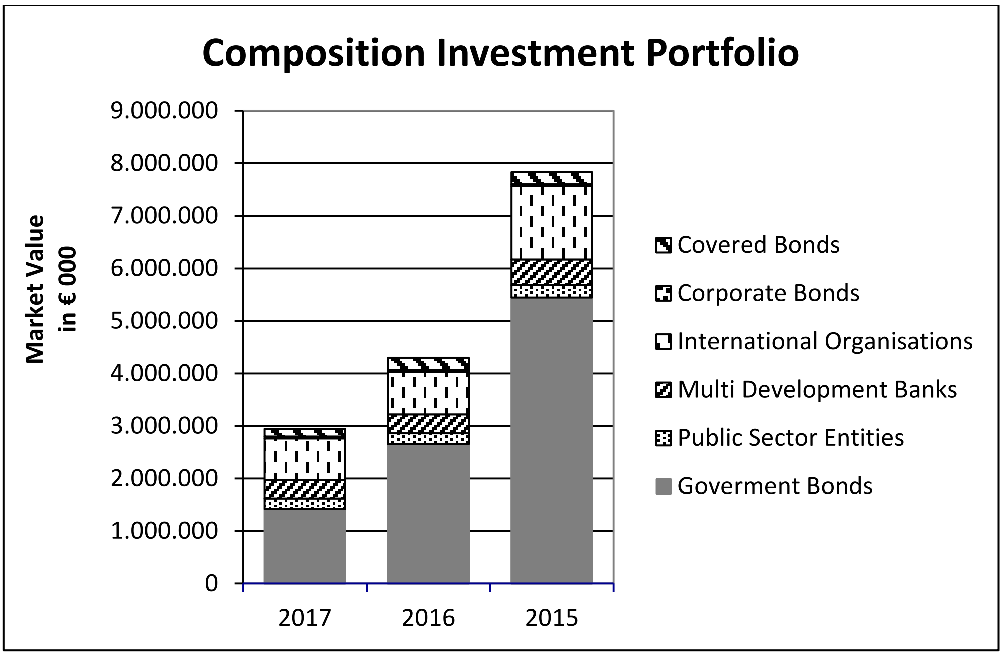
AXA Bank Belgium applies the Standardised approach for non-retail credit risk exposures.

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.

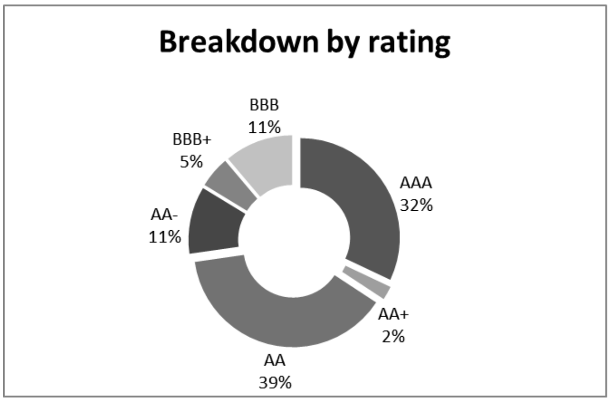
This further decrease of the portfolio was initiated to improve AXA Bank Belgium's leverage ratio and to partially offset (through capital gains) hedge accounting inefficiencies on the retail mortgages book (due to the severe prepayment wave of former years).

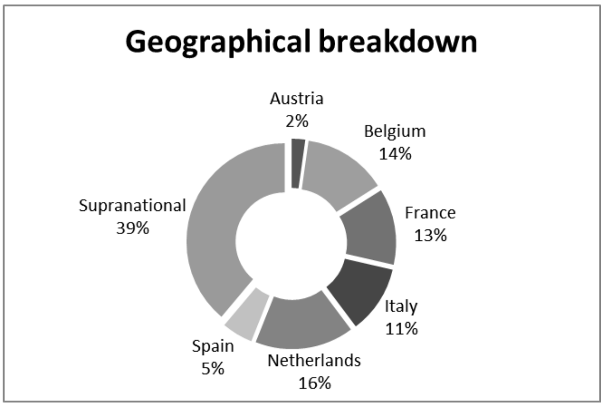
The investment portfolio of AXA Bank Belgium mainly consists of high quality government bonds (55%) and supra-national bonds (39%). The next graph illustrates the exposures in AXA Bank Belgium's investment portfolio.



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.

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[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.

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[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.

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[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 determined 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).

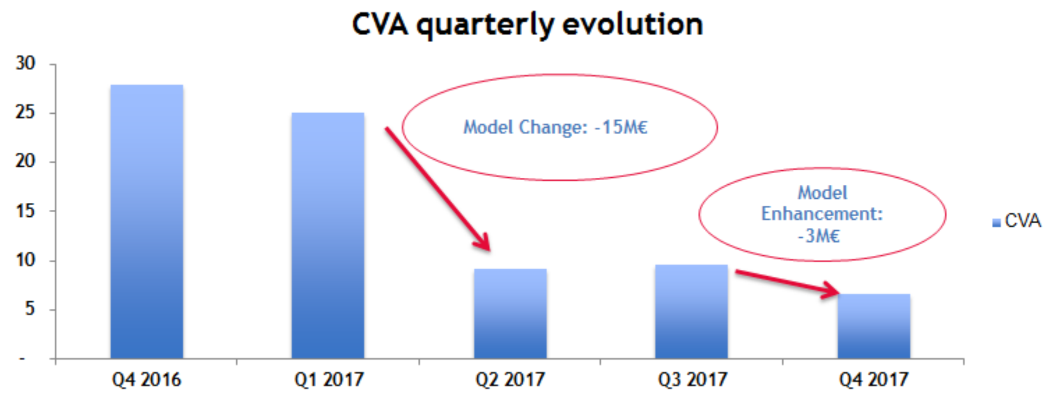
IFRS 13 – *Fair Value* defines the concept of fair value. Concerning derivatives in particular, this standard requires integrating a measure of credit risk in the calculation of fair value through a CVA and a DVA. The CVA measures credit risk incurred by AXA Bank Belgium on its counterpart while the 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:

	31/12/2017	31/12/2017	31/12/2017
Analysis of deferred tax assets and liabilities	Net deferred tax assets	Net deferred tax liabilities	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

Uitgestelde belastingen via reserves voor reeële waardeaanpassingen m.b.t. eigen kredietrisico op financiële verplichtingen

	31/12/2016	31/12/2016	31/12/2016
Analysis of deferred tax assets and liabilities	Net deferred tax assets	Net deferred tax liabilities	Net deferred taxes
Deferred taxes through result	112.247	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

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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	63.460	41.954	5.582.500
	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		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	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				
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.

Summarised financial information of subsidiaries and joint ventures	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
	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

Summarised financial information of subsidiaries and joint ventures	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
	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

				Amounts from master netting agreements - not set off		
Carrying amounts in '000 EUR 2017.12	Gross amounts before offsetting	Amounts set off against financial liabilities	Net amounts after offsetting	Financial instruments	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

				Amounts from master netting agreements - not set off		
Carrying amounts in '000 EUR 2017.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Financial instruments	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

				Amounts from master netting agreements - not set off		
Carrying amounts in '000 EUR 2016.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	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.3

Financial liabilities - offsetting

				Amounts from master netting agreements - not set off		
Carrying amounts in '000 EUR 2016.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Financial instruments	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**	**25,5**
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.

PwC Bedrijfsrevisoren bcvba, burgerlijke vennootschap met handelsvorm - PwC Reviseurs d'Entreprises sccrl, société civile à forme commerciale - Financial Assurance Services
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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