2011

AXA BANK EUROPE //

IFRS CONSOLIDATED FINANCIAL STATEMENTS 2011

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redefining / standards

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All amounts included in the financial statements are expressed in thousands of euros unless stated otherwise.

The figures are presented according to absolute values and must therefore be read in function of the description in the relevant section, except in sections where the distinction is to be made between profits (absolute value) and losses (- sign).

CONSOLIDATED
INCOME STATEMENT

Consolidated income statement

in '000 EUR	31.12.2011	31.12.2010	Disclosure
CONTINUING OPERATIONS			
Financial & operating income and expenses	**350 845**	**349 012**	
Interest income	2 337 597	1 712 409	
— Cash & cash balances with central banks	1 419		
— Financial assets held for trading (if accounted for separately)	1 385 398	962 568	
— Financial assets designated at fair value through profit or loss (if accounted for separately)	2 462	3 598	
— Available-for-sale financial assets	127 064	92 911	
— Loans and receivables (including finance leases)	689 088	613 465	
— Held-to-maturity investments			
— Derivatives - Hedge accounting, interest rate risk	132 051	39 827	
— Other assets	115	40	
(Interest expenses)	2 089 393	1 477 689	
— Deposits from central banks			
— Financial liabilities held for trading (if accounted for separately)	1 410 824	964 174	
— Financial liabilities designated at fair value through profit or loss (if accounted for separately)	4 280	565	
— Financial liabilities measured at amortised cost	468 499	360 993	
Deposits from credit institutions	60 026	21 811	
Deposits from non credit institutions	291 247	254 757	
Debt certificates	60 627	30 939	
Subordinated liabilities	16 874	18 616	
Other financial liabilities	39 725	34 869	
— Derivatives - Hedge accounting, interest rate risk	205 790	151 957	
— Other liabilities			
Expenses on share capital repayable on demand			
Dividend income	774	2 792	
— Financial assets held for trading (if accounted for separately)			
— Financial assets designated at fair value through profit or loss (if accounted for separately)	348	492	
— Available-for-sale financial assets	426	2 300	
Fee and commission income	42 540	40 499	6
(Fee and commission expenses)	48 447	42 226	6
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	55 419	17 883	7
— Available-for-sale financial assets	49 264	12 029	
— Loans and receivables (including finance leases)	6 378	6 736	
— Held-to-maturity investments			
— Financial liabilities measured at amortised cost	-223	-883	
— Other			
Gains (losses) on financial assets and liabilities held for trading (net)	-10 505	11 955	
— Equity instruments and related derivatives	637	-2 455	
— Interest rate instruments and related derivatives	-35 614	39 773	
— Foreign exchange trading	24 472	-24 429	
— Credit risk instruments and related derivatives		-934	
— Commodities and related derivatives			
— Other (including hybrid derivatives)			

Consolidated income statement

in '000 EUR	31.12.2011	31.12.2010	Disclosure
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)	1 688	3 766	8
Gains (losses) from hedge accounting	31 768	8 985	9
Exchange differences, net	-16 511	30 442	
Gains (losses) on derecognition of assets other than held for sale, net	-33	28	
Other operating net income	45 948	40 168	10
Administration costs	**286 117**	**294 820**	
— Personnel expenses	136 793	128 107	11
— General and administrative expenses	149 324	166 713	12
Depreciation	**9 512**	**6 557**	
— Property, Plant and Equipment	2 799	2 396	
— Investment Properties			
— Intangible assets (other than goodwill)	6 713	4 161	
Provisions	**11 691**	**-5 317**	
Impairment	**186 175**	**66 667**	**19**
Impairment losses on financial assets not measured at fair value through profit or loss	186 175	66 667	
— Financial assets measured at cost (unquoted equity)			
— Available for sale financial assets	5 738	3 882	
— Loans and receivables (including finance leases)	180 437	62 785	
— Held to maturity investments			
Impairment on			
— Property, plant and equipment			
— Investment properties			
— Goodwill			
— Intangible 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 associates, [subsidiaries] and 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	**-142 650**	**-13 715**	
Tax expense (income) related to profit or loss from continuing operations	**5 107**	**-26 057**	**13**
TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**-147 757**	**12 342**	
Total profit or loss after tax from discontinued operations			
TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST	**-147 757**	**12 342**	
Profit or loss attributable to minority interest			
NET PROFIT OR LOSS	**-147 757**	**12 342**	

Consolidated statement of comprehensive income

in '000 EUR	31.12.2011	31.12.2010	Disclosure
PROFIT (LOSS) FOR THE YEAR	**-147 758**	**12 342**	
Other comprehensive income			
Tangible assets			
Intangible assets			
Hedge of net investments in foreign operations (effective portion)			
— Gains/losses from changes in fair value trough equity			
— Transferred to profit or loss			
— Other reclassifications			
Foreign currency translation	18 269	-1 241	
— Translation gains/losses taken to equity	18 269	-1 241	
— Transferred to profit or loss			
— Other reclassifications			
Cash flow hedges (effective portion)	-13 009	-3 980	(1)
— Valuation gains/losses taken to equity	-13 009	-3 980	
— Transferred to profit or loss			
— Transferred to initial carrying amount of hedged items			
— Other reclassifications			
Available-for-sale financial assets	-52 758	-4 913	(2)
— Valuation gains/losses taken to equity	-59 625	-12 977	
— Transferred to profit or loss	-6 867	8 064	
— Other reclassifications			
Non-current assets and disposal groups held for sale			
— Valuation gains/losses taken to equity			
— Transferred to profit or loss			
— Other reclassifications			
Actuarial gains (losses) on defined benefit pension plans	-2 255	-5 052	(3)
Share of other comprehensive income of entities accounted for using the equity method			
Other items			
Income tax relating to components of other comprehensive income			
TOTAL COMPREHENSIVE INCOMEFOR THE YEAR	**-197 511**	**-2 846**	
Attributable to equity holders of the parent	-197 512	-2 846	
Attributable to minority interest			
Changes in equity relating to prior periods			
Restated balance			
— Attributable to equity holders of the parent			
— Attributable to minority interest			
Effects of changes in accounting policy			
— Attributable to equity holders of the parent			
— Attributable to minority interest			

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

in '000 EUR	31.12.2011	31.12.2010
Cash flow hedges		
Gross	-16 105	-6 030
Tax	3 096	2 050
Net	-13 009	-3 980
Financial assets available for sale		
Gross	-77 872	-9 169
Tax	25 114	4 255
Net	-52 758	-4 914
Actuarial profits (losses) on defined benefit plans		
Gross	-3 430	-7 959
Tax	1 175	2 907
Net	-2 255	-5 052

CONSOLIDATED **BALANCE SHEET**

Consolidated Balance Sheet - Assets

in '000 EUR	31.12.2011	31.12.2010	Disclosure
Cash and balances with central banks	636 423	623 347	14 / 37
Financial assets held for trading	6 065 191	2 862 765	18 / 20
Financial assets designated at fair value through profit or loss	43 183	71 663	16
Available-for-sale financial assets	7 337 581	4 993 190	17
Loans and receivables (including finance leases)	26 810 930	22 354 881	15
Held-to-maturity investments			
Derivatives - hedge accounting	114 666	48 521	20
Fair value changes of the hedged items in portfolio hedge of interest rate risk	312 410	135 225	
Tangible assets	47 389	49 554	
— Property, Plant and Equipment	47 389	49 554	24
— Investment property			
Intangible assets	18 505	18 896	
— Goodwill			
— Other intangible assets	18 505	18 896	23
Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method - including goodwill)			
Tax assets	146 392	122 459	
— Current tax assets	218	955	
— Deferred tax assets	146 174	121 504	
Other assets	115 643	96 894	21
Non-current assets and disposal groups classified as held for sale	189 061		
TOTAL ASSETS	**41 837 374**	**31 377 395**	

A sales agreement was concluded with the Zweiplus AG Bank at the start of November 2011 when the client portfolio of the branch in Switzerland was transferred. This concerns a deposit and time deposit account portfolio. The decision was taken to stop activities in 2012 in Switzerland due to the sale.

Consolidated Balance Sheet - Liabilities

in '000 EUR	31.12.2011	31.12.2010	Disclosure
Deposits from central banks			
Financial liabilities held for trading	6 048 855	2 810 610	28
Financial liabilities designated at fair value through profit or loss	378 148	67 534	25
Financial liabilities measured at amortised cost	23 012 689	19 842 991	
— Deposits from Credit institutions	964 100	361 374	26
— Deposits from Other than credit institutions	16 875 207	15 749 338	26
— Debt certificates including bonds	2 064 467	1 829 785	26
— Subordinated liabilities	372 270	374 809	26 / 27
— Other financial liabilities	2 736 645	1 527 685	
Financial liabilities associated with transferred assets	10 622 823	7 179 356	
Derivatives - hedge accounting	577 228	386 297	20
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	57 739	-30 604	
Provisions	203 426	178 984	30
Tax liabilities	30 282	30 227	
— Current tax liabilities	27 715	27 655	
— Deferred tax liabilities	2 567	2 572	
Other liabilities	65 647	61 382	29
Liabilities included in disposal groups classified as held for sale	189 061		
Share capital repayable on demand (e.g. cooperative shares)			
TOTAL LIABILITIES	**41 185 898**	**30 526 777**	

See the remark on the previous page related to the Swiss branch.

Consolidated Balance Sheet - Equity

in '000 EUR	31.12.2011	31.12.2010	Disclosure
Share capital	**546 318**	**546 318**	
— Paid in capital	546 318	546 318	35
— Called up share capital			
Share premium			
Other Equity			
— Equity component of combined financial instruments			
— Other			
Revaluation reserves and other valuation differences	**-222 334**	**-172 581**	**35**
— Tangible assets			
— Intangible assets			
— Hedge of net investments in foreign operations (effective portion)			
— Foreign currency translation	16 907	-1 362	
— Cash flow hedges (effective portion)	-29 105	-16 096	
— Available for sale financial assets	-202 095	-149 337	
— Non-current assets and disposal groups held for sale			
— Other items	-8 041	-5 786	
Reserves (including retained earnings)	**475 250**	**464 539**	**35**
<Treasury shares>			
Income from current year	**-147 758**	**12 342**	**35**
<Interim dividends>			
Minority interest			
— Revaluation reserves and other valuation differences			
— Other items			
TOTAL EQUITY	**651 476**	**850 618**	
TOTAL LIABILITIES AND EQUITY	**41 837 374**	**31 377 395**	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Sources of equity changes

31.12.2011 – in '000 EUR

	Share capital			Other Equity							
	Paid in Capital	Called up share capital	Share premium	Equity component of combined financial instruments	Other equity instruments	Reserves (including retained earnings)	(Treasury shares)	Income from current year	Interim dividends	Minority interests: Other items	Total
Restated balance in accordance with IAS 8											
Effects of changes in accounting policies recognised in accordance with IAS 8											
Opening balance (last year)	**546 318**					**464 539**		**12 342**			**1 023 199**
Issuance and redemption of equity instruments											
Issuance of Ordinary Shares											
Issuance of Preference Shares											
Issuance of Warrants for Consideration											
Issuance of Options for Consideration											
Exercise of Options, Rights or Warrants											
Expiration of Options or Warrants											
Conversion of Debt to Equity											
Capital Reduction											
Allocation of profit											
Profit (Loss) Attributable to equity Holders of Parent								-147 758			-147 758
Issuance of Share Dividends											
Issuance of Non-Cash Dividends											
Issuance of Bonus Shares											
Cash Dividends Declared											
Interim Dividends											
Released to Retained Earnings											
Trading with treasury Shares											
Purchase of Treasury Shares											
Sale of Treasury Shares											
Transfers of Treasury Shares											
Cancellation of Treasury Shares											
Reclassification											
Reclassification of Financial Instruments from Equity to Liability											
Reclassification of Financial Instruments from Liability to Equity											
Transfers (to) from Retained Earnings											
Transfers from Share Premium											
Other											
Equity Increase (Decrease) Resulting from Business Combination											
Other Increase (Decrease) in Equity						10 710		-12 342			-1 632
Closing balance (current year)	**546 318**					**475 249**		**-147 758**			**873 809**

Sources of equity changes

31.12.2010 – in '000 EUR

	Share capital			Other Equity							
	Paid in Capital	Called up share capital	Share premium	Equity component of combined financial instruments	Other equity instruments	Reserves (including retained earnings)	(Treasury shares)	Income from current year	Interim dividends	Minority interests: Other items	Total
Restated balance in accordance with IAS 8											
Effects of changes in accounting policies recognised in accordance with IAS 8											
Opening balance (last year)	**546 318**					**475 312**		**-9 775**			**1 011 855**
Issuance and redemption of equity instruments											
Issuance of Ordinary Shares											
Issuance of Preference Shares											
Issuance of Warrants for Consideration											
Issuance of Options for Consideration											
Exercise of Options, Rights or Warrants											
Expiration of Options or Warrants											
Conversion of Debt to Equity											
Capital Reduction											
Allocation of profit											
Profit (Loss) Attributable to equity Holders of Parent								12 342			12 342
Issuance of Share Dividends											
Issuance of Non-Cash Dividends											
Issuance of Bonus Shares											
Cash Dividends Declared											
Interim Dividends											
Released to Retained Earnings											
Trading with treasury Shares											
Purchase of Treasury Shares											
Sale of Treasury Shares											
Transfers of Treasury Shares											
Cancellation of Treasury Shares											
Reclassification											
Reclassification of Financial Instruments from Equity to Liability											
Reclassification of Financial Instruments from Liability to Equity											
Transfers (to) from Retained Earnings											
Transfers from Share Premium											
Other											
Equity Increase (Decrease) Resulting from Business Combination											
Other Increase (Decrease) in Equity						-10 773		9 775			-998
Closing balance (current year)	**546 318**					**464 539**		**12 342**			**1 023 199**

CONSOLIDATED STATEMENT OF CASH FLOWS

in '000 EUR	31.12.2011	31.12.2010
OPERATING ACTIVITIES		
Net profit (loss)	-147 758	12 342
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	190 819	-23 190
— (Current and deferred tax income, recognised in income statement)		
— Current and deferred tax expenses, recognised in income statement	5 107	-26 057
— Minority interests included in group profit or loss		
— Unrealised foreign currency gains and losses	16 511	-30 442
Investing and financing		
— Depreciation	9 512	6 557
— Impairment		
— Provisions net	24 317	-5 316
— Unrealised fair value (gains) losses through Profit or loss, i.e. for investment property, PPE, intangible assets,...		
— Net gains (losses) on investments, net (i.e. HTM, associates, subsidiaries, tangible assets,...)		
Operating		
— Net unrealised gains (losses) from cash flow hedges	-13 009	-3 979
— Net unrealised gains (losses) from available-for-sale investments	180 196	-4 914
— Other adjustments	-31 815	40 961
Cash flows from operating profits before changes in operating assets and liabilities	**43 061**	**-10 848**
Increase (Decrease) in working capital (excl. cash & cash equivalents):	795 105	521 512
Increase (decrease) in operating assets (excl. cash & cash equivalents):	9 665 843	4 578 451
— Increase (decrease) in balances with central banks	265	11 416
— Increase (decrease) in loans and receivables	4 526 397	2 009 672
— Increase (decrease) in available-for-sale assets	1 881 396	1 328 263
— Increase (decrease) in financial assets held for trading	3 193 909	1 176 820
— Increase (decrease) in financial assets designated at fair value through profit or loss	-24 449	5 755
— Increase (decrease) in asset-derivatives, hedge accounting	64 848	38 997
— Increase (decrease) in non-current assets held for sale		
— Increase (decrease) in other assets (definition balance sheet)	23 477	7 528
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):	10 460 948	5 099 963
— Increase (decrease) in deposits from central banks		
— Increase (decrease) in deposits from credit institutions	603 748	-1 038 455
— Increase (decrease) in deposits (other than credit institutions)	1 125 870	283 763
— Increase (decrease) in debt certificates (including bonds)	234 682	858 052
— Increase (decrease) in financial liabilities held for trading	3 238 191	1 149 112
— Increase (decrease) in financial liabilities designated at fair value through profit or loss	310 614	-6 317
— Increase (decrease) in liability-derivatives, hedge accounting	102 089	89 755
— Increase (decrease) in other financial liabilities	4 652 427	3 757 295
— Increase (decrease) in other liabilities (definition balance sheet)	193 327	6 758
Cash flows from operating activities	**838 166**	**510 664**
Income taxes (paid) refunded	**700**	**-3**
NET CASH FLOW FROM OPERATING ACTIVITIES	**838 865**	**510 661**

in '000 EUR	31.12.2011	31.12.2010
INVESTING ACTIVITIES		
(Cash payments to acquire tangible assets)	-1 307	10 658
Cash receipts from the sale of tangible assets	-6 738	187
(Cash payments to acquire intangible assets)	673	2 325
Cash receipts from the sale of intangible assets	-728	
(Cash payments for the investment in associates, subsidiaries, joint ventures net of cash acquired)		
Cash receipts from the disposal of associates, subsidiaries, joint ventures net of cash disposed		
(Cash outflow to non-current assets or liabilities held for sale)		
Cash inflow from the non-current assets or liabilities held for sale		
(Cash payments to acquire held-to-maturity investments)		
Cash receipts from the sale of held-to-maturity investments		
(Other cash payments related to investing activities)		
Other cash receipts related to investing activities		
Net cash flow from investing activities	**-6 832**	**-12 796**
FINANCING ACTIVITIES		
(Dividends paid)		
Cash proceeds from the issuance of subordinated liabilities	9 461	22 048
(Cash repayments of subordinated liabilities)	12 000	48 417
(Cash payments to redeem shares or other equity instruments		
Cash proceeds from issuing shares or other equity instruments		
(Cash payments to acquire treasury shares)		
Cash proceeds from the sale of treasury shares		
Other cash proceeds related to financing activities		
(Other cash payments related to financing activities)		
Net cash flow from financing activities	**-2 539**	**-26 369**
Effect of exchange rate changes on cash and cash equivalents		
NET INCREASE IN CASH AND CASH EQUIVALENTS	**829 495**	**471 496**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**623 347**	**151 851**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**1 452 842**	**623 347**
Components of cash and cash equivalents:		
— On hand (cash)	77 159	590 212
— Cash and balances with central banks	558 999	33 135
— Loans and receivables	128 548	
— Held-to-maturity investments		
— Available-for-sale assets	498 298	
— Financial assets held for trading		
— Financial assets designated at fair value through profit or loss		
— Other short term, highly liquid investments		
— (Bank overdrafts which are repayable on demand, if integral part of cash management)	189 838	
Total cash and cash equivalents at end of the period	**1 452 842**	**623 347**

All cash equivalents were also included in order to provide a fuller picture of the available liquid resources. In addition, the bank also has fixed-rate securities for sale with a duration longer than 3 months for a sum amounting to EUR 1 092 046 K.

in '000 EUR	31.12.2011	31.12.2010
Of which: amount of cash and cash equivalents held by the enterprise, but not available for use by the group		
Undrawn borrowing facilities (with breakdown if material)		
Supplemental disclosures of operating cash flow information:		
— Interest income received	2 517 734	1 760 787
— Dividend income received	773	2 300
— Interest expense paid	-2 351 144	-1 433 078
Supplemental disclosures of acquisitions/disposals of subsidiaries		
— Total purchase or disposal consideration		
— Portion of purchase or disposal consideration discharged by means of cash or cash equivalents		
— Amount of cash and cash equivalents in the subsidiaries acquired or disposed		
— Amount of assets and liabilities other than cash or cash equivalents in the subsidiaries acquired or disposed of		
Non-cash financing and investing activities		
— Acquisition of assets by assuming directly related liabilities or by means of a finance lease		
— Acquisition of an enterprise by means of an equity issue		
— Conversion of debt to equity		

CASH FLOW FROM OPERATING ACTIVITIES

The net incoming cash flow of EUR 839 million is due to:

- The cash from the result for a sum of EUR 43 million.
- The rise in business liabilities for an amount of EUR 10 461 million mainly consist of an increase of other financial liabilities by EUR 4 652 million (of which, EUR 3 443 million is related to repurchase operations, EUR 1 045 million to cash collateral and EUR 315.6 million to spot swap operations being executed) and by a EUR 3.32 million increase in financial liabilities maintained for business purposes. The deposits have also increased: EUR 603 million in deposits due to credit institutions (mainly a rise in security pledges) and EUR 1 126 million in deposits due to other credit institutions.
- This is offset by an increase in company assets by EUR 9 666 million. Mainly the rise in loans and claims for an amount of EUR 4 526 million stands out within which the main evolutions are the following: loan portfolio (EUR 831 million of which mortgages: EUR 653 million and consumer credit EUR 165 million), reverse repurchase activities and temporary security takeover (EUR 862 million) and interbanking loans and claims (EUR 2 856 million). The assets available for sale have risen by EUR 1 846 million and the financial assets maintained for business purposes have risen by EUR 1 741 million.

CASH FLOW FROM INVESTING ACTIVITIES

We can see a negative cash flow within this context for an amount of EUR 7 million due to investments in tangible assets (EUR 7 million) and intangible assets (EUR 1 million).

CASH FLOW FROM INVESTMENT ACTIVITIES

This concerns the permanent issue programme of subordinated loans by AXA Bank Europe (EUR 10 million) and the (early) repayment of these debts (EUR 12 million).

This leads to a net increase of the cash and cash equivalents for an amount of EUR 829 million in total.

FUTURE CASH FLOWS

AXA Bank Europe anticipates a further increase of the credit portfolio, the financing of which is planned through the further sale of the bond portfolio and by attracting savings.

CASH FLOWS FROM SECURITISATION

A third securitisation operation of Royal Street N.V. was deployed this year where credits were sold for an amount of EUR 2 100 million from AXA Bank Europe N.V. to Royal Street N.V. Royal Street N.V. has issued RMBS notes that were acquired by AXA Bank Europe SCF (Société de Crédit Foncière). These RMBS notes serve as a security for the issue of Covered Bonds by AXA Bank Europe SCF. This issue will be kept in the portfolio by AXA Bank Europe N.V. at the end of 2011. This operation, therefore, has a negligible effect on the net results with regard to the consolidated figures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 / GENERAL

AXA Bank Europe NV, with registered offices in 1170 Brussels, 25 Boulevard du Souverain, is a subsidiary of AXA Holdings Belgium NV. The latter directly owns all shares of AXA Bank Europe except one. Both belong to the AXA group with as parent company AXA NV established in France.

The legal consolidation scope of AXA Bank Europe includes AXA Bank Belgium, AXA Bank Switzerland, AXA Bank Hungary, AXA Bank Czech Republic, AXA Bank Slovak Republic, AXA Hedging Services Ltd., Royal Street NV, AXA Belgium Finance B.V, AXA Bank Europe Paris branch and AXA Bank Europe SCF.

In Belgium, AXA Bank Europe provides a broad range of financial products to individuals and small businesses and has a network of 911 exclusive independent bank agents who also support the sale of AXA Insurance and AXA Investment Managers products.

The best products of AXA Bank Europe in Belgium are I-Plus Welcome, a high-interest savings account for 6 months, short-term loans and, in particular, loans for renovations.

AXA Bank Europe is the sixth bank in Belgium where the four largest banks represent 75% of the market.

The AXA Bank Europe, Paris branch, was started in August 2010. This execution desk is an expansion of the dealing room of AXA Bank Europe in Brussels where deals will be handled for the account of its parent company, AXA Bank Europe.

The French SPV AXA Bank Europe SCF (Société de Crédit Foncier) was established on 20 September 2010 with a view to issue covered bonds for AXA Bank Europe.

2 / BASIS OF PREPARATION

2.1 / Consolidation principles

2.1.1 / General

AXA Bank Europe currently only has branches, i.e., companies over which it exercises full control.

Typically, all branches must be fully consolidated.

As a departure from this principle, AXA Bank Europe has decided, on the basis of the principles of relevance and immateriality, not to include in the consolidation circuit or for the application of the IFRS consolidated financial statements the subsidiaries that are out of the consolidation scope based on derogation from the CBFA.

This derogation applies to branches whose total balance during the previous financial year constitutes less than 0.15% of the total balance for AXA Bank Europe, unless decided otherwise by the Board of Directors.

This implies that the subsidiaries AXA Belgium Finance BV and AXA Hedging Services Limited, the SPV Royal Street NV and the SCF AXA Bank Europe (Société de Crédit Foncier) are fully considated in the consolidated financial statements of AXA Bank Europe.

2.1.2 / Intergroup entities purchase

With regard to business combinations with other entities of the AXA Group, these entities fall under common control and, thus, these business combinations are not covered by IFRS 3.

AXA Bank Europe applies, in such a case, a method under which the integrated assets and liabilities retain the same carrying amount as the purchased entity. Adjustments are only implemented to achieve harmonisation of accounting policies.

2.2 / Financial instruments - securities

2.2.1 / Fixed income securities

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

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

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

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

(i) Assets at fair value held for trading;
(ii) Assets measured at fair value with value changes recognised in the profit-and-loss account;
(iii) Assets held to maturity;
(iv) Loans and receivables;
(v) Assets available for sale.

Typically, the fees related to the transaction must be capitalised with the purchase value for categories (iii), (iv) and (v). Due to the principle of immateriality, the AXA Bank Europe Group has decided to enter it directly in the profit and loss account.

(i) Assets at fair value held for trading

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

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

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

For the determination of net profits and net losses:

— a distinction is made between interest margin and changes in value due to changes in fair value;
— no distinction is made between realised capital gains or losses or short values and unrealised gains and losses;
— changes in value are netted.

(ii) Assets considered as measured at fair value with changes in value recognised in the profit-and-loss account
This classification is used at the AXA Bank Europe Group in the following three circumstances.

1) The classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases In most cases, this involves fixed income securities, which are covered by derivatives, but where it was not opted to apply hedge accounting.
   At AXA Bank Europe it involves a bond portfolio, hedged by asset swaps. Typically these bonds would be classified as available for sale financial assets whereby the changes in value are deferred in equity.
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, whereby no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.

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

This indication is not possible:

— if the derivative(s) embedded in a contract do not lead to a significant change in cash flows, which would otherwise be required by the contract;
— if it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

After initial recognition, no reclassifications are possible within or outside of this category.

For the determination of the net profits and net losses:

— a distinction is made between profit margin and changes in value due to changes in fair value;
— no distinction is made between achieved capital gain value and short values and evaluation gains and losses.

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

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

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

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

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

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

Subsequent measurement always takes place as follows:

— For categories (i) and (ii) each change between fair value and cost is recognised in the income statement, whereby the fair value is the quoted price or, if there is no quoted price, recent price-making for similar securities or a rating technique. The changes in fair value are split in the profit-and-loss account into interest yield and pure fair value changes;
— For categories (iii) as well as (iv), the assets are valued at the amortised cost, whereby the interest yield is recognised in the income statement on the basis of the effective interest rate method. In the event of objective evidence of irrecoverability, the assets are subject to an individual of collective impairment test. The impairment amount is the difference between the outstanding carrying amount and the present value of the estimated future cash flows using the financial asset's original effective interest rate;
— For category (v), the securities are valued at fair value, whereby 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 categories (i) and (ii) no impairment test is carried out.

For category (iv) (not quoted fixed income securities), the rule of loans and receivables apply, as mentioned in the relevant valuation rules for impairment.

For categories (iii) and (v) and if objective evidence shows non-recoverability, the securities are the subject of an individual impairment test.

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

The following principles are applied:

— Fixed income securities with an Investment Grade (IG) rating
  - IG with unrealised losses of more than 20% and that exist during 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.
  - IG with unrealised losses up to 20%: no impairment or documentation is required, only specific monitoring.

— Fixed income securities with a Below Investment Grade (BIG) rating
  - BIG with unrealised losses (regardless of the percentage), which have existed for a period of more than 12 months: they are reduced in value, unless sufficient objective convincing evidence exists that shows that the loss of value is not related to a credit event.
  - Other BIG with unrealised losses of 20% or more and that have existed during a consecutive period of 6 months or more are revised for any special decrease in value and if necessary decreased in value, unless no credit event has taken place. In that case documentation must be created to prove that the loss of value is not attributable to a credit event.

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

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, said embedded derivative must typically be separated split from the basic contract and valued separately as a derivative.

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

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

2.2.2 / Non fixed income securities

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

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

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

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

(i) Assets at fair value held for trading;
(ii) Assets considered as valued at fair value with value changes recognised in the profit-and-loss account;
(iii) Assets available for sale.

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

(i) Assets at fair value held for trading

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

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

For the determination of net profits and net losses:

— a distinction is made between interest margin, received dividends and value changes due to changes in fair value;
— a distinction is made between realised capital gain and short values and rating evaluation gains and losses;
— value changes are netted.

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

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

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

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

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

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

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

For the determination of the net profits and net losses:

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

(iii) Assets available for sale

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

The subsequent rating takes place as follows:

— for categories (i) and (ii) each change between fair value and cost is recognised in the income statement, whereby the fair value represents the quoted prices or, if there is no quoted price, recent price makings for similar securities or a rating technique;
— for category (iii) the securities are valued at fair value, whereby any difference between fair value and cost is deferred in the equity.

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

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

Regarding this individual assessment of the major or long-term decreases in value the following rules are applied as imposed by the parent company:

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

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

Once an impairment on non fixed interest securities has become permanent at the end of a period, it will never be taken back; 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 becomes the new cost for a potential subsequent further depreciation. Every additional depreciation is immediately entered 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 connection 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, which is not closely related to the economic features and risks of the basic contract, this embedded derivative must typically be separated from the basic contract and valued separately as a derivative.

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

The dividends are recognised in the income at the time the company secures the right to collect dividends.

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

2.3 / Financial instruments – Loans and receivables

2.3.1 / Performing loans and receivables

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

Within this category there are at this time 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 will be fully valued at fair value through the profit-and-loss account (see description of relevant category under fixed income securities).

Typically for the initial recognition all incremental transaction fees and received payments must be added and/or deducted from the initial fair value. Due to the principle of immateriality, as well as the commission option with the related direct internal acquisition expenses within IAS 18, AXA Bank Europe has decided not to deduct the charged file expenses on first recognition and therefore directly recognise them in the profit-and-loss account.

The acquisition commissions, however, will be capitalised (added to the acquisition price) in credit files.

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

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

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

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

For the determination of the net profits and net losses:

— a distinction is made between interest margin and realised capital gains and losses;
— the results are not netted.

2.3.2 / Non performing loans and receivables

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

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

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

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

Each increase due to a downswing is recognised through the addition accounts for impairment 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 flows is accounted for through the write-back of impairments in the income statement account. However, it will never lead to an amortised cost, which would be higher than the amortised cost if no impairment depreciation had taken place.

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

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

Credits that are the subject of renegotiated terms do not exist in Belgium.

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

The company combines collective and individual assessment.

The individual assessment is applied in two cases.

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

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

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

The company combines collective and individual assessment.

Individual assessment is applied in two cases:

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

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

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

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

The company combines collective and individual assessment.

The individual rating is applied in two cases.

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

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

For the determination of net profits and net losses:

— a distinction is made between interest margin and realised capital gains and losses;
— results are not netted.

2.4 / Treasury

2.4.1 / Regular interbank investments and interbank deposits

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

The interest revenues and the interest expenses are recognised pro rata temporis in the profit-and-loss account by making use of the effective interest rate method.

Derecognition takes place on the expiry date.

2.4.2 / Structured placements and structured deposits

Structured placements and deposits are understood to mean placements and deposits that include derivatives embedded in the contract.

In the case of structured placements and liabilities where the closed 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 placements and deposits without impairment to the application of the following paragraphs.

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

In both cases, IAS 39 allows for the whole contract to be valued based on the fair value including the processing of value changes in the profit and loss account on the condition that this classification leads to more relevant information because it eliminates or limits considerably inconsistency in the valuation of inclusion (accounting mismatch) that would otherwise occur due to the valuing of the assets and liabilities or from the inclusion of the profits and losses with regard to this 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 derivate but when a hedge model is not set up.

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

Subsequently the changes in fair value are recognised in the profit-and-loss account, but split into interest rate margin and a pure difference compared to the fair value. Changes in fair value take into account the effect of the change on the issuer's creditworthiness (AXA Bank Europe for securities).

Typically day one gains or losses are to 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 will then be written off over the life of the underlying instrument or until the observable prices become available.

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

2.4.3 / Derivatives

2.4.3.1 / Embedded derivatives

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

2.4.3.2 / Other derivatives

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

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

2.4.4 / Hedge accounting

The following types of hedges are possible:

— Portfolio Interest Rate Fair Value hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of the interest risk of the underlying hedged instrument. Periodic checks are made to see whether the hedge is still efficient (prospective and retrospective testing).
During each efficient period, the fair value change relating to the hedged risk of a reference amount is booked on the underlying financial instruments. This cumulative change in fair value will be amortised. In accordance with the IFRS, Amortisation may begin as soon as an adjustment exists and 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. The decision was taken at AXA Bank Europe to start the amortisation when the hedge stops. The fair value difference of the derivatives is recognised directly in the profit-and-loss account.
During each non-efficient period no fair value change is booked on the underlying financial instruments; the fair value change of the relevant derivatives is directly recognised in the profit-and-loss account.

— Micro Fair Value hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of one or more financial risks of the underlying hedged instrument. It is checked periodically whether the hedge is still efficient (prospective and retrospective testing).
During each efficient period the fair value change relating to the hedged risk is booked with the financial instrument, whereby this value change is accounted for in the profit-and-loss account; the fair value change of the relevant derivatives is recognised directly in the profit-and-loss account.
Once the hedge ceases to be efficient 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 actual interest.

— Cash Flow hedge is a relationship between derivatives and underlying financial instruments documented in a hedge of future cash flows of the underlying hedged instrument. It is checked periodically whether the hedge is still efficient (prospective and retrospective testing).
During each efficient period the efficient portion of the fair value change of the hedging instrument (derivative) is deferred in the equity and the non-efficient portion is recognised in the profit-and-loss account.
Once the hedge ceases to be efficient 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 will be accounted for symmetrically with the hedged risk in the profit-and-loss account.

2.4.5 / Repos and reverse repos

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

When entering reverse repos in the balance sheet the monies paid are booked as a placement with pledging of securities.

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

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

Derecognition takes place on the due date.

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

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

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

Amortisation takes place on the due date.

2.4.6 / Securities placements and borrowings

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

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

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

2.4.7 / General

For the determination of net profits and net losses:

— a distinction is made between interest margin and realised capital gain and short values;
— the results are not netted.

2.5 / Income from fee business and financial guarantees

2.5.1 / Income from fee business

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

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

2.5.2 / Provided financial guarantees

The initial recognition of provided financial guarantees 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 received premium 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.

Subsequently it is 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 or in the event of execution the provided guarantee will be booked for the guaranteed amount, which was built up through the provision.

2.6 / Equity

The measurement of the equity components takes place at cost.

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

Dividends are deducted from the equity when they become due.

2.7 / Financial liabilities and bank deposits

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

Deposits and deposit certificates are initially recognised in the balance sheet at fair value (i.e., the amount of the secured financing), and this on the date they become available. They are also assigned to the “Deposits and debts” category and valued at amortised cost.

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

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

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

For the determination of the net profits and net losses:

— a distinction is made between interest margin and realised capital gain and loss;
— the results are not netted.

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

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

In both cases, IAS 39 allows for the whole contract to be valued based on the fair value including the processing of value changes in the profit and loss account on the condition that this classification leads to more relevant information because it eliminates or limits considerably inconsistency 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 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 derivate but when a hedge model has not been put in place.

Such structure obligations are initially included on the balance sheet for their fair value on the date on which they are made available.

Next, the changes are included for their fair value in the profit and loss account but split into an interest margin and a net difference when compared to the fair value. The changes in the fair value take into account the effect of the change to the creditworthiness of the issuer (which is AXA Bank Europe in the case of liabilities).

2.8 / Foreign currency translation

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

2.8.1 / Determination of the functional currency

The functional currency for a branch that is located outside the eurozone is determined on the basis of the primary economic environment in which an entity operates. This is typically the primary environment in which it generates and issues funds. Hereby account is taken of the following factors:

(a) the currency: (i) which is primarily decisive in the sales price of goods and services, and (ii) of the country from which the competition and regulations primarily determine the sales price of its goods and services;
(b) the currency, which is primarily decisive in labour and material costs, and other costs for the delivery of goods and the provision of services.

2.8.2 / Conversion of a functional currency into a presentation currency

The results and financial status of a foreign branch of which the functional currency is not the euro, are converted into euros on the following basis:

(a) assets and liabilities are converted for each presented balance sheet (i.e., including comparative figures) at the closing rate on that balance sheet date;
(b) profits and losses are converted for each profit-end-loss account (i.e., including comparative figures) at an average exchange rate;
(c) all resulting currency rate differences are recognised as a separate equity component.

2.8.3 / Conversion of monetary components into functional currency

Monetary components are detained currency units as well as assets and liabilities which must be received or paid in a fixed or to be determined number of currency units, primarily involving fixed income securities, loans and receivables and deposits and debts.

When recognised in the balance sheet 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.

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

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

2.8.4 / Conversion of non-monetary components into functional currency

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

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

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

a) For non-monetary components valued at cost, once the conversion into euros has taken place, this value in euros is maintained until derecognised from the balance sheet;
b) For non-monetary components belonging to measured at fair value through P&L, the periodic revaluation to fair value consists of two components: the fair value difference and the foreign exchange results. Both components are recognised in the income statement;
c) For non-monetary components belonging to the rating category “Available-for-sale assets” the periodic revaluation to fair value consists of two components: the fair value difference and the foreign exchange results. 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.

On 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 included in the disclosure if an inflow influx of economic benefits is probable.

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

2.9.2 / Provisions

Provisions are only created if an existing liability exists as a result of an event in the past, which can be reliably assessed and of which the expense is more likely than not.

The existing liability can be 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 , taken 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 accounted for are booked as assets.

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

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

2.10 / Employee benefits

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

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

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

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

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

(a) cash value of gross liability on the basis of allocated pension rights on the balance sheet date, whereby the “projected unit credit” method is used;
(b) less any not-yet-recognised pension expenses for elapsed service time;
(c) less the fair value on the balance sheet date of any fund investments from which the liabilities must be settled directly.

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

Assumptions and estimates are periodically revised and adjusted. AXA Bank Europe has decided to defer actuarial differences in the equity.

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 as soon as they have legal effect with regard to third parties. Discounting is also applied if the payment is more than one year from the balance sheet date.

2.11 / Income tax

2.11.1 / Current taxes

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

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

2.11.2 / Deferred taxes

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

— through the income statement if the underlying temporary difference is also recognised through the income statement;

— through equity if the underlying temporary difference is also recognised through equity.

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

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

At each closing date, the recoverability of the deferred tax asset is being assessed. If the deferred tax asset can not be recovered, impairment is accounted for. This impairment is being 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 takes place 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.

2.12 / Tangible and intangible fixed assets

2.12.1 / Tangible fixed assets

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

The initial recognition of the tangible fixed asset 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.

The initial recognition of tangible fixed assets acquired takes place at purchase value plus any additional attributable expense and the 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 impairment test.

For the depreciation, account is taken of the residual value and the useful economic service life. 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 imposed accounting policies of the parent company, AXA Bank Europe has decided not to apply the splitting into components 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 impairment special depreciation is booked;
— if the unrealised loss is more than 15% the "discounted future cash flows" method is applied.

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

— net carrying amount;
— highest of the independent surveys and value based on discounted future cash flows.

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 surveys and the cost after deducting the booked depreciation (calculated on the basis of the existing depreciation table for depreciations), maximum for the amount of 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 costs to sell.

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

The linear depreciation method is used.

Depreciation booked during the financial year:

Assets		Depreciation percentage	
	L Method (linear)	Capital Min. – Max.	Additional expenses Min. – Max.
Land for own use	N/A	-	-
Buildings for own use	L	3%	100%
Building design	L	10%	
IT equipment	L	20%	
Furniture, facilities	L	10%	
Non-IT machines & rolling equipment	L	20%	

2.12.2 / Intangible fixed assets

Set-up costs are directly recognised in the income statement, unless they can be related, as transaction costs, to an asset or liability.

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

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

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

(a) technical feasibility to complete the intangible asset, so as to make it available for use;
(b) intention to complete and use the intangible asset;
(c) capacity to use the intangible asset;
(d) how the intangible asset is likely to generate future economic benefits;
(e) availability of adequate technical, financial and other means to complete the development and use the intangible asset;
(f) capacity to reliably evaluate expenses attributable to the intangible asset during its development.

Costs that do not meet this as well as costs of research are not capitalised.

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

Intangible fixed assets are subject to an impairment test.

— AXA assesses at each balance sheet date whether there is an indication of impairment. If such an indication exists, the bank will 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 differences;
— If there is an indication that an asset should be impaired, the recoverable amount of the asset will 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 used at balance sheet date.

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

Depreciation booked during the financial year:

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

2.13 / Other assets and liabilities

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

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

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

2.14 / Information to be provided

2.14.1 / Events after balance sheet date

Events after the balance sheet date that show circumstances that existed on the balance sheet date (for example, additional information about already-made estimates), will require **an adjustment** to the annual accounts, 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 annual accounts from being misleading.

2.14.2 / Interim financial reporting

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

2.14.3 / Changes in accounting policies and accounting estimates

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

A change in estimate is applied prospectively. Inasmuch as a change in estimate leads to changes in assets and liabilities, or relate 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 practically feasible to determine the period-specific 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.

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DESCRIPTION OF CLASSIFICATIONS IN IFRS

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

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

Financial assets held to maturity:
All non-derived financial assets with a fixed maturity date and fixed or definable payments whereby the intention exists, as well as the financial possibility to be held until maturity; they are valued at amortised cost.

Loans and receivables:
All non-derived financial assets with fixed or definable payments that are not quoted in an active market; they are valued at amortised cost.

Financial assets available for sale:
All non-derived financial assets that do not belong to one of the other categories; they are valued at fair value whereby all fair value fluctuations are recognised in the equity until realisation of the assets or until the time that depreciation occurs. In that case the cumulative rerating results are recognised in the profit-and-loss account.

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

Non-current assets kept for sale:
Current assets of which the sale is very likely. They are valued for the lowest value of the book value or the fair value minus the sales costs, respectively.

If it is not practically 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 EUROPE

AXA Bank Europe's consolidated annual accounts were drawn up in compliance with IFRS – including the International Accounting Standards (IAS) and Interpretations - at 31 December 2011 as accepted within the European Union.

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

The following subsidiaries were not recognised in the consolidation circle during the financial year 2011 given their negligible significance (see more about this under item 2.1 with respect to consolidation principles):

— Mofico nv;
— Beran nv.

Further information with respect to these companies was included under item 23 Investments in associated associates, subsidiaries and joint ventures.

3.1 / Application dates

Below an overview is provided of the impact of the changes with regard to the IFRS standards.

Default	Date	Change	Impact on AXA Bank Europe
IAS 24: Related Party Disclosures	01.01.11	**Related Party Disclosures, published on November 4, 2009, simplifies the disclosure requirements for the government-related entities and clarifies the definition of a related party**	AXA Bank Europe provides the required information
IFRIC 14: IAS 19: The Limit for an asset on account of a defined benefit scheme, requirements concerning minimal financing and the interaction between these	01.01.11	**Reflects pension surplus to indicate results from the following situation: - a defined benefit plan is subject to a minimum funding requirement; - and the entity has prepaid the minimum required funding for future employee service**	This change has no impact on the bank since no surplus arises from any prepayment for future employee performances
IFRS 1: First application - exemption for serious hyperinflation and fixed date	01.07.11		This change has no impact on banking since no entity of the AXA Bank Europe Group applied IFRS for the first time in 2011
IFRS 7: Disclosure of the transfer of financial assets	01.07.11	Requires a description of the nature of the relationship between the assets and the associated obligations	Fall within the scope of this change, the repo transactions that are already included in our annual reports and are properly explained Note: On a consolidated level the securitized mortgage loans will remain included in the consolidated balance sheet, and are therefore excluded from the scope of this amendment
Annual improvements		**The improvements published on May 6, 2010 in IFRS contain changes that are not part of an important project. They have been suggested in a single document and not as some partial changes These changes regard the purposes of presentation, recognition or appreciation and terminology of the financial reporting or editorial changes with little influence on self-reporting**	
IAS 1: Presentation of Financial Statements		Allows the breakdown of the unrealized results, either in the statement of changes, equity or in the notes to the financial reporting	AXA Bank Europe provides the required information
IAS 34: Interim financial reporting		Significant events and transactions in the interim reporting	No impact because AXA Bank Europe does not publish interim reports
IFRS 1: First application		Some minor changes	This change has no impact on the banking since no entity of the AXA Bank Europe Group applied IFRS for the first time in 2011
IFRS 3: Business Combinations		Some minor changes	Without impact as since the changes took effect of the no business combinations have occurred
IFRIC 13: Customer Loyalty Programs			No impact because no AXA Bank Europe Programs fall under the definition of IFRIC 13

4 / RISK MANAGEMENT

4.1 / Strategy

In the past years the bank evolved from a retail bank structure, in which the commercial liabilities surplus on commercial assets was invested in treasury bills, into a bank that pursues greater asset diversification. The pure treasury bills portfolio was partially substituted throughout the years by credit spread bills. These portfolios furthermore benefit from the funding facilities offered by the repo and tripartite repo market.

The expansion of the bank towards the foreign branches was included in the administration during the course of 2009. A transparent funds transfer policy and inclusion of the branches including the related expansion to other currencies for commercial objectives were included in the ALCO (Assets and Liabilities Committee that meets twice a month).

The financial derivatives are used for both the hedging of specific balance sheet risks, such as, for example, the mortgage loan portfolio, and for specific structured liability products sold to the clients. Instruments such as swaps, swaptions, caps and structured swaps are regularity used here. These hedging strategies are the subject of ALCO decisions (“Assets and Liabilities Comité” that meets on a monthly basis).

Derivatives are also used, which fit into what is referred to as dynamic treasury management. These portfolios are managed and monitored in the dealing room. Their general limit framework as approved by the management committee is monitored on a daily basis by a risk management team.

4.2 / Management

The management of the various risks at AXA Bank Europe is described in the general risk management charter and in the various risk charters, in which the role and responsibility of the various departments and bodies are described as is the organisation of risk management.

For example, there is an ALCO for the interest and liquidity risk and a credit committee for the counterparty risk.

These risk charters were validated by the bank’s management committee.

In addition the various risks are regularly reported to various ad-hoc committees.

4.3 / Credit risk

AXA Bank Europe’s core activities consist in the provision of savings and investment products and credits to retail, independent contractors and small enterprises (retail business). Retail activity also represents the largest portfolio in terms of the balance sheet. The majority of the bank’s credit risk results from this business. Credit risk also exists in items off the balance sheet account, such as credit lines.

Funding for the collection of savings exceeds the options for profitable reinvestment in retail activities. Hence the investment portfolio.

This investment portfolio was primarily made up of high-quality bonds such as government bonds, financial institution floating rate notes and asset backed securities with an AAA rating.

The financial crisis has mainly had 2 consequences:

- A weakening of the liquidity of bonds of financial institutions and ABS. The total liquidity of AXA Bank Europe, however, has never been at risk due to a strict liquidity management;
- Downgrading of some bonds. If these bonds had excellent ratings initially, the downgrading has had a limited impact on the depreciations: AXA Bank Europe has realised depreciations for ten CDOs and financial institutions in 2008 and a few in 2009 but the rest of the ABS portfolio remained very stable with regard to quality.

Depreciation was only entered for 1 security in 2010 and depreciation of EUR 6.7 million was entered in 2011 with regard to mainly 4 securities.

4.3.1 / Retail credit risk

Credit risk - Belgium

This is understood to mean the risk of a debtor defaulting in full or in part or their position worsening, with negative consequences for the results and/or capital position.

Retail credits come in various forms of credit risk. Among this mortgage financing, with a share of approximately 80% in terms of outstanding balance, is by far the most important.

Given the good cover and low probability of default of this financing, the risk profile of the total credit portfolio is very low. For example, at the end of 2011, the dispute rate was 0.85% (0.77% at the end of 2010), the provision was 0.40% (0.35% at the end of 2010) and the net loss EUR -14.8 million (EUR 9.5 million in 2010).

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

An essential component of the credit risk policy is represented by the bank debt recovery department, which takes measures to minimise the bank’s risk, depending on the nature and seriousness of the problem. In addition the department determines the depreciations to be created per quarter.

Credit risk - Hungary

In Hungary, at the end of 2011 the contentieux rate was of 9.71% (8.21% in 2010), the commission rate of 8.91% (4.67% in 2010) and the net loss of EUR -157 million (EUR -48.8 million in 2010). The increase of this risk is due to the financial crisis and the strengthening of the CHF compared to HUF (of 222 CHF/HUF in December 2010 to 259 in December 2011) which resulted in a reduction of the solvency of the Hungarian borrowers. In this context, the Hungarian government decided through a new legislation in September 2011 that their customers can repay their mortgage credit in foreign currency under non-market terms. As a result, on top of the net loss (EUR -54 million) an increased provision of EUR -103 million was created for credit losses in 2011 based on the number of files submitted on 31 December 2011. The provision was calculated based on the difference between the exchange rate as set by the government and the exchange rate at reporting date and the number of files that met these conditions.

BAZEL II

The capital that banks must retain as a buffer for unexpected losses is based on the Basel capital accord dating back to 1988. In June 2004 the final text of the new capital accord – referred to as Basel II – was presented. In September 2005 the European Parliament approved the Capital Requirement Directive, which is a translation of the Basel capital accord into European legislation. This currently forms the basis for national legislation in Member States.

The new capital accord aims to create more risk-sensitive capital requirements, under which banks under strict conditions, make use of internal risk appraisal systems for the calculation of the minimum capital to be retained. AXA Bank Europe has actively prepared for these updated regulations.

With respect to credit risk, AXA Bank Europe has submitted a request to apply the Internal Rating Based Approach to its retail portfolio. To this end AXA Bank Europe has developed internal scoring models, which exception for the calculation of the minimum capital requirements, are also deployed in the acceptance and management of credits. The credit risk of the investment portfolio with the exception of the mortgage backed securitisation positions that are being approached in accordance with IRB will follow the Standardised Approach (SA), as will the market risk. Operating risk follows the Basic Indicator Approach (BIA).

The credit risk is being calculated in accordance with SA for the branches.

Changes were implemented by the banking supervisor in the existing reporting system as agreed within the "Committee of European Banking Supervisors" (CEBS) at the end of 2011.

PRODUCT APPROVAL PROCESS

In order to ensure that commercial pressure does not lead to hasty analysis of the product marketing mix, a Product Approval Process was launched. This ensures that the risks resulting from the launch of a new product on the market are correctly assessed and checked.

In practical terms, the following points are analysed, among others: accounting and operating processing, ALM management, profitability, legal and fiscal aspects, compliance.

This process results in a recommendation from Risk Management.

Economic capital

One of the most important parameters for risk management is "economic capital", which is the capital required to absorb the economic risks for all activities within a time period of one year. AXA Bank Europe uses a 99.9% confidence Level.

The current model has been in existence since 2009. A model for the Hungarian branch was developed and approved during the course of 2009.

The economic capital of credits related to retail in Belgium amounted to 11.70% of the total economic capital of the bank for correlation and that of Hungary amounted to 18.83%.

Regulatory capital buffer for Hungary

AXA Bank Europe also integrated an additional specific buffer of 250 million euros in its capital requirements.

This buffer is linked to the risks, that is, mainly credit risks, of the Hungarian branch.

The buffer was imposed by the CBFA when the branch was integrated in the AXA Bank Europe figures.

It is being followed up by the CBFA and is subject to regular review.

This review is based on, for example, plans of action to reduce risks, provisioning, implementation of new risk models and scoring models.

The original buffer of 410 million euros, for example, has already been reduced.

AXA Bank Europe has requested that the CBFA review the buffer based on a full ICAAP file (that comprises all risks).

AXA Bank Europe is currently reviewing this buffer together with the NBB based on its full ICAAP file (that comprises all the bank's risks).

4.3.2 / Credit risk of the investment portfolio

As described in 4.1 "Strategy", the pure treasury bills portfolio was partially substituted throughout the years by credit spread paper and more structured investments. The development of this activity was coupled with the creation of a strict Limit framework as regards credit quality and stringent Approval Process for each investment (except for treasury bills).

Since July 2010, structured investments were stopped whilst awaiting the results of the analysis of the new Basel 3 legislation. Moreover, the AXA Risk Management Group has implemented a stricter limit framework with regard to investments in treasury bills due to the critical economic situation in some European countries.

LIMIT FRAMEWORK

Treasury bills and semi-public issues:
Only in OECD countries with a minimum rating of BBB+.

Financial Institutions:
Minimum AXA rating of A- and maximum amount at maturity linked to rating.

Credit Spread Portfolio:
High-quality Asset Backed Securities (only Senior Tranches, mostly AAA).

APPROVAL **PROCESS**

Each investment in the Credit Spread Portfolio must be submitted and approved by the Credit Committee and this purchase must be checked by Risk Management in relation to the AXA limit framework before investing in treasury bills.

Classification based on risk position category

in mio EUR

	Credit assessment	31.12.2011	Risk position 31.12.2011	31.12.2010	Risk position 31.12.2010
Central authorities	>=<AA->		2 625.80		2 315.30
	<A>		50.50		56.60
	< A-		20.90		11.70
	Total	**69.30%**	**2 697.20**	**59.03%**	**2 383.60**
Local authorities	>=<AA+		0.00		0.00
	<A>				
	Total	**0.00%**	**0.00**	**0.00%**	**0.00**
Financial institutions	>=<AA->		110.90		168.80
	<A>		95.40		130.70
	<BB>		11.00		27.40
	CC (Iceland)		9.30		
	Total	**5.82%**	**226.60**	**8.10%**	**326.90**
Companies	>=<AA->		45.50		76.60
	<A>		96.00		105.30
	<BB>		1.60		3.90
	Total	**3.68%**	**143.10**	**4.60%**	**185.80**
Structured products	AAA		391.40		747.40
	AA		247.50		241.10
	A		116.20		104.20
	<A-		69.90		45.80
	None		0.30		3.00
	Total	**21.20%**	**825.30**	**28.27%**	**1 141.50**
TOTAL		**100.00%**	**3 892.20**	**100.00%**	**4 037.80**

4.3.3 / Counterparty risk of dealing room activity

The banks that are the counterparty for the dealing room as regards Treasury and Derivatives activity are selected on the basis of their external ratings by three rating agencies (Fitch, Moody's and Standard & Poor's). They must have a minimum AXA rating of A-. For all long-term derivatives a Collateral Settlement Agreement is required.

4.4 / Concentration risk

Geographically, the dealing room's credit risk is mostly limited to countries that are members of the OECD and EEC countries.

The activity of the dealing room is by its very nature targeted at the financial sector. Business relations with Corporate clients are very limited.

Country risk in mio EUR	**31.12.2011**	**Risk position 31.12.2011**	**31.12.2010**	**Risk position 31.12.2010**
EU	96.43%	9 523	89.31%	5 215.6
New EU	0.96%	95.3	4.66%	272.1
OESO non-EEC	2.46%	243.4	5.77%	337.2
Other (KY)	0.15%	15.1	0.25%	14.7
TOTAL	**100.00%**	**9 876.8**	**100.00%**	**5 839.6**

The difference between the disclosure with regard to the portfolio and the disclosure with regard to the country risk concern the products linked to "treasury and brokerage". The following are included in the products of T&B: repos and tripartite repos activities (with a risk weight of 2% and 10%, respectively). Derivates such as IRS, swaptions, Cap and Floors, FX & Forwards FX, T-bills (EUR 2 904 million Belgian T-bills, EUR 249 million Spanish T-bills, EUR 249 million Italian T-bills and EUR 0.6 million Hungarian T-bills) and Corporate issues (EUR 24 million). The minimum rating for treasury and derivative bank other parties is A-.

Overview of the balance sheet per geographical area:

Status as at 31 December 2011

Consolidated Balance Sheet - Assets 31.12.2011 – in '000 EUR	**Total carrying amount**	**Belgium**	**Other EMU**	**Other world**
Cash and balances with central banks	636 423	512 224	76 688	47 511
Financial assets held for trading	6 065 191	62 249	3 210 806	2 792 136
Financial assets designated at fair value through profit or loss	43 183		35 022	8 161
Available-for-sale financial assets	7 337 581	5 004 323	2 157 766	175 492
Loans and receivables (including finance leases)	26 810 930	21 311 628	2 691 006	2 808 296
Held-to-maturity investments				
Derivatives - hedge accounting	114 666	1 513	103 595	9 558
Fair value changes of the hedged items in portfolio hedge of interest rate risk	312 410	312 410		
Tangible assets	47 389	46 813	73	503
— Property, Plant and Equipment	47 389	46 813	73	503
— Investment property				
Intangible assets	18 505	8 006	3 574	6 925
— Goodwill				
— Other intangible assets	18 505	8 006	3 574	6 925
Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method- including goodwill)				
Tax assets	146 392	146 392		
— Current tax assets	218	218		
— Deferred tax assets	146 174	146 174		
Other assets	115 643	107 871	758	7 014
Non-current assets and disposal groups classified as held for sale	189 061			189 061
TOTAL ASSETS	**41 837 374**	**27 513 429**	**8 279 288**	**6 044 657**

Consolidated Balance Sheet - Liabilities

31.12.2011 – in '000 EUR

	Total carrying amount	Belgium	Other EMU	Other world
Deposits from central banks				
Financial liabilities held for trading	6 048 855	38 657	3 804 725	2 205 473
Financial liabilities designated at fair value through profit or loss	378 148		378 148	
Financial liabilities measured at amortised cost	23 012 689	16 727 322	4 289 417	1 995 950
— Deposits from Credit institutions	964 100	802 219	71 614	90 267
— Deposits from Other than credit institutions	16 875 207	14 103 771	1 872 066	899 370
— Debt certificates including bonds	2 064 467	806 615	1 257 649	203
— Subordinated liabilities	372 270	371 567	521	182
— Other financial liabilities	2 736 645	643 150	1 087 567	1 005 928
Financial liabilities associated with transferred assets	10 622 823	10 622 823		
Derivatives - hedge accounting	577 228	48 433	192 898	335 897
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	57 739		57 739	
Provisions	203 426	197 319	138	5 969
Tax liabilities	30 282	27 655	1 732	895
— Current tax liabilities	27 715	27 655		60
— Deferred tax liabilities	2 567		1 732	835
Other liabilities	65 648	50 960	9 278	5 410
Liabilities included in disposal groups classified as held for sale	189 061			189 061
Share capital repayable on demand (e.g. cooperative shares)				
TOTAL LIABILITIES	**41 185 899**	**27 713 169**	**8 734 075**	**4 738 655**

Consolidated Balance Sheet - Equity

31.12.2011 – in '000 EUR

	Total carrying amount	Belgium	Other EMU	Other world
Share capital	546 318	546 318		
— Paid in capital	546 318	546 318		
— Called up share capital				
Share premium				
Other Equity				
— Equity component of combined financial instruments				
— Other				
Revaluation reserves and other valuation differences	-222 334	-222 334		
— Tangible assets				
— Intangible assets				
— Hedge of net investments in foreign operations (effective portion)				
— Foreign currency translation	16 907	16 907		
— Cash flow hedges (effective portion)	-29 105	-29 105		
— Available for sale financial assets	-202 095	-202 095		
— Non-current assets and disposal groups held for sale				
— Other items	-8 041	-8 041		
Reserves (including retained earnings)	475 249	464 762	354	10 133
<Treasury shares>				
Income from current year	-147 758	-147 758		
<Interim dividends>				
Minority interest				
— Revaluation reserves and other valuation differences				
— Other items				
TOTAL EQUITY	**651 475**	**640 988**	**354**	**10 133**
TOTAL LIABILITIES AND EQUITY	**41 837 374**	**28 354 157**	**8 734 429**	**4 748 788**

Status as at 31 December 2010

Consolidated Balance Sheet - Assets

31.12.2010 – in '000 EUR

	Total carrying amount	Belgium	Other EMU	Other world
Cash and balances with central banks	623 347	517 292	64 314	41 741
Financial assets held for trading	2 862 765	28 357	1 541 267	1 293 141
Financial assets designated at fair value through profit or loss	71 663		48 453	23 210
Available-for-sale financial assets	4 993 190	1 595 860	2 791 580	605 750
Loans and receivables (including finance leases)	22 354 881	17 567 337	1 764 474	3 023 070
Held-to-maturity investments				
Derivatives - hedge accounting	48 521	900	11 406	36 215
Fair value changes of the hedged items in portfolio hedge of interest rate risk	135 225	135 225		
Tangible assets	49 554	48 973	61	520
— Property, Plant and Equipment	49 554	48 973	61	520
— Investment property				
Intangible assets	18 896	8 990	4 182	5 724
— Goodwill				
— Other intangible assets	18 896	8 990	4 182	5 724
Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method- including goodwill)				
Tax assets	122 459	118 923	161	3 375
— Current tax assets	955	341	6	608
— Deferred tax assets	121 504	118 582	155	2 767
Other assets	96 894	91 473	3 452	1 969
Non-current assets and disposal groups classified as held for sale				
TOTAL ASSETS	**31 377 395**	**20 113 330**	**6 229 350**	**5 034 715**

Consolidated Balance Sheet - Liabilities

31.12.2010 – in '000 EUR

	Total carrying amount	Belgium	Other EMU	Other world
Deposits from central banks				
Financial liabilities held for trading	2 810 610	143 209	1 554 798	1 112 603
Financial liabilities designated at fair value through profit or loss	67 534	1 000	66 534	
Financial liabilities measured at amortised cost	19 842 991	14 046 520	3 606 393	2 190 078
— Deposits from Credit institutions	361 374	102 528	228 393	30 453
— Deposits from Other than credit institutions	15 749 338	12 351 341	2 153 471	1 244 526
— Debt certificates including bonds	1 829 785	1 081 725	747 894	166
— Subordinated liabilities	374 809	374 168	393	248
— Other financial liabilities	1 527 685	136 758	476 242	914 685
Financial liabilities associated with transferred assets	7 179 356	156 514	2 294 334	4 728 508
Derivatives - hedge accounting	386 297	42 178	175 878	168 241
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	-30 604		-30 604	
Provisions	178 984	178 476	7	501
Tax liabilities	30 227	27 655	700	1 872
— Current tax liabilities	27 655	27 655		
— Deferred tax liabilities	2 572		700	1 872
Other liabilities	61 382	43 064	6 606	11 712
Liabilities included in disposal groups classified as held for sale				
Share capital repayable on demand (e.g. cooperative shares)				
TOTAL LIABILITIES	**30 526 777**	**14 638 616**	**7 674 646**	**8 213 515**

Consolidated Balance Sheet - Equity

31.12.2010 – in ‘000 EUR

	Total carrying amount	Belgium	Other EMU	Other world
Share capital	546 318	546 318		
— Paid in capital	546 318	546 318		
— Called up share capital				
Share premium				
Other Equity				
— Equity component of combined financial instruments				
— Other				
Revaluation reserves and other valuation differences	-172 581	-179 569	6 988	
— Tangible assets				
— Intangible assets				
— Hedge of net investments in foreign operations (effective portion)				
— Foreign currency translation	-1 362	-1 362		
— Cash flow hedges (effective portion)	-16 096	-16 096		
— Available for sale financial assets	-149 337	-156 325	6 988	
— Non-current assets and disposal groups held for sale				
— Other items	-5 786	-5 786		
Reserves (including retained earnings)	464 539	460 223	-3 238	7 554
<Treasury shares>				
Income from current year	12 342	12 342		
<Interim dividends>				
Minority interest				
— Revaluation reserves and other valuation differences				
— Other items				
TOTAL EQUITY	**850 618**	**839 314**	**3 750**	**7 554**
TOTAL LIABILITIES AND EQUITY	**31 377 395**	**15 477 930**	**7 678 396**	**8 221 069**

In order to complement the risk concentration, below is a table providing the counterparty risks, expressed in thousands of EUR.

Large exposures against counterparties 2011

Name	Country of origin	Claims and fixed income securities	Derivatives	Guaranteed part or part for which impairments and provisions have been made	Gross total of direct + indirect risks	Total risks, i.e. after weighting	
						Of which outside tradingbook	Total
AXA GROEP	FR	5 303 545	28 630	5 253 419	78 756	0	78 756
LCH	GB	572 387	0	256 186	316 201	0	316 201
HSBC Bank	GB	133 397	5 147	4 300	134 244	0	134 244
Société Générale	FR	58 875	39 189	15 600	82 464	0	82 464
UniCredit	IT	81 441	0	0	81 441	0	81 441
BNP Paribas	FR	653	131 687	0	132 340	0	132 340

The positions are provided as net values in the above table taking into account the obtained derogation from the CBFA. This table was drawn up within the framework of the Capital Adequacy Requirements reporting and the exposures were covered through collateral.

Included is an overview of the accountancy PIIGS exposure in December 2011 with a description of the investment types.

AXA Bank Europe

31.12.2011 – in mio EUR

Ultimate Country Issuer	Fixed Income Category	Exposure
Greece	ABS / MBS	5 795 760.53
	Forward on bonds	168 225.95
Greece Total		**5 963 986.48**
Ireland	ABS / MBS	107 797 592.51
	Bonds	12 039.33
	Cash Margin Calls	262 000 000.00
	Equity Swaps	75 301.37
	FRN	9 280 129.98
	Funds	9 388 722.61
	FX	433 795.74
	Interest Rate Swaps	2 069 947 948.32
Ireland Total		**2 458 935 529.86**
Italy	ABS / MBS	83 862 694.77
	Bonds	148 856 421.97
	FRN	17 165 761.55
	Papers	248 687 500.00
Italy Total		**498 572 378.29**
Portugal	ABS / MBS	8 253 009.67
	Bonds	11 280 696.72
	FRN	6 365 701.51
Portugal Total		**25 899 407.90**
Spain	ABS / MBS	211 098 116.41
	Asset Swaps-PTP	69 888.89
	Bonds	24 443 987.12
	Cash Margin Calls	21 100 932.00
	FX	538 643.54
	Interest Rate Swaps	28 337.66
	OIS	2 881 408.95
	Papers	248 975 000.00
Spain Total		**509 136 314.57**
GRAND TOTAL		**3 498 507 617.10**

4.5 / Market risk

The dealing room works with a strict limit framework, approved by the management committee.

This framework is based on sensitivity analyses and Value-at-Risk, both monitored by the Risk Management Team on a daily and "intraday" basis. The new HUB activity of the dealing room is subjected to its own specific "Value-at-Risk" but this is included in the global limit framework that was approved by the management committee.

The economic capital of the market risk represents 2.76% of the bank's total economic capital before correlation.

Status as at 31 December 2011

Consolidated Balance Sheet - Assets 31.12.2011 – in '000 EUR	**Total carrying amount**	**Sensitivity Interest rate risk: +100bp**	**Sensitivity Interest rate risk: -100bp**	**Sensitivity Price risk: +10%**	**Sensitivity Price risk: -10%**
Cash and balances with central banks	636 423				
Financial assets held for trading	6 065 191	-4 518 228	5 721 437		
Financial assets designated at fair value through profit or loss	43 183				
Available-for-sale financial assets	7 337 581	-130 863	143 706	207	-207
Loans and receivables (including finance leases)	26 810 930	-763 356	733 860		
Held-to-maturity investments					
Derivatives - hedge accounting	114 666				
Fair value changes of the hedged items in portfolio hedge of interest rate risk	312 410	-55 145	39 419		
Tangible assets	47 389				
— Property, Plant and Equipment	47 389				
— Investment property					
Intangible assets	18 505				
— Goodwill					
— Other intangible assets	18 505				
Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method- including goodwill)					
Tax assets	146 392				
— Current tax assets	218				
— Deferred tax assets	146 174				
Other assets	115 643				
Non-current assets and disposal groups classified as held for sale	189 061				
TOTAL ASSETS	**41 837 374**	**-5 467 592**	**6 638 422**	**207**	**-207**

Consolidated Balance Sheet - Liabilities

31.12.2011 – in '000 EUR

Consolidated Balance Sheet - Liabilities	Total carrying amount	Sensitivity Interest rate risk: +100bp	Sensitivity Interest rate risk: -100bp	Sensitivity Price risk: +10%	Sensitivity Price risk: -10%
Deposits from central banks					
Financial liabilities held for trading	6 048 855	-4 435 074	5 631 795		
Financial liabilities designated at fair value through profit or loss	378 148	-2 178	2 260		
Financial liabilities measured at amortised cost	23 012 689	-289 242	299 763		
— Deposits from Credit institutions	964 100	-10 274	10 450		
— Deposits from Other than credit institutions	16 875 207	-179 839	182 920		
— Debt certificates including bonds	2 064 467	-86 374	93 355		
— Subordinated liabilities	372 270	-12 755	13 038		
— Other financial liabilities	2 736 645				
Financial liabilities associated with transferred assets	10 622 823	-12 374	12 417		
Derivatives - hedge accounting	577 228	-281 166	313 034		
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	57 739				
Provisions	203 426				
Tax liabilities	30 282				
— Current tax liabilities	27 715				
— Deferred tax liabilities	2 567				
Other liabilities	65 648	-8 029	8 167		
Liabilities included in disposal groups classified as held for sale	189 061	-2 859	1 096		
Share capital repayable on demand (e.g. cooperative shares)					
TOTAL LIABILITIES	**41 185 899**	**-5 030 922**	**6 268 532**		

The Swiss deposits were no longer included because of their sale at the start of January.

Status as at 31 December 2010

Consolidated Balance Sheet - Assets

31.12.2010 – in '000 EUR

Consolidated Balance Sheet - Assets	Total carrying amount	Sensitivity Interest rate risk: +100bp	Sensitivity Interest rate risk: -100bp	Sensitivity Price risk: +10%	Sensitivity Price risk: -10%
Cash and balances with central banks	623 347				
Financial assets held for trading	2 862 765				
Financial assets designated at fair value through profit or loss	71 663	-46 407	53 290		
Available-for-sale financial assets	4 993 190	-99 662	110 988	232	-232
Loans and receivables (including finance leases)	22 354 881	-629 953	632 146		
Held-to-maturity investments					
Derivatives - hedge accounting	48 521				
Fair value changes of the hedged items in portfolio hedge of interest rate risk	135 225				
Tangible assets	49 554				
— Property, Plant and Equipment	49 554				
— Investment property					
Intangible assets	18 896				
— Goodwill					
— Other intangible assets	18 896				
Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method- including goodwill)					
Tax assets	122 459				
— Current tax assets	955				
— Deferred tax assets	121 504				
Other assets	96 894				
Non-current assets and disposal groups classified as held for sale					
TOTAL ASSETS	**31 377 395**	**-776 022**	**796 424**	**232**	**-232**

Consolidated Balance Sheet - Liabilities 31.12.2010 – in '000 EUR	**Total carrying amount**	**Sensitivity Interest rate risk: +100bp**	**Sensitivity Interest rate risk: -100bp**	**Sensitivity Price risk: +10%**	**Sensitivity Price risk: -10%**
Deposits from central banks					
Financial liabilities held for trading	2 810 610	4 448	-6 585		
Financial liabilities designated at fair value through profit or loss	67 534	-2 432	2 576		
Financial liabilities measured at amortised cost	19 842 991	-801 273	833 759		
— Deposits from Credit institutions	361 374	-2 964	2 895		
— Deposits from Other than credit institutions	15 749 338	-714 569	739 457		
— Debt certificates including bonds	1 829 785	-68 725	75 491		
— Subordinated liabilities	374 809	-15 015	15 916		
— Other financial liabilities	1 527 685				
Financial liabilities associated with transferred assets	7 179 356	-3 907	3 405		
Derivatives - hedge accounting	386 297	-168 992	170 914		
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	-30 604				
Provisions	178 984				
Tax liabilities	30 227				
— Current tax liabilities	27 655				
— Deferred tax liabilities	2 572				
Other liabilities	61 382	-1 128	2 016		
Liabilities included in disposal groups classified as held for sale					
Share capital repayable on demand (e.g. cooperative shares)					
TOTAL LIABILITIES	**30 526 777**	**-973 284**	**1 006 085**		

The net interest rate sensitivity of the derivative portfolio is presented as a liability under the heading “derivatives – hedge accounting”.

AXA Bank Europe Solvency Indicator (S.I.): expresses the sensitivity of the market value of AXA Bank Europe on an upward parallel rate shift of the yield curve with 100 basis points. In the case of a positive gap position (longer assets than liabilities) the solvency indicator quantifies the loss of market value of AXA Bank Europe.

4.6 / Currency risk

Status as at 31 December 2011

Consolidated Balance Sheet - Assets 31.12.2011 – in '000 EUR	**Total carrying amount**	**EURO**	**USD**	**GBP**	**CHF**	**HUF**	**CZK**	**PLN**	**Other**
Cash and balances with central banks	636 423	588 911	254	139	10 525	26 962	9 580		52
Financial assets held for trading	6 065 191	5 519 914	50 954	16 862	84 611				392 850
Financial assets designated at fair value through profit or loss	43 183	38 302	4 881						
Available-for-sale financial assets	7 337 581	7 193 815	69 728	77 674	-7 025	650			2 739
Loans and receivables (including finance leases)	26 810 930	24 643 195	532 655	13 331	1 211 985	248 991	148 942	44	11 787
Held-to-maturity investments									
Derivatives - hedge accounting	114 666	114 666							
Fair value changes of the hedged items in portfolio hedge of interest rate risk	312 410	312 410							
Tangible assets	47 389	46 905				337	147		
— Property, Plant and Equipment	47 389	46 905				337	147		
— Investment property									
Intangible assets	18 505	17 644				1 958	-1 143	46	
— Goodwill									
— Other intangible assets	18 505	17 644				1 958	-1 143	46	
Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method-including goodwill)									
Tax assets	146 392	146 392							
— Current tax assets	218	218							
— Deferred tax assets	146 174	146 174							
Other assets	115 643	108 830			416	6 283	114		
Non-current assets and disposal groups classified as held for sale	189 061				189 061				
TOTAL ASSETS	**41 837 374**	**38 730 984**	**658 472**	**108 006**	**1 489 573**	**285 181**	**157 640**	**90**	**407 428**

Consolidated Balance Sheet - Liabilities 31.12.2011 – in '000 EUR	**Total carrying amount**	**EURO**	**USD**	**GBP**	**CHF**	**HUF**	**CZK**	**PLN**	**Other**
Deposits from central banks									
Financial liabilities held for trading	6 048 855	5 519 843	51 212	7 679	84 563				385 558
Financial liabilities designated at fair value through profit or loss	378 148	378 148							
Financial liabilities measured at amortised cost	23 012 689	20 177 526	819 964	334 262	395 210	558 735	667 114		59 878
— Deposits from Credit institutions	964 100	349 545	615 322		7		-777		3
— Deposits from Other than credit institutions	16 875 207	15 606 956	121 985	202 517	1 297	371 939	512 320		58 193
— Debt certificates including bonds	2 064 467	2 064 467							
— Subordinated liabilities	372 270	372 270							
— Other financial liabilities	2 736 645	1 784 288	82 657	131 745	393 906	186 796	155 571		1 682
Financial liabilities associated with transferred assets	10 622 823	10 622 823							
Derivatives - hedge accounting	577 228	577 228							
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	57 739	57 739							
Provisions	203 426	197 457			3 373	2 596			
Tax liabilities	30 282	29 387				835		60	
— Current tax liabilities	27 715	27 655						60	
— Deferred tax liabilities	2 567	1 732				835			
Other liabilities	65 648	60 250	-522	49	3 971	281	1 083	532	4
Liabilities included in disposal groups classified as held for sale	189 061				189 061				
Share capital repayable on demand (e.g. cooperative shares)									
TOTAL LIABILITIES	**41 185 899**	**37 620 401**	**870 654**	**341 990**	**676 178**	**562 447**	**668 197**	**592**	**445 440**

Consolidated Balance Sheet - Equity

31.12.2011 – in ‘000 EUR

	Total carrying amount	EURO	USD	GBP	CHF	HUF	CZK	PLN	Other
Share capital	546 318	546 318							
— Paid in capital	546 318	546 318							
— Called up share capital									
Share premium									
Other Equity									
— Equity component of combined financial instruments									
— Other									
Revaluation reserves and other valuation differences	-222 334	-216 253	-3 593	-18 098	7 995	7 249	361	74	-69
— Tangible assets									
— Intangible assets									
— Hedge of net investments in foreign operations (effective portion)									
— Foreign currency translation	16 907	1 229			7 995	7 248	361	74	
— Cash flow hedges (effective portion)	-29 105	-29 105							
— Available for sale financial assets	-202 095	-180 336	-3 593	-18 098		1			-69
— Non-current assets and disposal groups held for sale									
— Other items	-8 041	-8 041							
Reserves (including retained earnings)	475 249	473 884	-6 162	-30	-2 521	10 071			7
<Treasury shares>									
Income from current year	-147 758	24 163			-24 003	-139 876	-8 127	85	
<Interim dividends>									
Minority interest									
— Revaluation reserves and other valuation differences									
— Other items									
TOTAL EQUITY	**651 475**	**828 112**	**-9 755**	**-18 128**	**-18 529**	**-122 556**	**-7 766**	**159**	**-62**
TOTAL LIABILITIES AND EQUITY	**41 837 374**	**38 448 513**	**860 899**	**323 862**	**657 649**	**439 891**	**660 431**	**751**	**445 378**

Status as at 31 December 2010

Consolidated Balance Sheet - Assets 31.12.2010 – in '000 EUR	**Total carrying amount**	**EURO**	**USD**	**GBP**	**CHF**	**HUF**	**CZK**	**Other**
Cash and balances with central banks	623 347	581 156	206	141	7 134	26 060	8 149	501
Financial assets held for trading	2 862 765	2 586 318	5 625	10 092	25 870			234 860
Financial assets designated at fair value through profit or loss	71 663	65 402	6 261					
Available-for-sale financial assets	4 993 190	4 569 316	98 511	123 942		197 854		3 567
Loans and receivables (including finance leases)	22 354 881	20 447 442	104 568	2 942	1 342 831	315 506	19 997	121 595
Held-to-maturity investments								
Derivatives - hedge accounting	48 521	48 521						
Fair value changes of the hedged items in portfolio hedge of interest rate risk	135 225	135 225						
Tangible assets	49 554	49 034				368	152	
— Property, Plant and Equipment	49 554	49 034				368	152	
— Investment property								
Intangible assets	18 896	18 492			214	151	39	
— Goodwill								
— Other intangible assets	18 896	18 492			214	151	39	
Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method- including goodwill)								
Tax assets	122 459	119 084				3 375		
— Current tax assets	955	347				608		
— Deferred tax assets	121 504	118 737				2 767		
Other assets	96 894	95 157	-38	-12	690	1 152	86	-141
Non-current assets and disposal groups classified as held for sale								
TOTAL ASSETS	**31 377 395**	**28 715 147**	**215 133**	**137 105**	**1 376 739**	**544 466**	**28 423**	**360 382**

Consolidated Balance Sheet - Liabilities 31.12.2010 – in '000 EUR	**Total carrying amount**	**EURO**	**USD**	**GBP**	**CHF**	**HUF**	**CZK**	**Other**
Deposits from central banks								
Financial liabilities held for trading	2 810 610	2 553 118	5 651		22 261			229 580
Financial liabilities designated at fair value through profit or loss	67 534	67 534						
Financial liabilities measured at amortised cost	19 842 991	17 429 837	295 612	340 471	875 790	419 811	442 314	39 156
— Deposits from Credit institutions	361 374	287 008	67 213	7 121		32		
— Deposits from Other than credit institutions	15 749 338	14 138 435	152 414	240 374	381 667	356 551	441 539	38 358
— Debt certificates including bonds	1 829 785	1 829 785						
— Subordinated liabilities	374 809	374 809						
— Other financial liabilities	1 527 685	799 800	75 985	92 976	494 123	63 228	775	798
Financial liabilities associated with transferred assets	7 179 356	7 179 356						
Derivatives - hedge accounting	386 297	386 297						
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	-30 604	-30 604						
Provisions	178 984	178 483			317	184		
Tax liabilities	30 227	30 165			-131		193	
— Current tax liabilities	27 655	27 655						
— Deferred tax liabilities	2 572	2 510			-131		193	
Other liabilities	61 382	49 381	-92	2	3 299	7 039	1 295	457
Liabilities included in disposal groups classified as held for sale								
Share capital repayable on demand (e.g. cooperative shares)								
TOTAL LIABILITIES	**30 526 777**	**27 843 567**	**301 171**	**340 473**	**901 536**	**427 034**	**443 802**	**269 193**

Consolidated Balance Sheet - Equity

31.12.2010 – in '000 EUR

	Total carrying amount	EURO	USD	GBP	CHF	HUF	CZK	Other
Share capital	546 318	546 318						
— Paid in capital	546 318	546 318						
— Called up share capital								
Share premium								
Other Equity								
— Equity component of compound financial instruments								
— Other								
Revaluation reserves and other valuation differences	-172 581	-150 529	-5 500	-14 738	-1 652	33	-96	-99
— Tangible assets								
— Intangible assets								
— Hedge of net investments in foreign operations (effective portion)								
— Foreign currency translation	-1 361	-23			-1 096	-146	-96	
— Cash flow hedges (effective portion)	-16 097	-16 097						
— Available for sale financial assets	-149 337	-129 179	-5 500	-14 738		179		-99
— Non-current assets and disposal groups held for sale								
— Other items	-5 786	-5 230			-556			
Reserves (including retained earnings)	464 539	465 753	-6 162	-30	-2 268	7 239		7
<Treasury shares>								
Income from current year	12 342	70 278			-14 867	-29 075	-13 994	
<Interim dividends>								
Minority interest								
— Revaluation reserves and other valuation differences								
— Other items								
TOTAL EQUITY	**850 618**	**931 820**	**-11 662**	**-14 768**	**-18 787**	**-21 803**	**-14 090**	**-92**
TOTAL LIABILITIES AND EQUITY	**31 377 395**	**28 775 387**	**289 509**	**325 705**	**882 749**	**405 231**	**429 712**	**269 102**

4.7 / Cash flow and Fair Value Interest Rate risk

Description

Cash flow interest risks and fair value interest risks occur with interest fluctuations on the financial markets. Interest rate risk is the sensitivity of the bank to adverse movements in interest rates. Accepting and managing this risk belongs to a bank's normal management activities. Interest rate risk comes in many forms such as repricing risk, yield curve risk, base risk and optionality. It impacts the bank's income as well as its value.

On the asset side we note the following main headings for AXA Bank Europe:

- By splitting mortgage loans into 40% in fixed formulas and 60% in variable formulas for approximately EUR 12.9 billion;
- Other credit types are of the personal loan and investment credit types;
- The bond portfolio with a fixed interest for EUR 2.09 billion covers the full yield curve and can be split in the following buckets:
  - 37% less than 3 years;
  - 52% from 3 to 7 years;
  - 11% more than 7 years.
- The credit spread portfolio for EUR 1.25 billion is of the variable interest type and is, therefore, also short funded.

We have taken down the following significant balance sheet entries on the liability side:

- the savings accounts for EUR 10.6 billion that have a modelling duration approach of approximately 1 year;
- the bank bond/time deposit account portfolio with fixed interest rate with retail clients had a volume of approximately EUR 2.8 billion in December 2011;
- treasury funding (including institutional clients) totalled EUR 14.1 billion at the end of December 2011;
- the derived instruments such as swaps, futures and swaptions mainly serve as a reduction for the interest rate risk profile described above.

MEASURING INSTRUMENTS

Static analysis

Gap Analysis

Gaps express a difference between assets and liabilities that are repriced or expire.
Off-balance sheet products are considered as the combination of an investment and a loan.

Sensitivity analysis

Measures the impact of unfavourable interest movements on the bank's economy value. This analysis is based on the duration analysis.

Value-at-Risk (V@R)

Integrates the probability of interest movements into the sensitivity analysis.
The applied probability is 99.9%.

Dynamic analysis – scenarios

The dynamic analysis integrates expected future production figures into the analysis, verifying how the interest risk position will be impacted in the future.

Solvency indicator

In order to quantify cash flow interest risks and fair value interest risks, AXA Bank Europe developed an indicator referred to as "solvency indicator" within the group. This indicator calculates a sensitivity of the market value of the cash flows for interest fluctuations in the financial markets. The methodological development of the indicator is based on market value, convexity and duration of each balance sheet line. This indicator express is an absolute terms the impact of an adverse interest movement of 1% on the bank's economic value. The figures and calculations below are based on internal assumptions.

In relative terms this impact is related to the bank's equity (tier 1 and tier 2). This relative indicator is a major control instrument for the ALCO for the bank's interest rate risk management.

Solvency indicator
in mio EUR

	31.12.2011	31.12.2010
Absolute	439.0	384.0
Relative	34.35%	30.00%

Total positions (all currencies)
31.12.2011 – in mio EUR

	Solvency Indicator
Commercial	**-575.0**
Belgium	-580.0
— Assets	-742.0
— Liabilities	162.0
Hungary	-3.0
— Assets	-4.0
— Liabilities	1.0
Switzerland	3.0
— Activa	0.0
— Passiva	3.0
Czech Republic	5.0
— Activa	0.0
— Passiva	5.0
Non Commercial	**-15.0**
Belgium	-17.0
— Assets	-99.0
— Liabilities	82.0
Hungary	2.0
— Assets	0.0
— Liabilities	2.0
Treasury	**-83.0**
— Assets	-99.0
— Liabilities	16.0
Off Balance (including branches)	**234.0**
TOTAL	**-439.0**

Integration of interest rate risks related to the branches

Interest rate risks (including those of the branches) are managed globally at head office level. The branches send files to head office. These files are processed in the central ALM tool there. This ensures that global indicators can be calculated that allow the interest rate risks to be managed. Provisions are made for specific reporting at the biweekly ALCO.

Economic capital

Economic capital is the amount of equity that is required to derive the probability that the bank will become insolvent at an acceptable level.

4.8 / Liquidity risk

Funding liquidity risk is the risk that the bank will not be able to adequately satisfy both expected and unexpected current and future cash flows without compromising daily transactions or the bank's financial status.

Market liquidity risk is the risk that the bank is unable to easily compensate for or eliminate a position at normal market price due to insufficient market depth or a disruption in the market.

AXA Bank Europe pays considerable attention to minimising this risk. AXA Bank Europe has a profile of shorter-term funding than the outstanding assets. The required attraction of liquidities is provided within the dealing room under the supervision of risk management and the biweekly ALCO. Funding sources are extensive and interbank and institutional funding is used as well as repos and tripartite repos.

The bank's liquidity risk policy consists or will consist of the following components, among others:

- The daily liquidity position per treasurer is determined in accordance with guidelines in the Liquidity Risk Charter. The instruments and techniques that can be used are the same as those for the Interest Rate risk;
- Acutely difficult situations must be carefully prepared since there is little opportunity for analysis when they occur;
- Adequate liquidity risk policy is proactive with a longer-term vision and takes into account: Strategy A/L alterations, Back-up liquidity, Asset Securitisation Programmes.

These topics are the responsibility of the ALCO and are regularly discussed in that committee.

All solutions are closely monitored.

The risk is measured by means of various scenarios – stress tests.

Total Bank Indicator in percentage	**Reality 12.2011**	**Projection 12.2012**	**Projection 12.2013**	**Projection 12.2014**	**Projection 12.2015**
Stress 1	87.0	85.0	82.0	81.0	81.0
Stress 2	87.0	94.0	86.0	85.0	85.0
Belgian National Bank Liquidity Indicator (binding since 01.2011)	75.0	90.0	86.0	85.0	88.0
Limit	100.0	100.0	100.0	100.0	100.0

Stress 1 = 10% instant withdrawal of savings + 10% increase of last estimated runoff + stress on repo capacity + 40% stress on CIFP

Stress 2 = Stress 1 with 33% instant withdrawal of savings instead of 10%

The following tables provide the term analysis for the respective assets/liabilities components.

The lack of liquidity can be completely resolved through securities eligible to the ECB or through repo operations.

Collateral Management takes place for OTC Derivatives and repos.

To mitigate the counterparty risk, AXA Bank Europe has signed legal framework contracts with counterparties, GMRA within the framework of repos and ISDA/CSA within the framework of OTC derivatives. For each counterparty/framework contract, the global exposure is examined that we have when compared to this counterparty each day. Global exposure means that the market value of all deals with this counterparty (who falls under that framework agreement) ± provide or receive collateral. Should exposure remain with regard to this counterparty, a related margin call is done so that we no longer are exposed for that day with regard to the counterparty.

Status as at 31 December 2011

Cash inflows (not cumulative) 31.12.2011 – in '000 EUR	< 1 week	< 1 month	< 3 months	< 6 months	< 12 months	< 5 years	Other
Scheduled cash inflows related to credit without liquid financial assets as collateral							
Central governments	1 725 428.88	0.76	1.53	2.31	4.69		-643.85
Credit institutions	1 777 405.26			2.24		27 432.17	-466 291.00
Non credit institutions (local governments, multilateral development banks, public sector entities...)		0.53	1.06	1.61	3.27	1 253.45	7.82
Private sector - other wholesale	11 293.11	5 090.68	4 636.98	7 577.23	12 580.79		
Private sector - other	51 956.04	61 706.85	165 092.71	265 536.22	493 698.40	1 644 990.10	4 864 231.72
Scheduled cash inflows related to transactions on liquid securities and loans (e.g. repo transactions and securities lending)							
Cash	171 172.80	233 893.00	240 387.20			577 883.19	1 328 835.87
Liquid securities and loans							
— Securities and loans eligible to ECB/Eurosysteem, BoE or SNB	1 020 485.30	3 787 031.85	4 448 589.54	323 061.00	271 700.00		
— Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral)	399 441.33					339 665.81	335 098.99
— Realisable securities through a sale transaction							
— Potential reusable received securities as collateral							
Planned and potential net cash inflows related to derivatives instruments (excl. credit derivatives)							
Contractual foreseen cash inflows							
— Derivatives on currency	1 106 465.48	562 452.37	1 021 498.43	845 581.10	159 684.73		
— Derivatives on interest	6 124.90	395 240.82	149 598.78	182 787.11	769 323.25		
— Other derivatives	-0.29		-64.30				
Maximum additional net cash inflows							
— Derivatives on currency							
— Derivatives on interest							
— Other derivatives							
Scheduled cash inflows due to related parties (cf. IAS 24.9)							
Cash	471 446.54	991 231.03	2 531 017.48	1 883 506.78	403 295.51		
Liquid securities and loans							
— Securities and loans eligible to ECB/Eurosysteem, BoE or SNB	471 446.54	290 844.46					
— Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral)							
— Realisable securities through a sale transaction							
— Potential reusable received securities as collateral							
Other	**17 771.08**						**10 004 007.86**

Cash outflows (not cumulative) 31.12.2011 – in '000 EUR	**< 1 week**	**< 1 month**	**< 3 months**	**< 6 months**	**< 12 months**	**< 5 years**	**Other**
Scheduled cash outflows related to financing without liquid financial assets as collateral							
Deposits and customer saving certificates							
— Central governments	-27 152.18	-39 000.00	-154 571.45	-70 000.00	-2 763.80	-4 058.00	
— Credit institutions	-1 556 527.98	-9 731.78	-12 490.85	-11 147.79	-8 349.77	-301.83	
— Non credit institutions (local governments, multilateral development banks, public sector entities…)	-2 817.27	-20 000.00	-55 000.00	-1 001.62	-1.98	-337 304.57	-73 131.79
— Private sector - other wholesale	-1 754 358.24	-372 932.43	-171 845.40	-237 764.31	-6 266.81		
— Private sector - other							
Current accounts / overnight deposits	-2 813 369.14						
Regulated deposits	-9 018 609.71						
Other deposits	-352 931.90	-144 035.10	-158 359.64	-109 072.33	-148 387.82	-1 545 161.87	-36 413.29
Customer saving certificates	-15 798.03	-15 669.41	-30 483.22	-53 730.54	-152 447.39	-94 651.66	-207.72
Debt certificates (issued by entity)	-9 999.14	-20 674.84	-262 432.11	-73 277.80	-63 916.70	-90 296.17	-35 709.12
Scheduled cash outflows related to transactions on liquid securities and loans (e.g. repo transactions and securities lending)							
Cash	-1 406 913.93	-3 787 031.85	-4 448 589.54	-323 061.00	-271 700.00	-339 665.81	-335 098.99
Liquid securities and loans							
— Securities and loans eligible to ECB/Eurosysteem, BoE or SNB	-171 172.80	-233 893.00	-240 387.20				
— Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral)						-577 883.19	-1 328 835.87
— Realisable securities through a sale transaction							
— Potential reusable received securities as collateral							
Contractual foreseen cash outflows							
— Derivatives on currency	-1 110 803.73	-563 934.27	-1 015 033.15	-845 536.81	-150 798.04		
— Derivatives on interest	-4 938.15	-397 189.43	-127 422.39	-190 585.41	-732 986.31		
Scheduled cash outflows due to related parties (cf. IAS 24.9)							
Cash	-471 446.54	-290 844.46					
Liquid securities and loans							
— Securities and loans eligible to ECB/Eurosysteem, BoE or SNB	-471 446.54	-991 231.03	-2 531 017.48	-1 883 506.78	-403 295.51		
— Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral)							
— Realisable securities through a sale transaction							
— Potential reusable received securities as collateral							
Other	**-7 126 238.72**	**9 999.84**	**680 179.73**	**49 995.91**	**2 766 960.95**	**2 190 715.42**	**5 710 531.52**

The above table was drawn up in accordance with IFRS 7 taking into account the contractual foreseen cancellation term for financial instruments (products with indefinite contractual terms are included in the "< 1 week" column while the perpetual loans are included in the "Other" column).

Status as at 31 December 2010

Cash inflows (not cumulative) 31.12.2010 – in '000 EUR	< 1 week	< 1 month	< 3 months	< 6 months	< 12 months	< 5 years	Other
Scheduled cash inflows related to credit without liquid financial assets as collateral							
Central governments	96 923	100 514	2	2	5	44	210
Credit institutions	1 258 280		340 825	24 821		26 328	
Non credit institutions (local governments, multilateral development banks, public sector entities...)	372	440	912	1 325	2 129	13 756	28 119
Private sector - other wholesale	24 571						
Private sector - other	26 882	37 297	101 080	150 552	297 884	1 821 640	5 590 493
Scheduled cash inflows related to transactions on liquid securities and loans (e.g. repo transactions and securities lending)							
Cash	410 418	366 359	438 557	55 972	104 218	558 583	1 406 066
Liquid securities and loans							
— Securities and loans eligible to ECB/Eurosysteem, BoE or SNB							
— Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral)	2 536 927	2 250 604	1 265 041	34	73	759	1 661
— Realisable securities through a sale transaction							
— Potential reusable received securities as collateral							
Planned and potential net cash inflows related to derivatives instruments (excl. credit derivatives)							
Contractual foreseen cash inflows							
— Derivatives on currency	550 847	406 124	1 071 952	651 988	106 380	323	
— Derivatives on interest	5 801	341 225	84 704	97 183	169 155		
— Other derivatives							
Maximum additional net cash inflows							
— Derivatives on currency							
— Derivatives on interest							
— Other derivatives							
Scheduled cash inflows due to related parties (cf. IAS 24.9)							
Cash	928 161	1 779 822	1 182 287	681 175			
Liquid securities and loans							
— Securities and loans eligible to ECB/Eurosysteem, BoE or SNB							
— Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral)							
— Realisable securities through a sale transaction							
— Potential reusable received securities as collateral							
Other	**87 988**	**167 637**	**98**	**544**	**3 073**	**91 196**	**4 111 321**

Cash outflows (not cumulative) 31.12.2010 – in '000 EUR	< 1 week	< 1 month	< 3 months	< 6 months	< 12 months	< 5 years	Other
Scheduled cash outflows related to financing without liquid financial assets as collateral							
Deposits and customer saving certificates							
— Central governments	-101 540	-20 000	-1	-30		-6 652	
— Credit institutions	-398 104	-6 639	-101 083	-112 618	-161 406	-3 229	
— Non credit institutions (local governments, multilateral development banks, public sector entities…)	-2 288 366	-130 911	-153 184	-240 741	-12 070	-26 173	-36 345
— Private sector - other wholesale							
— Private sector - other							
Current accounts / overnight deposits	-2 736 215						
Regulated deposits	-8 804 830						
Other deposits	-942 848	-131 892	-94 350	-51 410	-63 665	-1 010 990	-14 431
Customer saving certificates	-13 337	-21 603	-32 716	-43 966	-105 808	-270 119	-89
Debt certificates (issued by entity)		-2 424	-3 597	-2 548	-1 932	-97 917	-40 037
Scheduled cash outflows related to transactions on liquid securities and loans (e.g. repo transactions and securities lending)							
Cash	-2 536 927	-2 250 604	-1 265 041	-34	-73	-759	-1 661
Liquid securities and loans							
— Securities and loans eligible to ECB/Eurosysteem, BoE or SNB							
— Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral)	-10 418	-366 359	-438 557	-55 972	-104 218	-558 583	-1 406 066
— Realisable securities through a sale transaction							
— Potential reusable received securities as collateral							
Contractual foreseen cash outflows							
— Derivatives on currency	-716 902	-410 341	-920 271	-651 898	-106 377		
— Derivatives on interest	-8 288	-336 929	-106 759	-124 634	-205 081		
Scheduled cash outflows due to related parties (cf. IAS 24.9)							
Cash							
Liquid securities and loans							
— Securities and loans eligible to ECB/Eurosysteem, BoE or SNB							
— Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral)	-928 161	-1 779 822	-1 182 287	-681 175			
— Realisable securities through a sale transaction							
— Potential reusable received securities as collateral							
Other	**-3 814 710**	**104 989**	**100 926**	**288 845**	**469 665**	**1 406 466**	**5 397 025**

4.9 / Fair value of financial assets and liabilities

4.9.1 / Fair value in relation to retail activity

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

Fair value calculation
Commercial cash flows are subjected to the swap curve for the fair value calculation. In this calculation all cash flows known today per type of balance sheet line are subjected to a commercial spread. For products without known cash flows, such as, for example, savings and current accounts, the carrying amount is taken as the market value due to their directly demandable nature. Financial products are valued at normal market principles.

The fair value of retail credits (mortgage loans/investment credits/ instalment credits) is calculated in a number of steps:

- First the credits' future cash flows are calculated on the basis of their features (interest rate, frequency of repayment, etc.).
- These cash flows are subsequently adjusted in order to take into account early repayments (4% on an annual basis for housing and investment credits; 10% on an annual basis for instalment loans).
- Lastly, the (adjusted) cash flows are discounted on the basis of the IRS curve. The IRS curve Is increased by a cost spread in order to take into account expenses for the management of the credit portfolios.

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

The third category concerns financial instruments for which the fair value is not based on observable market data.
We can find the following elements in the second category:

Assets

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

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

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

Liabilities

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

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

Overview of assets and liabilities expressed at fair value

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

Assets / Liabilities 31.12.2011 – in '000 EUR	Carrying amount (if different from fair value)	Recognised or disclosed fair values	Fair Value determined on the basis of stock market prices	Fair Value determined on the basis of observable data other then stock market prices	Fair Value not determined on the basis of market data	Of which: amount recognised in P&L using a valuation technique during the period (level 3) (1)
Trading assets		6 065 191	92 168	5 973 023		
Financial assets designated at fair value through profit or loss		43 183	21 090	22 093		
Available-for-sale financial assets		7 337 581	6 368 850	962 000	6 731	
Loans and receivables	26 810 930	28 554 792				
Held-to-maturity investments						
Other financial assets						
Financial liabilities held for trading		6 048 855	73 808	5 975 047		
Financial liabilities designated at fair value through profit or loss		378 143		378 143		
Financial liabilities at amortised cost	23 012 690	23 012 690				
Other financial liabilities	10 622 823	10 622 823				

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

Level 3 fair value of financial assets/ liabilities 31.12.2011 – in '000 EUR	RW Level 3 OPENING BALANCE	(a) Net profits and losses included in: P&L	OCI	(b) Settlements	(c) Net transfers in and out Level 3	RW Level 3 CLOSING BALANCE	Level 3 Total impact on W&V for 2011
Assets available for sales (7120)	6 525 040.07	0.00	0.00	154 700.00	50 892.18	6 730 632.25	322 168.00
Financial assets designated at fair value through profit or loss (7110)						0.00	0.00
Financial assets held for trading (7100)						0.00	0.00
Financial liabilities held for trading (7160)						0.00	0.00
TOTAL OF LEVEL 3 FINANCIAL ASSETS/ LIABILITIES	6 525 040.07	0.00	0.00	154 700.00	50 892.18	6 730 632.25	322 168.00

(a) Matches the realised and unrealised W&V and OCI during the period of financial assets/liabilities classed as level 3 at the start (including the impact due to the exchange result, interest result, impairments and debit entries as definitive losses).

(b) Settlements during the period of financial assets/liabilities classed as level 3 at the start (refund of securities).

(c) The net transfers in and out of Level 3 comprise the following movements: transfers from Level 3 to Level 2 for the full amount of EUR 12 364 321.48 due to the automation and the availability of market data.

Assets / Liabilities 31.12.2010 – in '000 EUR	Carrying amount (if different from fair value)	Recognised or disclosed fair values	Fair Value determined on the basis of stock market prices	Fair Value determined on the basis of observable data other then stock market prices	Fair Value not determined on the basis of market data	Of which: amount recognised in P&L using a valuation technique during the period (level 3) (1)
Trading assets		2 862 765	33 777	2 828 988		
Financial assets designated at fair value through profit or loss		71 663	21 545	50 118		
Available-for-sale financial assets		4 993 190	3 334 803	1 651 862	6 525	
Loans and receivables	22 354 881	23 722 850				
Held-to-maturity investments						
Other financial assets						
Financial liabilities held for trading		2 810 610	42 745	2 767 865		
Financial liabilities designated at fair value through profit or loss		67 534		67 534		
Financial liabilities at amortised cost	19 812 387	19 827 737				
Other financial liabilities	7 179 356	7 179 356				

(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.

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

In relation to the assets available for selling regarding which the FV is based on quoted prices:
Change in market value: -321 851
Purchase/sale: -450 567

In relation to the assets available for selling regarding which the FV is based on observable data other than quoted prices:
Purchase/sale: 2 786 496

The evolution is mainly due to derivate transactions within HUB activities of the bank in relation to financial assets and liabilities for business goals (access to the market for mainly insurance entities of the AXA Group).

Valuation technique based on market data:

The large majority of the positions classified under this point are valuated using mark to model prices calculated by AXA IM.

The remaining part is priced using information found in Bloomberg, Reuters, Markit and/or Interactive Data or communicated by counterparties after being checked in order to assess their reliability.

4.9.3 / Day one profits

AXA Bank Europe has deferred a "day one profit" with regard to a CDO for an amount of EUR 388 909.47 as on 31 December 2010. This amount will be spread over the duration of the instrument.

4.10 / Capital management

At AXA Bank Europe, capital management goes beyond the simple management of equity. The main objectives are the following:

- compliance with capital requirements imposed by the supervisor;
- safeguarding of interests of shareholders, clients and foreign capital;
- maintenance of a sound capital foundation to support the development of its activities;
- guarantee that the available capital is sufficient to meet the bank's capital requirements, on the basis of the underlying corporate strategy.

Regularly, AXA Bank Europe submits a quarterly overview of its capital requirements to ALCO (Assets & Liabilities Committee), for the current year, the following year as well as the long term, on a corporate and consolidated basis. This measure allows the implementation of adjustments in a timely manner.

In practice, AXA Bank Europe is also affected by the EU's solvency requirements. These European regulations have been included in Belgian legislation and the NBB monitors compliance. The required information is transmitted on a quarterly basis.

The supervisor requires that each bank apply a minimum solvency ratio of 8%, defined as the relationship between statutory capital and the weighted risk volume.

The statutory capital is broken down into three tiers:

- Tier 1 capital: share and reserve capital including reinvested earnings. Affected provisions, overfunding of pension commitments and unrealised depreciation of the fixed available-for-sale income portfolio are deducted;
- Tier 2 capital: subordinated loans, perpetual subordinated debts and unrealised surplus values of the fixed available-for-sale income portfolio;
- Tier 3 capital only to cover market risk.

The changes to the calculation of the equity that were imposed by the banking supervisor as from 31 December 2010 do not have an impact on the equity of AXA Bank Europe.

The regulatory capital differs depending on the approach to credit risk. If the Internal Ratings-Based (IRB) approach is applied, a distinction must be made between IRB provisions and IRB estimates of anticipated losses on the off balance sheet items. A surplus of provisions may be included in the Tier 1 capital. A shortage of provisions must be deducted from the regulatory capital (50% Tier 1, 50% Tier 2).

The weighted risk volume for the Belgium retail credit portfolio credit risk is determined according to the IRB. The necessary models were developed to this end. Securitisation positions (mortgage backed) are also processed according to the IRB approach.

The Standard Approach (SA) is applied on the remaining assets, primarily the investment portfolio and the retail activities in Hungary, which is determined by means of risk weighting, which differ depending on the credit assessment, the category and nature of each asset and counterparty, taking into account credit protection and guarantees.

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

The market risk is determined according to the SA.

The requirement for operational risk follows the BIA (basic indicator approach).

AXA Bank Europe obtained permission from the banking supervisor to apply bilateral netting under specific conditions for calculating the derived products of the risk position values at the end of 2010. In order to evaluate to what extent the capital is sufficient, account is also taken of the economic risks linked to subordinated activities, which are valued on the basis of the economic capital. The risks of pillar 2 that are not covered by pillar 1 are also dealt with. The impact of the diversification between the various risk types and the various Business Lines must be taken into account in the calculation of the economic capital. A quarterly report is provided to the Management Board.

en '000 EUR	31.12.2011	31.12.2010
Tier 1 capital		
Paid in capital	546 318	546 318
Reserves including retained earnings	512 477	472 745
minus: other intangible assets	-18 505	-18 896
minus: loss of financial year	-147 758	
minus: charges foreseen for which no provisions where composed		
minus: overfunding pension commitments		
minus: adjustment reserves pursuant to revaluation of cash flow hedges	-29 106	-16 097
minus: valuation differences in FVO financial liabilities (own credit risk)	-5 568	-1 867
Total tier 1 capital	**857 859**	**982 203**
Tier 2 capital		
Positive fair value revaluation reserve on available for sale equities	65	576
Perpetual subordinated debts	189 330	185 763
Subordinated debts	128 093	144 244
Total tier 2 capital	**317 488**	**330 584**
minus: participations		
minus: subordinated advances on participations		
minus: IRB provision shortfall (-)	-34 931	-37 455
net trading book profits		4 434
TOTAL CAPITAL	**1 140 417**	**1 279 767**
TOTAL WEIGHTED RISK VOLUME	**4 460 230**	**4 433 303**
BASEL RATIO	**25.57**	**28.87**

5 / CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

AXA Bank Europe uses estimates and judgements when drawing up its consolidated financial statements on the basis of IFRS. These estimates and judgements are continuously tested and are based on the experience from the past and other factors, among which 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 and this for:
- Financial instruments - securities;
- Financial instruments - credits;
- Tangible fixed assets.

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

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

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

Although the economic context seems to have stabilised itself, estimating future credit losses is made more difficult due to the volatility of the exchange market, sudden interest rate increases and difficulties on the real estate market.

These estimates are being closely followed and are adjusted on a monthly basis with a view to provide the most correct estimate of the provision for credit losses. We also refer to item 4.3.1 of this document for more quantitative information about credit risk in Hungary.

— Estimate of deferred tax.

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

- Deferred tax through Other Comprehensive Income .
A non-realisable loss is a temporary difference that only arises from the mark-to-market adjustment of debt instruments through the other comprehensive income. Such unrealised losses are related to market conditions and is by definition only temporary.
AXA Bank Europe does not expect that this loss will be realised in the future. Should this be the case anyway, AXA Bank Europe must include this loss/impairment through an impairment in the income statement. The loss would then be regarded as a structural loss and on a long-term basis.
As no impairment is noted on the receivable, no credit losses on debt instruments are expected. Therefore, the receivable is considered as fully recoverable.

- Deferred tax as a result of a difference in the time of the accounts being processed.
A deferred tax asset is recognised insofar future accounting profit will be available to recuperate the deferred tax asset.
The following Belgian tax profits are available based on the forecast performed by AXA Bank Europe.

- Tax losses carried forward.
The acknowledgment of deferred taxes for an amount of EUR 32 959 is the result of an estimation by management of the future taxable profit expectations.
In accordance with profit expectations, there should be sufficient future tax profits within the considered period for the settlement of a part of the unused part of mainly transferable losses. The new tax measures of the government have changed the input order of the use of tax transferable losses and Notional Interest Deduction in the corporate tax calculation and, therefore, the transferable tax losses will be used at an earlier date as from today than the transferable stock Notional Interest Deduction from the past.
On the one hand, deferred taxes were included on transferable tax losses based on the same profit expectations.
On the other hand, insufficient tax profits were available for the settlement of the Stock Notional Interest Deduction and, therefore, deferred taxes were not included for this part.
Management is following profit expectations closely and the realisability of the deferred tax due amount is officially covered and documented at least twice a year.

6 / NET FEE AND COMMISSION INCOME

Fee and commission income and expenses

in '000 EUR	31.12.2011	31.12.2010
Fee and commission income		
Securities	19 631	16 301
— Issued	19 631	16 301
— Transfer orders		
— Other		
Clearing and settlement		
Trust and fiduciary activities	1 195	1 315
— Asset management		
— Custody	1 195	1 315
— Other fiduciary transactions		
Loan commitments	1 545	1 508
Payment services	10 732	11 887
Structured finance		
Servicing fees from securitization activities		
Other	9 438	9 486
TOTAL	**42 541**	**40 497**
Fee and commission expenses		
Commissions to agents (acquisition costs)	37 986	29 995
Custody		
Clearing and settlement	347	13
Servicing fees for securitization activities		
Other	10 114	12 217
TOTAL	**48 447**	**42 225**

7 / NET INCOME FROM FINANCIAL INSTRUMENTS NOT CLASSIFIED AS FAIR VALUE THROUGH PROFIT OR LOSS

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

31.12.2011 – in '000 EUR	Realised gains	Realised losses	Net
Available-for-sale financial assets	52 694	3 431	49 263
Loans and receivables (including finance leases)	6 378		6 378
Held-to-maturity investments			
Financial liabilities measured at amortised cost		223	-223
Other			
TOTAL	**59 072**	**3 654**	**55 418**

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

31.12.2010 – in '000 EUR	Realised gains	Realised losses	Net
Available-for-sale financial assets	27 608	15 579	12 029
Loans and receivables (including finance leases)	6 736		6 736
Held-to-maturity investments			
Financial liabilities measured at amortised cost		883	-883
Other			
TOTAL	**34 344**	**16 462**	**17 882**

8 / NET INCOME FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

Net income from financial instruments designated at fair value

31.12.2011 – in '000 EUR	Realised gains	Realised losses	Net
Financial assets designated at fair value through profit or loss	3 905	2 163	1 742
Financial liabilities designated at fair value through profit or loss		54	-54
TOTAL	**3 905**	**2 217**	**1 688**

Net income from financial instruments designated at fair value

31.12.2010 – in '000 EUR	Realised gains	Realised losses	Net
Financial assets designated at fair value through profit or loss	9 173	5 523	3 650
Financial liabilities designated at fair value through profit or loss	5 486	5 370	116
TOTAL	**14 659**	**10 893**	**3 766**

9 / NET INCOME FROM HEDGING ACTIVITIES

Net income from hedging activities

31.12.2011 – in '000 EUR	Realised gains	Realised losses	Net
Fair value hedges	137 809	137 086	723
— Fair value changes of the hedged item attributable to the hedged risk	67 916	88 343	-20 427
— Fair value changes of the hedging derivatives (Including discontinuation)	69 893	48 743	21 150
Cash flow hedges			
— Fair value changes of the hedging derivatives - ineffective portion			
Hedges of net investments in a foreign operation			
— Fair value changes of the hedging derivatives - ineffective portion			
Fair value hedge of interest rate risk	207 656	176 611	31 045
— Fair value changes of the hedged item	207 657		207 657
— Fair value changes of the hedging derivatives	-1	176 611	-176 612
Cash flow hedge of interest rate risk			
— Fair value changes of the hedging instrument - ineffective portion			
Discontinuation of hedge accounting in the case of a cash flow hedge			
TOTAL	**345 465**	**313 697**	**31 768**

Net income from hedging activities

31.12.2010 – in '000 EUR	Realised gains	Realised losses	Net
Fair value hedges	14 474	14 455	19
— Fair value changes of the hedged item attributable to the hedged risk	14 216		14 216
— Fair value changes of the hedging derivatives (Including discontinuation)	258	14 455	-14 197
Cash flow hedges			
— Fair value changes of the hedging derivatives - ineffective portion			
Hedges of net investments in a foreign operation			
— Fair value changes of the hedging derivatives - ineffective portion			
Fair value hedge of interest rate risk	101 887	92 921	8 966
— Fair value changes of the hedged item	92 195		92 195
— Fair value changes of the hedging derivatives	9 692	92 921	-83 229
Cash flow hedge of interest rate risk			
— Fair value changes of the hedging instrument - ineffective portion			
Discontinuation of hedge accounting in the case of a cash flow hedge			
TOTAL	**116 361**	**107 376**	**8 985**

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

10 / OTHER OPERATING INCOME AND EXPENSES

in '000 EUR	31.12.2011	31.12.2010
OPERATING INCOME	**47 725**	**42 096**
Tangible assets measured using the revaluation model		
Investment property		
— Rental income from investment property		
— Cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used		
— Other income related to investment property		
Operating leases		
Other	47 725	42 096
OPERATING EXPENSES	**1 777**	**1 928**
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	1 312	1 375
Other	465	553
TOTAL	**45 948**	**40 168**

11 / STAFF EXPENSES

in '000 EUR	31.12.2011	31.12.2010
Wages and salaries	93 408	86 228
Social security charges	39 081	37 020
Pension and similar expenses	1 747	2 213
Share based payments		
Other	2 557	2 646
TOTAL	**136 793**	**128 107**

12 / OTHER OPERATING EXPENSES

in '000 EUR	31.12.2011	31.12.2010
Marketing expenses	6 863	8 856
Professional fees	42 216	49 413
IT expenses	16 076	11 127
Rents to pay or to receive	-469	498
Other	84 639	96 819
TOTAL	**149 325**	**166 713**

13 / INCOME TAX EXPENSE

AXA Bank Europe makes use of the notional interest deduction. AXA Bank Europe can enjoy using the Notional Interest Deduction based on current Belgian tax legislation.

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

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

The notional interest deduction is based on the company's equity minus a number of corrections such as the deduction for fiscal net value at the end of the previous taxable reporting period for certain financial assets.

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

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

If the accounting profit of the financial year is insufficient in order to fully apply the notional interest deduction, the undeducted portion can be carried forward for seven consecutive years.

The taxable profit is not a reason for corporate tax being owed for the 2011 financial year because of the settlement of branch tax losses. The Notional Interest Deduction advantage of the current and previous financial years was not used.

Deferred taxes on assets were included based on the budget exercises of AXA Bank Europe for part of the non-used tax transferable losses. The new tax measures that apply to both the use and calculation of the Notional Interest Deduction were, however, taken into account for this calculation.

Reconciliation of statutory tax to effective tax

31.12.2011 – in '000 EUR	Net amount	%
1. Tax expense using statutory rate	-48 487	
— 1.1. Net profit before taxes	-142 651	
— 1.2. Statutory tax rate		33.99%
2. Tax impact of rates in other jurisdictions	18 222	
3. Tax impact of non taxable revenues	2 800	
4. Tax impact of non tax deductible expenses	1 097	
5. Tax impact of utilisation of previously unrecognised tax losses		
6. Tax impact on tax benefit not previously recognised in profit or loss	-33 059	
7. Tax impact from reassessment of unrecognised deferred tax assets	29	
8. Tax impact of change in tax rates		
9. Tax impact from under or over provisions in prior periods		
10. Other increase (decrease) in statutory tax charge	4 046	
11. Tax expense using effective rate	5 108	
— 11.1. Net profit before taxes	-142 651	
— 11.2. Effective tax rate		-3.58%

Reconciliation of statutory tax to effective tax

31.12.2010 – in '000 EUR	Net amount	%
1. Tax expense using statutory rate	-4 662	
— 1.1. Net profit before taxes	-13 715	
— 1.2. Statutory tax rate		33.99%
2. Tax impact of rates in other jurisdictions	6 979	
3. Tax impact of non taxable revenues	5	
4. Tax impact of non tax deductible expenses	332	
5. Tax impact of utilisation of previously unrecognised tax losses		
6. Tax impact on tax benefit not previously recognised in profit or loss	5 554	
7. Tax impact from reassessment of unrecognised deferred tax assets	21 827	
8. Tax impact of change in tax rates	-3 764	
9. Tax impact from under or over provisions in prior periods		
10. Other increase (decrease) in statutory tax charge	2 444	
11. Tax expense using effective rate	-26 057	
— 11.1. Net profit before taxes	-13 715	
— 11.2. Effective tax rate		189.99%

The tax claim recognized by AXA Bank Europe includes taxable reserves and provisions as well as tax claims on temporary differences due to IFRS restatements and fiscally transferred losses. Regarding these temporary differences, the major part relates to fair value changes of the investment portfolio for which is assumed that most securities will be held until maturity. Based on the budget analyses carried out by management, AXA Bank Europe does not expect any issues regarding the recoverability of these claims.

Hereunder a break-down of the recoverability of the deferred tax asset is shown:

Analysis of deferred tax assets and liabilities 31.12.2011 – in '000 EUR	Net deferred tax assets	Net deferred tax liabilities	Net deferred taxes
Deferred taxes through result	50 174	20 726	29 448
Deferred taxes through revaluation reserve for financial assets available for sale	112 602	8 501	104 101
Deferred taxes through cash flow hedge revaluation reserve	5 917	0	5 917
Deferred taxes through profit and loss on defined benefit plans	4 141	0	4 141
TOTAL DEFERRED TAXES	**172 834**	**29 227**	**143 607**

Analysis of deferred tax assets and liabilities 31.12.2010 – in '000 EUR	Net deferred tax assets	Net deferred tax liabilities	Net deferred taxes
Deferred taxes through result	79 092	44 724	34 367
Deferred taxes through revaluation reserve for financial assets available for sale	83 195	4 208	78 987
Deferred taxes through cash flow hedge revaluation reserve	2 821	0	2 821
Deferred taxes through profit and loss on defined benefit plans	2 756	0	2 756
TOTAL DEFERRED TAXES	**167 864**	**48 933**	**118 931**

Deferred tax assets per expected date of utilization 31.12.2011 – in '000 EUR	Deferred tax asset - expected date of utilization 1 year	Deferred tax asset - expected date of utilization 2 years	Deferred tax asset - expected date of utilization 3 years	Deferred tax asset - expected date of utilization 4 years	Deferred tax asset - expected date of utilization 5 years	Deferred tax asset - expected date of utilization 6 years	Deferred tax asset - expected date of utilization Between 7 and 11 years	Deferred tax asset - expected date of utilization > 11 years	Deferred tax asset - expected date of utilization No date determined	Total
Deferred tax asset on taxable transferred losses	0	529	9 977	21 829	0	0	0	0	0	32 335
Other deferred tax assets	8 067	2 105	2 214	2 383	16 186	3 010	18 899	87 635	0	140 499
TOTAL DTA	**8 067**	**2 634**	**12 191**	**24 212**	**16 186**	**3 010**	**18 899**	**87 635**	**0**	**172 834**

Deferred tax assets per expected date of utilization 31.12.2010 – in '000 EUR	Deferred tax asset - expected date of utilization 1 year	Deferred tax asset - expected date of utilization 2 years	Deferred tax asset - expected date of utilization 3 years	Deferred tax asset - expected date of utilization 4 years	Deferred tax asset - expected date of utilization 5 years	Deferred tax asset - expected date of utilization 6 years	Deferred tax asset - expected date of utilization Between 7 and 11 years	Deferred tax asset - expected date of utilization > 11 years	Deferred tax asset - expected date of utilization No date determined	Total
Deferred tax asset on taxable transferred losses	0	185	2 414	1 021	0	0	0	155	0	3 775
Other deferred tax assets	14 792	9 090	20 973	11 198	4 259	11 349	30 076	62 353	0	164 088
TOTAL DTA	**14 792**	**9 275**	**23 387**	**12 219**	**4 259**	**11 349**	**30 076**	**62 508**	**0**	**167 864**

Deferred tax assets as on the last use date

31.12.2011 – in '000 EUR

	DTA last use date 1 year	DTA last use date 2 years	DTA last use date 3 years	DTA last use date 4 years	DTA last use date 5 years	DTA last use date 6 years	DTA last use date Between 7 and 11 years	DTA last use date > 11 years	DTA last use date No due date	Total
DTA on taxable transferred losses	0	0	0	0	0	0	0	0	32 335	32 335
Other deferred tax assets	4 982	1 047	2 210	2 378	17 663	3 005	19 304	78 923	10 986	140 499
TOTAL DTA	**4 982**	**1 047**	**2 210**	**2 378**	**17 663**	**3 005**	**19 304**	**78 923**	**43 321**	**172 834**

Deferred tax assets as on the last use date

31.12.2010 – in '000 EUR

	DTA last use date 1 year	DTA last use date 2 years	DTA last use date 3 years	DTA last use date 4 years	DTA last use date 5 years	DTA last use date 6 years	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	3 775	3 775
Other deferred tax assets	1 120	1 833	3 153	2 872	12 452	25 140	41 451	51 743	24 326	164 089
TOTAL DTA	**1 120**	**1 833**	**3 153**	**2 872**	**12 452**	**25 140**	**41 451**	**51 743**	**28 101**	**167 864**

Income tax expense (income), current and deferred

in '000 EUR	2011	2010
Current income tax expense, net	97	-4
Deferred tax expense, net	5 010	-26 053

AXA Bank Europe's equity contains tax free reserves (for an amount of EUR 235 083 484.12) for which no deferred tax asset is recognised (for EUR 79 904 876.25). In case these reserves would be paid out, they would be taxed. As long as the bank is a going concern, these reserves are required as part of the equity capital for the operations of the bank and there is no intention to pay them out.

14 / CASH AND BALANCES WITH CENTRAL BANKS

in '000 EUR	31.12.2011	31.12.2010
Current accounts with central banks	512 224	558 236
— Available credit balances with central banks	512 224	558 236
Mandatory reserve deposits with central banks	-	0
TOTAL	**512 224**	**558 236**

This section includes EUR 264 531.98 in accrued interests.

15 / LOANS AND RECEIVABLES

Counterparty breakdown 31.12.2011 – in '000 EUR	Unimpaired assets	Impaired assets (total carrying amount)	Allowances for individually assessed financial assets	Allowances for collectively assessed financial assets	Total net carrying amount
Debts instruments issued by					
— Central governments					
— Credit institutions					
— Non credit institutions					
— Corporate					
— Retail					
Loans and receivables to	26 484 611	576 212	200 787	49 106	26 810 932
— Central governments					
— Credit institutions	4 990 774				4 990 774
— Non credit institutions	6 499 416	879	674		6 499 622
— Corporate	964 709	24 490	11 663		977 536
— Retail	14 029 712	550 843	188 450	49 106	14 343 000
Accrued income (if accounted for separately)					
TOTAL	**26 484 611**	**576 212**	**200 787**	**49 106**	**26 810 932**

Counterparty breakdown 31.12.2010 – in '000 EUR	Unimpaired assets	Impaired assets (total carrying amount)	Allowances for individually assessed financial assets	Allowances for collectively assessed financial assets	Total net carrying amount
Debts instruments issued by					
— Central governments					
— Credit institutions					
— Non credit institutions					
— Corporate					
— Retail					
Loans and receivables to	21 994 397	494 952	118 613	15 855	22 354 881
— Central governments	1 124				1 124
— Credit institutions	2 983 509				2 983 509
— Non credit institutions	4 829 204				4 829 204
— Corporate	38 200	21 799	12 379		47 620
— Retail	14 142 360	473 153	106 234	15 855	14 493 424
Accrued income (if accounted for separately)					
TOTAL	**21 994 397**	**494 952**	**118 613**	**15 855**	**22 354 881**

Loans and receivables (excluding credit institutions)

31.12.2011 – in ‘000 EUR

	Central governments	Non credit institutions	Corporate	Retail
Bills & own acceptances				
Finance leases				
Reverse repo		6 289 107		
Consumer Credit		3 207	4 315	1 036 832
Mortgage loans		17 505	2 589	12 084 681
Term loans		186 669	942 250	1 030 777
Current accounts		2 309	28 155	52 684
Other		823	227	138 026
TOTAL		**6 499 620**	**977 536**	**14 343 000**

Loans and receivables (excluding credit institutions)

31.12.2010 – in ‘000 EUR

	Central governments	Non credit institutions	Corporate	Retail
Bills & own acceptances				
Finance leases				
Reverse repo		4 577 774		
Consumer Credit			11 207	868 289
Mortgage loans				11 478 355
Term loans		192 644	26 313	2 078 000
Current accounts		2 254	10 046	57 087
Other	1 124	56 532	53	11 694
TOTAL	**1 124**	**4 829 204**	**47 619**	**14 493 425**

16 / FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Counterparty breakdown 31.12.2011 – in '000 EUR	Total (carrying amount)
Equity instruments	1 785
— Quoted	1 785
— Unquoted but FV determinable	
Debt instruments issued by	41 398
— Central governments	
— Credit institutions	21 090
— Non credit institutions	20 308
— Corporate	
— Retail	
Loans & advances to	
— Central governments	
— Credit institutions	
— Non credit institutions	
— Corporate	
— Retail	
Accrued income if accounted for separately	
TOTAL	43 183

Counterparty breakdown 31.12.2010 – in '000 EUR	Total (carrying amount)
Equity instruments	2 541
— Quoted	2 541
— Unquoted but FV determinable	
Debt instruments issued by	69 122
— Central governments	
— Credit institutions	40 725
— Non credit institutions	28 397
— Corporate	
— Retail	
Loans & advances to	
— Central governments	
— Credit institutions	
— Non credit institutions	
— Corporate	
— Retail	
Accrued income if accounted for separately	
TOTAL	71 663

17 / AVAILABLE FOR SALE FINANCIAL INVESTMENTS

Counterparty breakdown

31.12.2011 – in '000 EUR

	Fair value of unimpaired assets	Fair value of impaired assets	Total net carrying amount	Impairment
Equity	6 889	1 970	8 859	1 324
— Quoted	140	1 947	2 087	1 313
— Unquoted but FV determinable	69	23	92	11
— Equity instruments at cost	6 680		6 680	
Debt instruments issued by	7 311 496	17 227	7 328 722	17 393
— Central governments	6 166 017		6 166 017	
— Credit institutions	192 130	12 351	204 481	4 947
— Non credit institutions	826 629	4 876	831 505	12 446
— Corporate	126 720		126 720	
— Retail				
Loans & advances to				
— Central governments				
— Credit institutions				
— Non credit institutions				
— Corporate				
— Retail				
Accrued income (if accounted for separately)				
TOTAL	**7 318 385**	**19 197**	**7 337 581**	**18 717**

Counterparty breakdown

31.12.2010 – in '000 EUR

	Fair value of unimpaired assets	Fair value of impaired assets	Total net carrying amount	Impairment
Equity	6 734	2 898	9 632	2 236
— Quoted	140	2 865	3 005	2 178
— Unquoted but FV determinable	6 594	33	6 627	58
— Equity instruments at cost				
Debt instruments issued by	4 970 871	12 688	4 983 558	13 128
— Central governments	3 169 055		3 169 055	
— Credit institutions	501 148	1	501 149	
— Non credit institutions	1 100 020	12 687	1 112 707	13 128
— Corporate	200 648		200 648	
— Retail				
Loans & advances to				
— Central governments				
— Credit institutions				
— Non credit institutions				
— Corporate				
— Retail				
Accrued income (if accounted for separately)				
TOTAL	**4 977 605**	**15 586**	**4 993 190**	**15 364**

18 / TRADING ASSETS

Counterparty breakdown

31.12.2011 – in '000 EUR	Carrying amount
Derivatives held for trading	6 055 789
Equity instruments	9 390
— Quoted	9 390
— Unquoted but FV determinable	
— Equity instruments at cost	
Debt instruments issued by	12
— Central governments	
— Credit institutions	
— Non credit institutions	
— Corporate	12
— Retail	
Loans & advances to	
— Central governments	
— Credit institutions	
— Non credit institutions	
— Corporate	
— Retail	
Accrued income (if accounted for separately)	
TOTAL	**6 065 191**

Counterparty breakdown

31.12.2010 – in '000 EUR	Carrying amount
Derivatives held for trading	2 852 814
Equity instruments	9 950
— Quoted	9 950
— Unquoted but FV determinable	
— Equity instruments at cost	
Debt instruments issued by	
— Central governments	
— Credit institutions	
— Non credit institutions	
— Corporate	
— Retail	
Loans & advances to	
— Central governments	
— Credit institutions	
— Non credit institutions	
— Corporate	
— Retail	
Accrued income (if accounted for separately)	
TOTAL	**2 862 764**

19 / IMPAIRMENT CHARGE FOR CREDIT LOSSES

31.12.2011 – in '000 EUR	Overdue ≤ 90 days	Overdue > 90 days & ≤ 180 days	Overdue > 180 days & ≤ 1 year	Overdue > 1 year	Net carrying amount of the impaired assets	Specific allowances for individually assessed financial assets	Specific allowances for collectively assessed financial assets	Collateral and other credit enhancements received as security for the related impaired and past due assets
Equity instruments					1 970	1 324		
— Quoted					1 947	1 313		
— Unquoted but FV determinable					23	11		
— Equity instruments at cost								
Debt instruments					17 226	17 393		
— Central governments								
— Credit institutions					12 350	4 947		
— Non credit institutions					4 876	12 446		
— Corporate								
— Retail								
Loans & advances	842 689	1 587	61	136	375 427	200 789	12 177	
— Central governments								
— Credit institutions								
— Non credit institutions	16 814	16	13		205	674		
— Corporate	60 845	188	5	38	12 828	11 663		
— Retail	765 030	1 383	43	98	362 394	188 452	12 177	
Bills & own acceptances								
Finance leases								
Securitized loans								
Consumer Credit	103 140	302			29 686	194	12 177	
Mortgage loans	630 881	949		5	101 175	64 305		
Term loans	21 671	25			220 435	114 590		
Current accounts	9 338	107	43	93	11 098	9 363		
Other								
Other financial assets					840	2 533		
TOTAL	**842 689**	**1 587**	**61**	**136**	**395 463**	**222 039**	**12 177**	
Allowances for incurred but not reported losses on financial assets							36 928	
Non specifically attributable collaterals								

31.12.2010 – in '000 EUR	Overdue ≤ 90 days	Overdue > 90 days & ≤ 180 days	Overdue > 180 days & ≤ 1 year	Overdue > 1 year	Net carrying amount of the impaired assets	Specific allowances for individually assessed financial assets	Specific allowances for collectively assessed financial assets	Collateral and other credit enhancements received as security for the related impaired and past due assets
Equity instruments					2 898	2 236		
— Quoted					2 865	2 178		
— Unquoted but FV determinable					33	58		
— Equity instruments at cost								
Debt instruments					12 687	13 128		
— Central governments								
— Credit institutions								
— Non credit institutions					12 687	13 128		
— Corporate								
— Retail								
Loans & advances	685 301	1 044	356	336	371 302	118 613	5 037	
— Central governments	131							
— Credit institutions								
— Non credit institutions	16 899	13		1				
— Corporate	52 853	88	211	49	9 855	12 379		
— Retail	615 418	943	145	286	361 447	106 234	5 037	
Bills & own acceptances								
Finance leases								
Securitized loans								
Consumer Credit	83 029	2			17 322	9 691	234	
Mortgage loans	507 570	759			153 269	26 744	3 777	
Term loans	18 058	17			186 115	61 659	581	
Current accounts	6 761	165	145	286	4 741	8 140	445	
Other								
Other financial assets					838	3 304		
TOTAL	**685 301**	**1 044**	**356**	**336**	**387 725**	**137 281**	**5 037**	
Allowances for incurred but not reported losses on financial assets							10 817	
Non specifically attributable collaterals								

Overview of impairment

31.12.2011 – in '000 EUR

	Additions	Reversals	Total
Impairment losses on financial assets not measured at fair value through profit or loss	216 768	30 593	186 175
— Financial assets measured at cost (unquoted equity and related derivatives)			
— Available for sale financial assets measured at fair value through equity	8 784	3 046	5 738
— Loans and receivables measured at amortized cost (including finance leases)	207 984	27 547	180 437
— 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	**216 768**	**30 593**	**186 175**
Interest income on impaired financial assets accrued in accordance with IAS 39			324

Credit exposure

31.12.2011 – in '000 EUR

	Maximum credit exposure
Equity	20 033
Debt instruments	7 370 132
Loans & advances	27 811 844
Derivatives	6 170 456
Other	115 643
TOTAL	**41 488 108**
Carrying amount of financial assets pledged as collateral for	10 516 892
— Liabilities	10 166 486
— Contingent liabilities	350 406

Allowances movements for credit losses

31.12.2011 – in '000 EUR

	Opening balance	Write-down taken against the allowance	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other adjustments	Transfers between allowances	Closing balance	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or loss
Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets	142 319	15 944	146 667	20 332	-18 495		234 215	4 337	18 169
Allowances for incurred but not reported losses on financial assets	10 817		24 038	272	2 345		36 928		2 345
TOTAL	**153 136**	**15 944**	**170 705**	**20 604**	**-16 150**		**271 143**	**4 337**	**20 514**

Overview of impairment

31.12.2010 – in '000 EUR

	Additions	Reversals	Total
Impairment losses on financial assets not measured at fair value through profit or loss	117 491	50 824	66 667
— Financial assets measured at cost (unquoted equity and related derivatives)			
— Available for sale financial assets measured at fair value through equity	11 918	8 036	3 882
— Loans and receivables measured at amortized cost (including finance leases)	105 573	42 788	62 785
— 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	**117 491**	**50 824**	**66 667**
Interest income on impaired financial assets accrued in accordance with IAS 39			262

Credit exposure

31.12.2010 – in '000 EUR

	Maximum credit exposure
Equity	22 122
Debt instruments	5 052 680
Loans & advances	23 154 176
Derivatives	2 901 337
Other	96 894
TOTAL	**31 227 209**
Carrying amount of financial assets pledged as collateral for	6 826 374
— Liabilities	6 813 744
— Contingent liabilities	12 630

Allowances movements for credit losses

31.12.2010 – in '000 EUR

	Opening balance	Write-down taken against the allowance	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other adjustments	Transfers between allowances	Closing balance	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or loss
Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets	167 947	23 715	72 740	47 383	-27 271		142 318	3 775	41 879
Allowances for incurred but not reported losses on financial assets	11 490		2 871	3 441	-104		10 816		
TOTAL	**179 437**	**23 715**	**75 611**	**50 824**	**-27 375**		**153 134**	**3 775**	**41 879**

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

Received collateral

AXA Bank Belgium does not own collateral, which it is permitted to sell or repledge in the absence of default by the debtor, except for:

— collateral received as part of repo/reverse repo transactions;
— collateral received as part of a number of derivative transactions;
— collateral received with respect to collateralized deposits.

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

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

Retail collateral

Collateral for residential mortgages

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

Property guarantees are legally required. The mortgage guarantees to be established can be reused in the context of potential subsequent mortgage loans.

All guarantees complementing mortgage guarantees must be fixed before the credit is officially established (this also, therefore applies to additional movable guarantees). For a bridging loan in theory a mortgage mandate is established on both the property to be bought and the property to be sold.

Collateral for personal credits

These guarantees are the following:

— **real**: relate to a property, movable or immovable, with an intrinsic value;
— **personal**: consist of a right to establish claim against a person;
— **moral**: grant no implementation method to the bank and rely on the honesty of those that have issued them.

Below you will find a list of guarantees that are used regularly for professional credits at AXA Bank Europe.

Real guarantees

— Mortgage and mortgage subscription;
— Authentic pledging of business;
— Subrogation to the benefit of the seller of real estate;
— Pledging of securities;
— Pledging account balance;
— Transfer of all “traditional life insurance” rights;
— Transfer of all insurance policy rights Branch 21, 23;
— Transfer of salary.

Personal or moral guarantees

— Security;
— Mortgage mandate;
— Irrevocable commitment by a third party.

Collateral for instalment loans

For consumer credits only one type of guarantees is used:

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

Treasury and derivatives guarantees

At this time the only guarantees received by AXA Bank Europe are those regarding repo activities or derivatives, in function of the fluctuation of the market value of the deals.

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

In repo activities we distinguished two types of collateral: on the one hand the collateral received at the time a new deal is concluded; on the other hand the collateral asked during the term of the deals in function of the fluctuation of the market value of the initially provided collateral. For French counterparties this additional collateral will always be settled in cash (at EONIA commission). This in contrast, however, to the time of the deal initiation when only securities are accepted as collateral. We also have tripartite repo activities whereby Clearstream or Euroclear ensures that we receive sufficient collateral at all times from our counterparties insofar as said collateral is included in our “collateral basket”.

In derivatives activities currently the general rule applies that collateral is actively requested. Only cash (at Eonia compensation) and Belgian, German, Italian, French and UK government bonds with a residual term of at least one year and at the most 10 will be considered. An exception to this rule is the American counterparties. For these counterparties, American securities will also be accepted in CSAs with a minimum term of one year and a maximum term of 10 years. For 1 counterparty, AXA Reinsurance Ireland, we also accept government bonds in Japanese yen.

20 / DERIVATIVES

Derivatives comprehend swaps, futures and options contracts. Their value include underlying variables such as interest rates, currency exchange rates, the price of goods or share rates for all types of derivatives.

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

Fair value hedge

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

For a part of the fixed mortgage loan portfolio the "fair value hedge" model is used. This model has been applied since 1 April 2005. From July 2009, the existing hedge accounting relationship was replaced by a new model to strengthen the efficiency of the relationship. A fair value hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of the underlying hedged item instrument. It is periodically checked whether the hedge is still efficient (prospective and retrospective testing). If the model is efficient, the gain or loss from remeasuring with respect to the covered portion of the mortgage loan portfolio is recognised in the profit-and-loss account just like the fair value changes of the relevant derivatives.

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

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

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

The issue by AXA Bank Europe of covered bonds has been covered by interest rate swaps. These swaps are a part of a micro fair value hedge. A regression analysis each quarter tests the efficiency of the model. When it is deemed efficient, the value change in the fair value of the bond as a result of covering the interest rate risk in the profit and loss account.

Cash-Flow hedge

This strategy includes the coverage of current liabilities which will end in 2018. It involves a strict micro-hedge construction aimed at insuring the bank regarding flows to be paid.

Voluntary designation at fair value through profit and loss (Fair value option)

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

- The "fair value option" is applied for asset swaps under IFRS in some portfolios, whereby the economically related instruments, in this case the bonds are also recognised at fair value in the balance sheet with their fair value changes recognised in the income statement. Here an internal model is used based on discounted future cash flows.
- The "fair value option" is also applied to structured deposits, hedged with equity swaps, which are faced with the issuance of EMTNs. This takes place in accordance with the principle of close economic correlation between both since the use of these instruments fits into the management of a maximum risk position. The determination of the fair values takes place on the basis of prices obtained from reliable market participants. These prices obtained externally are validated internally.
- Some funds in the investment portfolio are designated at fair value through profit and loss.
- Investments in structured notes (embedded derivatives not closely related) also fall under the "fair value option".

Freestanding derivatives

Macro-hedge activity

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

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

Trading activity

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

Derivatives – held for trading purposes.

By nature 31.12.2011 – in '000 EUR	By type	Notional amount	Carrying amount Assets	Carrying amount Liabilities
Interest rate	Option / Cap / Floor / Collar / Swaption	6 298 913	316 572	316 572
	IRS	87 512 587	4 875 319	4 877 972
	FRA			
	Forward	99 900	3 529	3 529
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option	29 889	603	603
	Warrant			
	Other	4 041 782	780 516	779 899
Currency (FX)	FX forward			
	FX future			
	Cross currency swap	3 686 106	79 251	70 279
	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		**101 669 177**	**6 055 790**	**6 048 854**

By nature 31.12.2010 – in '000 EUR	By type	Notional amount	Carrying amount Assets	Carrying amount Liabilities
Interest rate	Option / Cap / Floor / Collar / Swaption	8 564 222	186 719	161 369
	IRS	65 171 999	2 423 385	2 391 397
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option	4 923	58	58
	Warrant			
	Other	3 422 950	215 294	215 040
Currency (FX)	FX forward	2 806 118	23 827	42 745
	FX future			
	Cross currency swap			
	FX option	138 448	3 531	1
	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		**80 108 660**	**2 852 814**	**2 810 610**

Derivatives – administrative treatment of hedging activities (micro hedging).

By type of risk 31.12.2011 – in '000 EUR	**By instrument**	**Carrying amount Assets**	**Carrying amount Liabilities**	**Notional amount**
FAIR VALUE HEDGES				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	77 869	156 807	4 868 000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL		**77 869**	**156 807**	**4 868 000**
CASH FLOW HEDGES				
Interest rate				
	Option / Cap / Floor / Collar / Swaption			
	IRS	39	43 547	200 000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL		**39**	**43 547**	**200 000**
Hedges of a net investment in a foreign operation				
TOTAL		**77 908**	**200 354**	**5 068 000**

By type of risk 31.12.2010 – in '000 EUR	By instrument	Carrying amount Assets	Carrying amount Liabilities	Notional amount
FAIR VALUE HEDGES				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	7 039	118 015	2 083 000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL		**7 039**	**118 015**	**2 083 000**
CASH FLOW HEDGES				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	28	34 411	200 000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL		**28**	**34 411**	**200 000**
Hedges of a net investment in a foreign operation				
TOTAL		**7 067**	**152 426**	**2 283 000**

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

Portfolio hedge of interest rate risk 31.12.2011 – in '000 EUR	**Carrying amount Assets**	**Carrying amount Liabilities**	**Notional amount**
Fair value hedges	36 757	376 873	6 144 607
Cash flow hedges			

Portfolio hedge of interest rate risk 31.12.2010 – in '000 EUR	**Carrying amount Assets**	**Carrying amount Liabilities**	**Notional amount**
Fair value hedges	41 454	233 871	3 552 101
Cash flow hedges			

Disclosure on "gain and losses" on existing cash flow hedges	**Carrying amount CFH derivative**	**Unrealized Gains/Losses - During the period**	**Cumulative Unrealized Gains/Losses**	**Release from equity (CFH) to P&L**
Cash flow hedges - Assets				
Cash flow hedges - Liabilities				
CASH FLOW HEDGES - INTEREST RATE CONTRACTS - LIABILITIES				
CF hedges - Interest rate contracts - OTC - Swaps - Liabilities	-9 960	-9 109	-17 407	0

CFH derivate carrying amount = Revenue of the swap in 2011.

Unrealised gains or losses – During the reporting period = Variation of the clean Fair Value of the swap in 2011.

Accumulated unrealised gains or losses = Fluctuation of the clean Fair Value of the swap since the introduction of the hedge model.

Recycling from equity to the income statement = Hedging operations in the income statement for 2011.

Disclosure on the periods when the hedged transaction's cashflows occur	**RMM0-1 < 1 month Maturity**	**RMM1-3 > 1 month, < 3 months Maturity**	**RMM3-12 > 3 months, < 12 months Maturity**	**RMY 1-5 > 1 year, < 5 years Maturity**	**RMY5 > 5 years Residual**
Cash flow hedges - Assets		705			
Cash flow hedges - Liabilities			-9 932		
CASH FLOW HEDGES - INTEREST RATE CONTRACTS - LIABILITIES					
CF hedges - Interest rate contracts - OTC - Swaps - Liabilities					

Future outgoing cash flows that result from the bank's financing credits are covered based on a fixed paying leg for a quarterly floater. This coverage is executed every three months with an external counterparty. The amount specified in this table corresponds with the next cash flow that will be outgoing in June 2012 (fixed) and the cash flow expected in March (floater). Further cash flows run over a period up to 2018.

21 / OTHER ASSETS

Carrying amount

in '000 EUR	31.12.2011	31.12.2010
Employee benefits	84 253	78 422
Servicing assets for servicing rights		
Prepaid charges	2 943	6 793
Accrued income (other than interest income from financial assets)	9 835	4 770
Precious metals, goods and commodities		
Other advances	4 074	1 454
Other	14 537	5 455
TOTAL	**115 642**	**96 894**

22 / INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

AXA Bank Europe has the following limited number of subsidiaries:

— AXA Belgium Finance bv (NL);
— Mofico nv;
— Beran nv;
— AXA Hedging Services Limited;
— AXA Bank Europe SCF (Société de Crédit Foncier).

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

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

Each shareholder is, for each 20% tranche of shares held, entitled to one director and the decisions by the Board of Directors must be ratified by 4/5 majority. Because of its low materiality, this company is not included in the consolidation scope.

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

Royal Street SA and AXA Bank Europe SCF are 2 entities that are used by AXA Bank Europe to attract funds in addition to the more traditional forms of retail financing and this through securitisation operations and issue of covered bonds.

The structure as it has now been set up does not have a transfer of risk or rewards as a result based on the perspective of AXA Bank Europe and, therefore, both entities were integrally included in the AXA Bank Europe consolidation circuit.

Changes in the consolidation circuit during the 2011 financial year

There were no changes in the consolidation circuit for the 2011 financial year.

It can, however, be indicated that the IT centre in Poland became operational during the course of 2011 as additional information. This IT centre will be providing support services to other branches that will be using the Flexcube accountancy and management application. This IT centre also has the format of a branch and was integrated as such in the company books.

Entity 31.12.2011 – in '000 EUR	**Accumulated equity interest (%)**	**Assets**	**Liabilities**	**Profit or loss**	**Reporting date**
Accounted for by using full consolidation:					
ALEHS	100.00%	22 834.00	10 409.00	5 623.00	31.12.11
AXA Belgium Finance	100.00%	389 833.00	387 104.00	89.00	31.12.11
Royal Street sic	10.00%	6 140 806.00	6 132 683.00	20.00	31.12.11
SCF	100.00%	3 410 184.00	3 259 544.00	59 757.00	31.12.11

Entity 31.12.2011 – in '000 EUR	**Accumulated equity interest (%)**	**Assets**	**Liabilities**	**Profit or loss**	**Reporting date**
Not accounted for by using full consolidation:					
Beran	100.00%	2 121.00	15.00	-19.00	31.12.11
Mofico	20.00%	222.00	37.00	35.00	31.12.10
Brand & Licence Cy	100.00%	8 752.00	4 096.00	932.00	31.12.11

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

Motor Finance Company

Is the vehicle in which investments in self-banking devices are housed, which are leased to agents.

Beran

On 22 January 2008 Beran NV bought the residual rights and the ground lease for the real estate located in Berchem, 214 Grote Steenweg, resulting in the termination of co-ownership with Fortis.

23 / GOODWILL AND OTHER INTANGIBLE ASSETS

AXA Bank Europe currently has no goodwill.

During 2011 investments were made in internal projects for EUR 2 160 965.19 for the bank in Belgium. This mainly concerns adjustments in the area of SEPA and developments in the area of bank extracts. In addition, EUR 3 225 459.94 was spent on mainly the further expansion or new development of the management and accountancy applications of the branches.

Intangible assets accounted for by using the cost model

31.12.2011 – in '000 EUR

	Good-will	Internally developed software	Acquired software	Other internally developed intangible assets	Other intangible assets	Total carrying amount
Opening balance		**1 637**	**17 130**		**129**	**18 896**
Additions from internal development		2 161				2 161
Additions from separate acquisition			3 225		847	4 072
Adjustments from business combinations						
Retirement & disposals			541			541
Transfers to and from non-current assets Held for Sale						
Adjustments resulting from subsequent recognition of deferred tax assets						
Amortization recognized		3 145	3 541		26	6 712
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			30			30
Other movements		7 354	-6 755			599
Ending balance		**8 007**	**9 548**		**950**	**18 505**
Amortization financial year		3 145	3 541		26	
Amortization previous year			3 934		1 001	
Cumulated Amortization		**3 181**	**4 686**		**1 057**	
Recoverable amount						
Gross amount of impairment of goodwill						
Accumulated impairment of goodwill						
Assets held under a finance lease						
Assets subject to an operating lease						

Intangible assets accounted for by using the cost model 31.12.2010 – in '000 EUR	Good-will	Internally developed software	Acquired software	Other internally developed intangible assets	Other intangible assets	Total carrying amount
Opening balance			**18 530**		**28**	**18 558**
Additions from internal development		1 672				1 672
Additions from separate acquisition			2 194		131	2 325
Adjustments from business combinations						
Retirement & disposals						
Transfers to and from non-current assets Held for Sale			20			20
Adjustments resulting from subsequent recognition of deferred tax assets						
Amortization recognized		35	4 095		30	4 160
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			343			343
Other movements			178			178
Ending balance		**1 637**	**17 130**		**129**	**18 896**
Amortization financial year		35	4 095		30	
Amortization previous year			3 934		1 001	
Cumulated Amortization		**35**	**8 044**		**1 031**	
Recoverable amount						
Gross amount of impairment of goodwill						
Accumulated impairment of goodwill						
Assets held under a finance lease						
Assets subject to an operating lease						

24 / PROPERTY, PLANT AND EQUIPMENT

Status as at 31 December 2011

PPE measured after recognition using the cost model 31.12.2011 – in '000 EUR	Owner-occupied land and building	IT equipment	Office equipment	Other equipment (including cars)	Total carrying amount
Opening balance	**44 346**	**773**	**2 847**	**1 588**	**49 555**
Additions	179	477	305	424	1 385
Acquisition through business combinations					
Disposals				673	673
Disposals through business combinations					
Depreciation	1 583	330	726	159	2 798
Impairment losses recognized in profit or loss					
Impairment losses reversed in profit or loss					
Foreign currency translation effects				-42	-42
Transfers					
— To and from non-current assets held for sale					
— To and from investment property					
Other changes			50	-85	-35
Closing balance	**42 942**	**920**	**2 476**	**1 053**	**47 391**
Accumulated depreciation	**20 275**	**3 693**	**5 641**	**625**	**30 234**
Financial year	**1 583**	**330**	**727**	**159**	**2 799**
Previous year	**18 693**	**3 363**	**4 914**	**466**	**27 436**
— Assets held under a finance lease					
— Assets subject to operating lease					

Status as at 31 December 2010

PPE measured after recognition using the cost model 31.12.2010 – in '000 EUR	Owner-occupied land and building	IT equipment	Office equipment	Other equipment (including cars)	Total carrying amount
Opening balance	**37 521**	**626**	**1 644**	**1 883**	**41 675**
Additions	8 407	417	1 536	298	10 658
Acquisition through business combinations					
Disposals				187	187
Disposals through business combinations					
Depreciation	1 582	272	333	209	2 396
Impairment losses recognized in profit or loss					
Impairment losses reversed in profit or loss					
Foreign currency translation effects		2		-19	-17
Transfers					
— To and from non-current assets held for sale					
— To and from investment property					
Other changes				-178	-178
Closing balance	**44 346**	**773**	**2 847**	**1 588**	**49 554**
Accumulated depreciation	**18 692**	**3 364**	**4 063**	**1 636**	**27 755**
Financial year	**1 582**	**272**	**334**	**209**	**2 397**
Previous year	**17 111**	**3 092**	**3 729**	**1 427**	**25 359**
— Assets held under a finance lease					
— Assets subject to operating lease					

The investments in 2011 mainly comprise investments in IT material and vehicles.

The disposals mainly concern the sale of two smaller buildings in Luik and Schaarbeek.

25 / FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH THE INCOME STATEMENT

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

This fair value amounts to EUR 378 148 310.61 in total and the nominal amount to be redeposited amounts to EUR 379 979 402.80 on 31 December 2011.

The cumulative impact of the share in the bank's own credit risk in the amount of the fair value results in a drop of EUR 5 567 606.84 of the fair value of the liabilities.

Up to 2008, the share of the bank's own credit risk was calculated based on the fair value based on the margin that AXA Bank Europe applies to issues for private investors. Since issues did not take place in 2009 and 2010, the calculation was based on the Credit Default Swap on AXA NV in 2009 and 2010. Due to the issue programme that was launched this year, the bank can again use the margin that is used on the issues for private investors. The bank has, therefore, decided to switch to this technique because it correctly mirrors the context of the private investor market on which the issues focus.

The new method calculates the difference between the margin's level that AXA Bank Europe applies to the issues for private investors on the date of issue and the same level on the reporting date. The cash flows are determined based on this difference on every coupon date that are updated to determine the bank's share in the credit risk for every issue.

Counterparty breakdown

31.12.2011 – 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)	378 148	5 568	1 831
— Certificates of deposits			
— Customer saving certificates (also when dematerialised)			
— Bonds	378 148	5 568	1 831
Convertible			
Non-convertible	378 148	5 568	1 831
— Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	**378 148**	**5 568**	**1 831**

Counterparty breakdown

31.12.2010 – in '000 EUR

Counterparty breakdown	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)	1 000		
— Current accounts / overnight deposits			
— Deposits with agreed maturity	1 000		
— Deposits redeemable at notice			
— Other deposits			
Debt certificates (including bonds)	66 534	3 372	6 686
— Certificates of deposits			
— Customer saving certificates (also when dematerialised)			
— Bonds	66 534	3 372	6 686
Convertible			
Non-convertible	66 534	3 372	6 686
— Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	**67 534**	**3 372**	**6 686**

26 / DEPOSITS

Counterparty breakdown

31.12.2011 – in '000 EUR

	Central governments	Non credit institutions	Corporate	Retail	Total carrying amount
Deposits from credit institutions					964 100
— Current accounts / overnight deposits					1 096
— Deposits with agreed maturity					963 004
— Deposits redeemable at notice					
— Other deposits					
Deposits (other than from credit institutions)	226 322	2 675 130	113 172	13 860 584	16 875 208
— Current accounts / overnight deposits	3 941	353 400	35 350	2 425 855	2 818 546
— Deposits with agreed maturity	222 352	2 294 005	76 912	2 308 020	4 901 289
— Deposits redeemable at notice					
— Other deposits	29	27 725	910	9 126 709	9 155 373
Special deposits		184	74	88 833	89 091
Regulated deposits	29	27 541	836	9 037 876	9 066 282
Mortgages related deposits					
Other deposits					
Deposit guarantee system					
Debt certificates (including bonds)					2 064 467
— Certificates of deposits					368 698
— Customer saving certificates (also when dematerialised)					439 164
— Bonds					1 256 605
Convertible					
Non-convertible					1 256 605
— Other					
Subordinated liabilities					372 270
Other financial liabilities					2 736 645
Accrued expenses (if accounted for separately)					
TOTAL					**23 012 690**

Counterparty breakdown

31.12.2010 – in '000 EUR

	Central governments	Non credit institutions	Corporate	Retail	Total carrying amount
Deposits from credit institutions					361 374
— Current accounts / overnight deposits					2 768
— Deposits with agreed maturity					358 574
— Deposits redeemable at notice					
— Other deposits					32
Deposits (other than from credit institutions)	13 923	2 549 792	2 384 821	10 800 802	15 749 338
— Current accounts / overnight deposits	6 137	127 445	955 258	1 837 953	2 926 793
— Deposits with agreed maturity	7 684	2 392 685	400 013	1 062 751	3 863 133
— Deposits redeemable at notice					
— Other deposits	102	29 662	1 029 550	7 900 098	8 959 412
Special deposits		256	83 310	25 487	109 053
Regulated deposits	102	29 406	946 240	7 874 611	8 850 359
Mortgages related deposits					
Other deposits					
Deposit guarantee system					
Debt certificates (including bonds)					1 829 785
— Certificates of deposits					458 033
— Customer saving certificates (also when dematerialised)					624 875
— Bonds					746 877
Convertible					
Non-convertible					746 877
— Other					
Subordinated liabilities					374 809
Other financial liabilities					1 527 685
Accrued expenses (if accounted for separately)					
TOTAL					**19 842 991**

27 / SUBORDINATED LIABILITIES

Maturity date 31.12.2011 – in '000 EUR	Convertible subordinated debts	Non convertible subordinated debts	Other term subordinated debts	Subordinated advances
Current year				
Current year +1		17 597		
Current year +2		28 505		
Current year +3		30 724		
Current year +4		22 866		
Current year +5		10 137		
Current year +6		14 036		
Current year +7		11 641		
Current year +8		4 243		
Current year +9		3 580		
Current year +10		2 974		
More than current year +10				
Perpetuals		225 967		
TOTAL		**372 270**		

Maturity date 31.12.2010 – in '000 EUR	Convertible subordinated debts	Non convertible subordinated debts	Other term subordinated debts	Subordinated advances
Current year				
Current year +1		10 751		
Current year +2		17 962		
Current year +3		28 569		
Current year +4		30 794		
Current year +5		22 918		
Current year +6		10 160		
Current year +7		46 089		
Current year +8		12 299		
Current year +9		1 491		
Current year +10		3 588		
More than current year +10		13		
Perpetuals		190 175		
TOTAL		**374 809**		

28 / TRADING LIABILITIES

Counterparty breakdown

31.12.2011 – in '000 EUR	Carrying amount
Deposits from credit institutions	
— Current accounts / overnight deposits	
— Deposits with agreed maturity	
— Deposits redeemable at notice	
— Other deposits	
Derivatives held for trading	6 048 855
Short positions	
— In equity instruments	
— In fixed income instruments	
Deposits (other than from credit institutions)	
— Current accounts / overnight deposits	
— Deposits with agreed maturity	
— Deposits redeemable at notice	
— Other deposits	
Debt certificates (including bonds)	
— Certificates of deposits	
— Customer saving certificates (also when dematerialised)	
— Bonds	
Convertible	
Non-convertible	
— Other	
Other financial liabilities	
Accrued expenses (if accounted for separately)	
TOTAL	**6 048 855**

Counterparty breakdown

31.12.2010 – in '000 EUR	Carrying amount
Deposits from credit institutions	
— Current accounts / overnight deposits	
— Deposits with agreed maturity	
— Deposits redeemable at notice	
— Other deposits	
Derivatives held for trading	2 810 610
Short positions	
— In equity instruments	
— In fixed income instruments	
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	**2 810 610**

29 / OTHER LIABILITIES

Carrying amount

in '000 EUR	31.12.2011	31.12.2010
Employee benefits	1 007	
Social security charges	31 154	28 437
Servicing liabilities for servicing rights		
Leasing liabilities		
Accrued charges (other than from interest expenses on financial liabilities)	381	13 347
Income received in advance	1 934	1 975
Other debts	31 392	17 411
Other	-221	210
TOTAL	**65 647**	**61 380**

30 / PROVISIONS

31.12.2011 – in '000 EUR	Re-structuring	Provisions for Tax litigation	Pending legal issues	Pensions and other post retirement benefit obligations	Loan commitments and guarantees	Onerous contracts	Other provisions	Total
Opening balance	**242**	**29 892**	**2 579**	**137 318**	**355**		**8 598**	**178 984**
Additions	26		1	20 789	314		4 313	25 443
Amounts used			3	2 724	183		638	3 548
Unused amounts reversed during the period	159		233	9 796	14			10 202
Acquisitions (disposals) through business combination								
Increase in the discounted amount (passage of time) and effect of any change in the discount rate								
Exchange differences				13	15		-355	-327
Other movements				9 799	103		3 174	13 076
Closing balance	**109**	**29 892**	**2 344**	**155 399**	**590**		**15 092**	**203 426**

31.12.2010 – in '000 EUR	Re-structuring	Provisions for Tax litigation	Pending legal issues	Pensions and other post retirement benefit obligations	Loan commitments and guarantees	Onerous contracts	Other provisions	Total
Opening balance	**731**	**33 876**	**2 363**	**125 290**	**3 656**		**4 207**	**170 123**
Additions	87		717	8 851	14		546	10 215
Amounts used			105	1 815	3			1 923
Unused amounts reversed during the period	575		396	9 186	3 312		138	13 607
Acquisitions (disposals) through business combination								
Increase in the discounted amount (passage of time) and effect of any change in the discount rate								
Exchange differences				19			6	25
Other movements		-3 984		14 159			3 978	14 153
Closing balance	**243**	**29 892**	**2 579**	**137 318**	**355**		**8 599**	**178 986**

Below are some clarifications about the major components in these provisions at AXA Bank Europe.

Reorganisation
The social liabilities result from commitments made by ANHYP prior to its merger with IPPA, which created AXA Bank Europe. This involves individual arrangements which mature in 2018 at the latest but for which the largest amount was recognised in the period 2007-2009. In 2011 a provision of EUR 158 846.53 was used.

Ongoing legal disputes
This comprises the provision for disputes with agents and former agents for EUR 2 323 005.50. It mainly concerns disputes due to cases of fraud. No important disputes were filed in 2011 and an amount was released of EUR 233 481.30.

In addition, we have a provision for disputes with clients and third parties due to disputes within the framework of various bank operations that amounts to EUR 20 792.75. No important disputes were filed in 2011 and the amount remained unchanged.

Predictions vary about the period of settlement of these disputes and are sometimes difficult to estimate.

Provisions for tax disputes
This section includes provisions as part of additional taxes charged to the bank, 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.

Pensions and other benefit liabilities on the basis of allocated pension schemes
The majority involves the provision in accordance with IAS19, that is, EUR 114 125 207.37. For further details and information we refer to the Section “Post-employment benefits and other long-term expenses”.

Here, the collective scheme is included that is related to social security liabilities that are specified in the “reorganisation” point, that is EUR 289 136.23.

During the 2011 financial year, new provisions were made for an amount of EUR 18 887 458.68 within the framework of the opting-out schemes that currently exist at AXA Bank Europe while there was also a release of EUR 1 388 676.74 and use of the provision that amounts to EUR 7 063 328.74. As such, these provisions amount to EUR 35 032 310.68 as on 31 December 2011. They have been included in the collective bargaining agreement of 7 May 2007 and in the extension of this collective bargaining agreement dated 25 November 2009. Since employees who are 50 or older (and who meet the set conditions) can make use of this scheme, this entry will continue to exist for 10 years.

There is, furthermore, another provision of EUR 2 380 604.65 for paying the time credit as on 31 December 2011. EUR 1 164 035.70 was added and EUR 755 585.11 was used during the course of 2011.

Other provisions
We mainly find the following provisions here:

- a provision within the framework of stock follow-up and reconciliation of bearer securities: EUR 1 473 154.77
- a provision with regard to the branch in Hungary and this within the framework of reorganisation measures of the credit activity: EUR 2 507 788.16
- a provision as a result of the sale of the deposit portfolio in Switzerland: EUR 3 190 385.41.

Making provisions for these last 2 provisions also mainly explain the addition in this section.

31 / CONTINGENT LIABILITIES AND COMMITMENTS

Off-balance sheet commitments - Notional Amounts

in '000 EUR	31.12.2011	31.12.2010
Loan commitments	-26 131 556	-25 292 336
— Given	979 859	940 271
— Received	27 111 415	26 232 607
Financial guarantees	-2 114 853	-2 251 603
— Given	364 307	24 081
— Guarantees received	2 479 160	2 275 684
— Credit derivatives received		
Other commitments (e.g. note issuance facilities, revolving underwriting facilities...)	15 115 619	7 590 763
— Given to another counterparty	15 663 935	10 417 251
— Received from another counterparty	548 316	2 826 488

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

- liabilities due to loans;
- financial guarantees;
- other liabilities primarily consisting of assets issued as guarantees as part of the bank's repo activities.

Below we will discuss this in further detail:

Liabilities due to loans

For the granted liabilities this involves commitments to retail clients (EUR 940 million) of which:

- Its Belgian retail clients for an amount of EUR 949 million of which:
  - EUR 351 million is related to credit offers (not yet signed by the client)
  - EUR 149 million with regard to credit lines on current accounts
  - EUR 449 million in relation to the still available margin of clients on the credit lines permitted by the bank.
- EUR 27 million assigned credit lines/credit offers in within the framework of its credit issue activities in Hungary

The risk is very limited given the diversification of portfolio and mainly the fact that the loans themselves are guaranteed by the customer. These can be retrieved under received obligations, usually a real guarantee amounting to EUR 18 512 million

In the received guarantees are also the effects received under reverse repo activities and this for the amount of EUR 6 834 million.

Financial guarantees

Here we find EUR 2,479 million in received personal guarantees in the context of credit authorization to individuals and business credit.

A credit line was also assigned of AXA Belgium for EUR 300 million at the end of 2011;

We mainly find the guarantee here within the framework of the issue of EMTNs for EUR 333 million with regard to the issued guarantees.

Other liabilities

The mainly involves assets given by the bank as a security within the framework of its repurchasing activity of EUR 10 593 million and its mandatory securing debt in favour of the Nationale Bank within the framework of its bank activities of EUR 3 113 million.

Pledged assets

The only pledged assets are the securities given in repo (also see item 40).

Deposit protection fund

Currently, there are 2 deposit protection funds in Belgium. The "Protection fund for deposits and financial instruments" that has, especially, been in existence for quite some time and the "Special protection fund for deposits and life insurances" set up due to the Royal Decree of 14 November 2008. Credit amounts of savers (including dematerialised bank bonds) enjoy this protection at their financial institutions.

This security at the disposal of private individuals, associations and small- and medium-sized enterprises was raised to EUR 100 000 due to the Act authorising the government to take measures involving expenditure covering several financial years of 23 December 2009.

Financial institutions must pay an admission contribution to the Special Protection Fund of 10 basis points calculated on the outstanding amounts of these credit amounts. The payment takes place in 2 scales spread 2010 and 2011. In addition, an annual contribution must be paid as from 2011 of 15 basis points. It is important to note that this contribution only amounted to 1.75 basis points previously (before 2008).

Currently, negotiations are taking place with regard to the already existing "Protection fund for deposits and financial instruments" to refund the credit amounts of the fund to the financial institutions as a form of compensation for the increased contributions. Since today not all elements related to the time timing and the exact repayment modalities have been cleared outwardly, nothing was included regarding this repayment in the books of AXA Bank Europe.

32 / POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM EMPLOYEE BENEFITS

Pension commitments

The entire bank population is managed by four plans, each in the form of a committed pension scheme:

— existing ANHYP plan prior to 1 July 1983;
— existing ANHYP plan after 1 July 1983 (pension fund);
— existing IPPA plan;
— new AXA Bank Europe plan.

As a reminder: at the time of the introduction of a new plan those employees still working for the company had the choice between staying with their existing plan or enrolling in the new plan, which explains the existence of these four plans.

The assets included in the plans represent, with the exception of the pension fund below, the reserves of the group insurance taken out with AXA Europe.

The forecasted long-term return of this type of asset is a guaranteed interest of 3.25% (or 4.75% for premiums paid before 1999) + profit sharing.

In the long term we expect an average return of 4.50% for the coming years.

The choice of 4.50% matches the expected yield in the long term of the hedging assets, that is, (primarily) the contracts for group insurances. This figure consists of the interest assured by the insurer (3.25% or 4.75% depending on the issue date of the contracts) increased by the expected profit share of the insurer and with discounts due to concessions.

Since this concerns a hypothesis in the long term, this hypothesis does not have to be changed each year. Should it however emerge that year-after-year this yield is no longer systematically attained (which would mean that there are systematic actuarial losses on the assets), it would be better to correct this hypothesis for the future.

From an historical perspective, should we examine the history of the “gains and losses on assets” of the last years for all group insurance plans for AXA staff in Belgium jointly, there is again nothing that points to the fair yield significantly deviating from 4.50%.

Existing ANHYP plan before 1 July 1983

Managed in the form of group insurance.
— Plan of the “goal to be reached” type;
— Capital = (N/60 x T – N/40 x F) x 8.15
where:
- N = number of service years (YY;MM) to age 65;
- T = uncapped salary;
- F = lump-sum amount.

— Financing only through bonuses by means of successive one-off premiums.

Existing ANHYP plan as of 1 July 1983

Managed in the form of a pension fund.
— Defined benefit plan;
— Capital at age 65 equals: N/40 x (1.5 T_1 + 7 T_2)
where:
- N = number of service years (YY;MM) to age 65;
- T_1 = uncapped salary bracket;
- T_2 = salary package above cap and limited to a second cap.

— Mixed financing contribution/bonus in annual premiums.
Contribution is fixed at 0.5% T_1 + 5% T_2.
The contribution is paid to the pension fund.

Retirement pension funds ANHYP - Defined benefit plans

in '000 EUR	31.12.2011	31.12.2010
1. Components of defined benefit plan assets and liabilities		
1.1. Net funded, defined benefit plan obligation (asset)	649	690
— 1.1.1. Present value of wholly or partially funded	2 108	2 006
— 1.1.2. (-) Fair value, defined benefit plan assets	1 459	1 316
1.1.2.1. Equity instruments		
1.1.2.2. Debt instruments		
1.1.2.3. Property		
1.1.2.4. Other assets	1 459	1 316
Of which: Property occupied or other assets used by the entity		
Of which: Financial instruments issued by the entity		
1.2. Present value of wholly unfunded defined benefit obligations		
1.3. Unrecognised actuarial gains (losses)		
1.4. Unrecognised past service cost		
1.5. Amounts not recognised as an asset, due to limits of para 58 (b)		
1.6. Fair value of any right to reimbursement recognised as an asset		
1.7. Other amounts recognized in the balance sheet		
Defined benefit plan obligation (asset), total	**649**	**690**
2. Expense recognised in profit or loss, total	**93**	**85**
2.1. Current service cost	45	47
2.2. Interest cost	88	93
2.3. (-) Expected return on plan assets	-61	-54
2.4. (-) Expected return on reimbursement rights recognised as asset		
2.5. Net actuarial loss (gain) recognised		
2.6. Past service cost		
2.7. Loss (gain) of any curtailments or settlements		
2.8. Effect of limit in par. 58 (b) when the net amount of the defined benefit obligation is negative		
Memorandum items		
Actual return on plan assets	49	58
Actual return on reimbursement rights recognised as assets		
Accumulated amount of actuarial gains and losses recognised in the statement of recognised income and expense	-92	-73
Employer estimate of contributions expected to be paid during the next period		
3. Movements in defined benefit plan obligation for defined benefit plan		
3.1. Defined benefit plan obligation, beginning balance	2 006	1 830
3.2. (-) Benefits paid		46
3.3. Current service cost	45	47
3.4. Interest cost	88	93
3.5. Actuarial gains and losses, total	-32	82
3.6. Past service cost, total		
3.7. Increases through business combinations		
3.8. (-) Decreases through business divestiture		
3.9. Foreign currency exchange increase (decrease)		
3.10. Contributions paid by plan participants		
3.11. Other increase (decrease)		
3.12. Defined benefit plan obligations, Closing balance	2 108	2 006
4. Principal actuarial assumptions used in defined benefit plans		
4.1. Discount rates	4.20%	4.30%
4.2. Expected return on plan assets	4.50%	4.50%
4.3. Expected rate of salary increases	3.50%	3.50%
4.4. Future defined benefit increases		
4.5. Expected rate of return on reimbursement rights recognised as assets		
4.6. Medical cost trend rate		
4.7. Other material actuarial assumptions		

ANHYP retirement pension fund

The reconciliation relating to these investments between the beginning and the end of the financial year looks like this:

in '000 EUR	31.12.2011	31.12.2010
Fair value of investments (beginning of financial year)	1 315	1 161
Income from investments	50	57
Contribution by employer	94	143
Contribution by employee	0	0
Paid benefits during year	0	-46
Fair value of investments (end of financial year)	1 459	1 315

Special events occuring during the year

Were there any amendements or changes to the plan document or agreements that rule the plan?	No
Was the plan affected by any mergers or acquisitions or spinoffs?	No
Were there any major transfers of employees between entities or lines of business?	No
Were there any major restructurations or major movements in the population?	No
Was coverage extended to another category of employees or beneficiaries?	No
Was coverage reduced and limited to a certain category of employees or beneficiaries?	No
Was there a change in the financing method (Contracted out to an insurer or set up a fund, ...)?	No
Was there a major change in the Social Charges paid with regards to this plan?	No

Statistics

	2011
Actives - count	23
Actives - average age	55
Actives - average service	35
Actives - average annual salary	49
Deferred - count	20
Deferred - average age	57
Deferred - average annual pension	1
Retirees - count	
Retirees - average age	
Retirees - average annual pension	

Assumptions

	2011	2010
Discount rate	4.2%	4.3%
Salary increase rate	3.5%	3.5%
Rate of inflation	2.0%	2.0%
Medical inflation rate		
Pension indexation rate	0.0%	0.0%
Expected return on Plan Assets for N+1 expense (as a percentage)		
Expected return on Separate Assets for N+1 expense (as a percentage)		
Valuation date of the latest complete valuation (YYYYMMDD)	*31/12/10*	*31/12/09*
Valuation date of the next complete valuation (YYYYMMDD)	*31/12/12*	*31/12/11*
Expected Average remaining service Life/EARSL	*5*	*7*

Items in '000 EUR	Reconciliation of Defined Benefit Obligation (DBO) (a)	Reconciliation of Fair Value of Plan Assets under IFRS (b)	Reconciliation of Fair Value of Separate Assets under IFRS (c)	Reconciliation of Total Assets (d)=(b)+(c)
Previous year closing	**2 006**		**1 315**	**1 315**
Value at beginning of year	2 006		1 316	1 316
Service Cost	45			
Employee Contributions				
Interest Cost	88			
Expected Return on Assets (net of investment tax if any)			61	61
Actuarial Loss/Gain due to Experience	-40		-12	-12
Actuarial Loss/Gain due to Change in Assumptions	9			
Plan Amendment				
Net Gain/Loss amortization				
Net Transition Obligation / Asset amortization				
Net Past Service Cost amortization				
Curtailments				
Settlements				
Change in asset ceiling				
Net transfer In(out) (including effects of acquisitions)				
Transfer from Separate Assets to Plan Assets				
Transfer from Separate Assets to General Assets (enter as negative)				
Employer Contributions to Plan Assets				
Employer Contributions to Separate Assets			93	94
Benefits directly paid by the employer (enter as negative)				
Benefits paid from Plan Assets (enter as negative)				
Benefits paid from Separate Assets (enter as negative)				
Local change FX effect				
Foreign Exchange variance				
Value at end of year	**2 108**		**1 458**	**1 458**

Items in '000 EUR	Funded Status under IFRS (unfunded if positive) (e)=(a)-(b)	Unrecognized Past Service Cost / (Asset) under IFRS (f)	Assets not recognized due to asset ceiling under IFRS (g)	SORIE (Net (Gain) / Loss recognized in Equity under IFRS) (h)	Balance Sheet Liability / (Asset) under IFRS (i)=(e)-(f)+(g)	2011 Pension Expense / (Income) under IFRS (j)=(i)-(h)-(c)	Expected Year N+1 Pension Expense / (Income) under IFRS
Previous year closing	**2 006**			**-73**	**2 006**		
Value at beginning of year	2 006			-73	2 006		
Service Cost	45				45	45	41
Employee Contributions							
Interest Cost	88				88	88	82
Expected Return on Assets (net of investment tax if any)						-61	-58
Actuarial Loss/Gain due to Experience (2)	-40			-28	-40		
Actuarial Loss/Gain due to Change in Assumptions (2)	9			9	9		
Plan Amendment							
Net Gain/Loss amortization							
Net Transition Obligation / Asset amortization							
Net Past Service Cost amortization							
Curtailments							
Settlements							
Change in asset ceiling							
Net transfer In(out) (including effects of acquisitions)							
Transfer from Separate Assets to Plan Assets							
Transfer from Separate Assets to General Assets (enter as negative)							
Employer Contributions to Plan Assets							
Employer Contributions to Separate Assets							
Benefits directly paid by the employer (enter as negative)							
Benefits paid from Plan Assets (enter as negative)							
Benefits paid from Separate Assets (enter as negative)							
Local change FX effect							
Foreign Exchange variance							
Value at end of year	**2 108**			**-92**	**2 108**	**72**	**65**

Sensitivity analysis	2011
DBO's Sensitivity to a +0.5% change in the discount rate (as a percentage)	-2.07%
DBO's Sensitivity to a –0.5% change in the discount rate (as a percentage)	2.15%
DBO's Sensitivity to a +0.5% change in the inflation rate (as a percentage)	1.35%
DBO's Sensitivity to a +0.5% change in the salary increase (as a percentage)	2.57%
DBO's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage)	
DBO's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the discount rate (as a percentage)	-2.00%
Service cost's Sensitivity to a –0.5% change in the discount rate (as a percentage)	2.07%
Service cost's Sensitivity to a +0.5% change in the salary increase (as a percentage)	4.50%
Sercice cost's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the inflation rate (as a percentage)	2.30%

Estimated Future Benefits Paid (for current active population, i.e. excluding new entrants)	2011
Estimated future benefits paid - year N+1	437
Estimated future benefits paid - year N+2	363
Estimated future benefits paid - year N+3	70
Estimated future benefits paid - year N+4	317
Estimated future benefits paid - year N+5	186
Cumulative estimated future benefits paid - From year N+6 to year N+10	748
Estimated future benefit payments - From year N+11 until the last benefit payment is paid	765

	2011
Expected employer contributions to Plan Assets	
Expected employer contributions to Separate Assets	62

Historical overview	2011	2010	2009	2008	2007	2006
Defined benefit obligation	2108	2 006.00	1 830.30	1 459.75	1 401.93	2 456.80
Fair value assets	1459	1 316.13	1 160.98	1 007.94	945.49	1 578.15
Surplus or deficit	649	689.87	669.32	451.82	456.44	878.65
Actuarial gain/loss	-40	-4.92	93.38			
Gain/Loss due to change in assumptions	9	87.04	155.87			
Contributions in next year:						
— by the employer	62.00					
— by the employee	0.00					

Pension funds ANHYP - Defined benefit plans

in '000 EUR	31.12.2011	31.12.2010
1. Components of defined benefit plan assets and liabilities		
1.1. Net funded, defined benefit plan obligation (asset)	1 652	459
— 1.1.1. Present value of wholly or partially funded	12 991	12 475
— 1.1.2. (-) Fair value, defined benefit plan assets	11 339	12 016
1.1.2.1. Equity instruments		
1.1.2.2. Debt instruments		
1.1.2.3. Property		
1.1.2.4. Other assets	11 339	12 016
Of which: Property occupied or other assets used by the entity		
Of which: Financial instruments issued by the entity		
1.2. Present value of wholly unfunded defined benefit obligations		
1.3. Unrecognised actuarial gains (losses)		
1.4. Unrecognised past service cost		
1.5. Amounts not recognised as an asset, due to limits of para 58 (b)		
1.6. Fair value of any right to reimbursement recognised as an asset		
1.7. Other amounts recognized in the balance sheet		
Defined benefit plan obligation (asset), total	**1 652**	**459**
2. Expense recognised in profit or loss, total	**107**	**197**
2.1. Current service cost	140	115
2.2. Interest cost	521	593
2.3. (-) Expected return on plan assets	-555	-511
2.4. (-) Expected return on reimbursement rights recognised as asset		
2.5. Net actuarial loss (gain) recognised		
2.6. Past service cost		
2.7. Loss (gain) of any curtailments or settlements		
2.8. Effect of limit in par. 58 (b) when the net amount of the defined benefit obligation is negative		
Memorandum items		
Actual return on plan assets	-1 316	854
Actual return on reimbursement rights recognised as assets		
Accumulated amount of actuarial gains and losses recognised in the statement of recognised income and expense	2 597	-168
Employer estimate of contributions expected to be paid during the next period		
3. Movements in defined benefit plan obligation for defined benefit plan		
3.1. Defined benefit plan obligation, beginning balance	12 475	12 006
3.2. (-) Benefits paid	-1 082	618
3.3. Current service cost	140	115
3.4. Interest cost	521	593
3.5. Actuarial gains and losses, total	894	336
3.6. Past service cost, total		
3.7. Increases through business combinations		
3.8. (-) Decreases through business divestiture		
3.9. Foreign currency exchange increase (decrease)		
3.10. Contributions paid by plan participants	42	43
3.11. Other increase (decrease)		
3.12. Defined benefit plan obligations, Closing balance	12 991	12 475
4. Principal actuarial assumptions used in defined benefit plans		
4.1. Discount rates	4.20%	4.30%
4.2. Expected return on plan assets	4.50%	4.50%
4.3. Expected rate of salary increases	3.50%	3.50%
4.4. Future defined benefit increases		
4.5. Expected rate of return on reimbursement rights recognised as assets		
4.6. Medical cost trend rate		
4.7. Other material actuarial assumptions		

ANHYP benefit fund

The investments intended to cover future pension commitments for the ANHYP pension fund are broken down into the following compartments:

	31.12.2011	31.12.2010
Shares		
Bonds		
Real estate		
Other investments	100.00%	100.00%

The reconciliation relating to these investments between beginning and end of the financial year looks like this:

in '000 EUR	31.12.2011	31.12.2010
Fair value of investments (beginning of financial year)	12 017	11 551
Income from investments	-1 315	854
Contribution by employer	1 676	187
Contribution by employee	42	43
Paid benefits during year	-1 082	-618
Fair value of fund investments (end of financial year)	11 338	12 017

Special events occurring during the year

Were there any amendments or changes to the plan document or agreements that rule the plan?	No
Was the plan affected by any mergers or acquisitions or spinoffs?	No
Were there any major transfers of employees between entities or lines of business?	No
Were there any major restructurations or major movements in the population?	No
Was coverage extended to another category of employees or beneficiaries?	No
Was coverage reduced and limited to a certain category of employees or beneficiaries?	No
Was there a change in the financing method (Contracted out to an insurer or set up a fund, ...)?	No
Was there a major change in the Social Charges paid with regards to this plan?	No

Statistics

	2011
Actives - count	93
Actives - average age	48
Actives - average service	22
Actives - average annual salary	54
Deferred - count	393
Deferred - average age	47
Deferred - average annual pension	2
Retirees - count	56
Retirees - average age	83
Retirees - average annual pension	3

Assumptions

	2011	2010
Discount rate	4.2%	4.3%
Salary increase rate	3.5%	3.5%
Rate of inflation	2.0%	2.0%
Medical inflation rate		
Pension indexation rate		
Expected return on Plan Assets for N+1 expense (as a percentage)		
Expected return on Separate Assets for N+1 expense (as a percentage)		
Valuation date of the latest complete valuation (YYYYMMDD)	*31/12/10*	*31/12/09*
Valuation date of the next complete valuation (YYYYMMDD)	*31/12/12*	*31/12/11*
Expected Average remaining service Life/EARSL	*10*	*21*

Items in '000 EUR	Reconciliation of Defined Benefit Obligation (DBO) (a)	Reconciliation of Fair Value of Plan Assets under IFRS (b)	Reconciliation of Fair Value of Separate Assets under IFRS (c)	Reconciliation of Total Assets (d)=(b)+(c)
Previous year closing	**12 475**	**12 017**		**12 017**
Value at beginning of year	12 475	12 016		12 016
Service Cost	183			
Employee Contributions		42		42
Interest Cost	521			
Expected Return on Assets (net of investment tax if any)		555		555
Actuarial Loss/Gain due to Experience	777	-1 871		-1 871
Actuarial Loss/Gain due to Change in Assumptions	117			
Plan Amendment				
Net Gain/Loss amortization				
Net Transition Obligation / Asset amortization				
Net Past Service Cost amortization				
Curtailments				
Settlements				
Change in asset ceiling				
Net transfer In(out) (including effects of acquisitions)				
Transfer from Separate Assets to Plan Assets				
Transfer from Separate Assets to General Assets (enter as negative)				
Employer Contributions to Plan Assets		1 678		1 678
Employer Contributions to Separate Assets				
Benefits directly paid by the employer (enter as negative)				
Benefits paid from Plan Assets (enter as negative)	-1 082	-1 082		-1 082
Benefits paid from Separate Assets (enter as negative)				
Local change FX effect				
Foreign Exchange variance				
Value at end of year	**12 991**	**11 338**		**11 338**

Items in '000 EUR	Funded Status under IFRS (unfunded if positive) (e)=(a)-(b)	Unrecognized Past Service Cost / (Asset) under IFRS (f)	Assets not recognized due to asset ceiling under IFRS (g)	SORIE (Net (Gain) / Loss recognized in Equity under IFRS) (h)	Balance Sheet Liability / (Asset) under IFRS (i)=(e)-(f)+(g)	2011 Pension Expense / (Income) under IFRS (j)=(i)-(h)-(c)	Expected Year N+1 Pension Expense / (Income) under IFRS
Previous year closing	**458**			**-168**	**458**		
Value at beginning of year	459			-168	459		
Service Cost	183				183	183	228
Employee Contributions	-42				-42	-42	-41
Interest Cost	521				521	521	547
Expected Return on Assets (net of investment tax if any)	-555				-555	-555	-503
Actuarial Loss/Gain due to Experience (2)	2 648			2 648	2 648		
Actuarial Loss/Gain due to Change in Assumptions (2)	117			117	117		
Plan Amendment							
Net Gain/Loss amortization							
Net Transition Obligation / Asset amortization							
Net Past Service Cost amortization							
Curtailments							
Settlements							
Change in asset ceiling							
Net transfer In(out) (including effects of acquisitions)							
Transfer from Separate Assets to Plan Assets							
Transfer from Separate Assets to General Assets (enter as negative)							
Employer Contributions to Plan Assets	-1 678				-1 678		
Employer Contributions to Separate Assets							
Benefits directly paid by the employer (enter as negative)							
Benefits paid from Plan Assets (enter as negative)							
Benefits paid from Separate Assets (enter as negative)							
Local change FX effect							
Foreign Exchange variance							
Value at end of year	**1 653**			**2 597**	**1 653**	**107**	**231**

Sensitivity analysis	**2011**
DBO's Sensitivity to a +0.5% change in the discount rate (as a percentage)	-4.55%
DBO's Sensitivity to a –0.5% change in the discount rate (as a percentage)	4.97%
DBO's Sensitivity to a +0.5% change in the inflation rate (as a percentage)	1.70%
DBO's Sensitivity to a +0.5% change in the salary increase (as a percentage)	3.10%
DBO's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage)	
DBO's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the discount rate (as a percentage)	-7.50%
Service cost's Sensitivity to a –0.5% change in the discount rate (as a percentage)	8.20%
Service cost's Sensitivity to a +0.5% change in the salary increase (as a percentage)	4.95%
Sercice cost's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the inflation rate (as a percentage)	2.80%

Estimated Future Benefits Paid (for current active population, i.e. excluding new entrants)	**2011**
Estimated future benefits paid - year N+1	3 173
Estimated future benefits paid - year N+2	1 081
Estimated future benefits paid - year N+3	1 080
Estimated future benefits paid - year N+4	769
Estimated future benefits paid - year N+5	911
Cumulative estimated future benefits paid - From year N+6 to year N+10	3 703
Estimated future benefit payments - From year N+11 until the last benefit payment is paid	14 677

	2011
Expected employer contributions to Plan Assets	
Expected employer contributions to Separate Assets	

Historical overview	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Defined benefit obligation	12 991.00	12 475.12	12 006.15	10 812.61	11 531.76	12 739.01
Fair value assets	11 339.00	12 016.46	11 551.02	12 602.93	15 048.19	14 969.06
Surplus or deficit	1 652.00	458.66	455.13	-1 790.32	-3 516.43	-2 230.06
Actuarial gain/loss	777.00	-636.89	611.21			
Gain/Loss due to change in assumptions	117.00	973.15	1 027.36			
Contributions in next year:						
— by the employer	0.00					
— by the employee	42.00					

Existing IPPA plan

Managed in the form of group insurance.

— Defined benefit plan;

— Capital at age 60 (maturity date of the contract) equals: N/40 x (2 T_1 + 7.35 T_2)
where:

- N = length of service (YY; MM) to age 60;
- T_1 = capped salary bracket;
- T_2 = salary bracket above this cap.

— Financing only through bonuses by means of successive one-off premiums.

IPPA - Defined benefit plans

in '000 EUR	31.12.2011	31.12.2010
1. Components of defined benefit plan assets and liabilities		
1.1. Net funded, defined benefit plan obligation (asset)	4 351	4 469
— 1.1.1. Present value of wholly or partially funded	45 494	45 704
— 1.1.2. (-) Fair value, defined benefit plan assets	41 143	41 234
1.1.2.1. Equity instruments		
1.1.2.2. Debt instruments		
1.1.2.3. Property		
1.1.2.4. Other assets	41 143	41 234
Of which: Property occupied or other assets used by the entity		
Of which: Financial instruments issued by the entity		
1.2. Present value of wholly unfunded defined benefit obligations		
1.3. Unrecognised actuarial gains (losses)		
1.4. Unrecognised past service cost		
1.5. Amounts not recognised as an asset, due to limits of para 58 (b)		
1.6. Fair value of any right to reimbursement recognised as an asset		
1.7. Other amounts recognized in the balance sheet		
Defined benefit plan obligation (asset), total	**4 351**	**4 469**
2. Expense recognised in profit or loss, total	**1 648**	**1 934**
2.1. Current service cost	1 512	1 501
2.2. Interest cost	1 952	2 225
2.3. (-) Expected return on plan assets	-1 816	1 792
2.4. (-) Expected return on reimbursement rights recognised as asset		
2.5. Net actuarial loss (gain) recognised		
2.6. Past service cost		
2.7. Loss (gain) of any curtailments or settlements		
2.8. Effect of limit in par. 58 (b) when the net amount of the defined benefit obligation is negative		
Memorandum items		
Actual return on plan assets	1 674	1 290
Actual return on reimbursement rights recognised as assets		
Accumulated amount of actuarial gains and losses recognised in the statement of recognised income and expense	-945	-1 110
Employer estimate of contributions expected to be paid during the next period		
3. Movements in defined benefit plan obligation for defined benefit plan		
3.1. Defined benefit plan obligation, beginning balance	45 704	44 681
3.2. (-) Benefits paid	-3 696	3 400
3.3. Current service cost	1 512	1 501
3.4. Interest cost	1 952	2 225
3.5. Actuarial gains and losses, total	22	696
3.6. Past service cost, total		
3.7. Increases through business combinations		
3.8. (-) Decreases through business divestiture		
3.9. Foreign currency exchange increase (decrease)		
3.10. Contributions paid by plan participants		
3.11. Other increase (decrease)		
3.12. Defined benefit plan obligations, Closing balance	45 494	45 704
4. Principal actuarial assumptions used in defined benefit plans		
4.1. Discount rates	4.20%	4.30%
4.2. Expected return on plan assets	4.50%	4.50%
4.3. Expected rate of salary increases	3.50%	3.50%
4.4. Future defined benefit increases		
4.5. Expected rate of return on reimbursement rights recognised as assets		
4.6. Medical cost trend rate		
4.7. Other material actuarial assumptions		

The existing IPPA plan is an insurance contract concluded with AXA Belgium Insurance.

As part of the management of its insurance activities, AXA Belgium invests the paid premiums of AXA Bank Europe in various types of investments. The investment relating to payments by AXA Bank Europe and are recognised in the AXA Belgium balance sheet consist primarily of shares, bonds and real estate.

The reconciliation relating to these investments between beginning and end of the financial year looks like this:

in '000 EUR	31.12.2011	31.12.2010
Fair value of investments (beginning of financial year)	41 234	39 724
Income from investments	1 675	1 289
Contribution by the employer	1 930	3 621
Contribution by the employee		
Paid benefits during the year	-3 696	-3 400
Fair value of investments (end of financial year)	41 143	41 234

Special events occurring during the year

Were there any amendments or changes to the plan document or agreements that rule the plan?	No
Was the plan affected by any mergers or acquisitions or spinoffs?	No
Were there any major transfers of employees between entities or lines of business?	No
Were there any major restructurations or major movements in the population?	No
Was coverage extended to another category of employees or beneficiaries?	No
Was coverage reduced and limited to a certain category of employees or beneficiaries?	No
Was there a change in the financing method (Contracted out to an insurer or set up a fund, ...)?	No
Was there a major change in the Social Charges paid with regards to this plan?	No

Statistics

	2011	2010
Actives - count	366	390
Actives - average age	53	53
Actives - average service	30	29
Actives - average annual salary	56	55
Deferred - count		
Deferred - average age		
Deferred - average annual pension		
Retirees - count		
Retirees - average age		
Retirees - average annual pension		

Assumptions

	2011	2010
Discount rate	4.2%	4.3%
Salary increase rate	3.5%	3.5%
Rate of inflation	2.0%	2.0%
Medical inflation rate		
Pension indexation rate		
Expected return on Plan Assets for N+1 expense (as a percentage)		
Expected return on Separate Assets for N+1 expense (as a percentage)		
Valuation date of the latest complete valuation (YYYYMMDD)	*31/12/10*	*31/12/09*
Valuation date of the next complete valuation (YYYYMMDD)	*31/12/12*	*31/12/11*
Expected Average remaining service Life/EARSL	*6*	*7*

Items in '000 EUR	Reconciliation of Defined Benefit Obligation (DBO) (a)	Reconciliation of Fair Value of Plan Assets under IFRS (b)	Reconciliation of Fair Value of Separate Assets under IFRS (c)	Reconciliation of Total Assets (d)=(b)+(c)
Previous year closing	**45 703**		**41 234**	**41 237**
Value at beginning of year	45 704		41 234	41 234
Service Cost	1 512			
Employee Contributions				
Interest Cost	1 952			
Expected Return on Assets (net of investment tax if any)			1 816	1 816
Actuarial Loss/Gain due to Experience	-235		-142	-142
Actuarial Loss/Gain due to Change in Assumptions	258			
Plan Amendment				
Net Gain/Loss amortization				
Net Transition Obligation / Asset amortization				
Net Past Service Cost amortization				
Curtailments				
Settlements				
Change in asset ceiling				
Net transfer In(out) (including effects of acquisitions)				
Transfer from Separate Assets to Plan Assets				
Transfer from Separate Assets to General Assets (enter as negative)				
Employer Contributions to Plan Assets				
Employer Contributions to Separate Assets			1 930	1 930
Benefits directly paid by the employer (enter as negative)				
Benefits paid from Plan Assets (enter as negative)				
Benefits paid from Separate Assets (enter as negative)	-3 696		-3 696	-3 696
Local change FX effect				
Foreign Exchange variance				
Value at end of year	**45 495**		**41 142**	**41 142**

Items in '000 EUR	**Funded Status under IFRS** (unfunded if positive) (e)=(a)-(b)	**Unrecognized Past Service Cost / (Asset) under IFRS** (f)	**Assets not recognized due to asset ceiling under IFRS** (g)	**SORIE (Net (Gain) / Loss recognized in Equity under IFRS)** (h)	**Balance Sheet Liability / (Asset) under IFRS** (i)=(e)-(f)+(g)	**2011 Pension Expense / (Income) under IFRS** (j)=(i)-(h)-(c)	**Expected Year N+1 Pension Expense / (Income) under IFRS**
Previous year closing	**45 703**			**-1 110**	**45 703**		
Value at beginning of year	45 704			-1 110	45 704		
Service Cost	1 512				1 512	1 512	1 381
Employee Contributions							
Interest Cost	1 952				1 952	1 952	1 872
Expected Return on Assets (net of investment tax if any)						-1 816	-1 791
Actuarial Loss/Gain due to Experience (2)	-235			-93	-235		
Actuarial Loss/Gain due to Change in Assumptions (2)	258			258	258		
Plan Amendment							
Net Gain/Loss amortization							
Net Transition Obligation / Asset amortization							
Net Past Service Cost amortization							
Curtailments							
Settlements							
Change in asset ceiling							
Net transfer In(out) (including effects of acquisitions)							
Transfer from Separate Assets to Plan Assets							
Transfer from Separate Assets to General Assets (enter as negative)							
Employer Contributions to Plan Assets							
Employer Contributions to Separate Assets							
Benefits directly paid by the employer (enter as negative)							
Benefits paid from Plan Assets (enter as negative)							
Benefits paid from Separate Assets (enter as negative)	-3 696				-3 696		
Local change FX effect							
Foreign Exchange variance							
Value at end of year	**45 495**			**-945**	**45 495**	**1 648**	**1 462**

Sensitivity analysis	**2011**
DBO's Sensitivity to a +0.5% change in the discount rate (as a percentage)	-2.82%
DBO's Sensitivity to a –0.5% change in the discount rate (as a percentage)	2.98%
DBO's Sensitivity to a +0.5% change in the inflation rate (as a percentage)	2.94%
DBO's Sensitivity to a +0.5% change in the salary increase (as a percentage)	5.95%
DBO's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage)	
DBO's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the discount rate (as a percentage)	-3.61%
Service cost's Sensitivity to a –0.5% change in the discount rate (as a percentage)	3.84%
Service cost's Sensitivity to a +0.5% change in the salary increase (as a percentage)	7.35%
Sercice cost's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the inflation rate (as a percentage)	3.85%

Estimated Future Benefits Paid (for current active population, i.e. excluding new entrants)	2011
Estimated future benefits paid - year N+1	4 821
Estimated future benefits paid - year N+2	6 122
Estimated future benefits paid - year N+3	5 797
Estimated future benefits paid - year N+4	5 996
Estimated future benefits paid - year N+5	4 654
Cumulative estimated future benefits paid - From year N+6 to year N+10	16 695
Estimated future benefit payments - From year N+11 until the last benefit payment is paid	34 903

	2011
Expected employer contributions to Plan Assets	
Expected employer contributions to Separate Assets	1 930

Historical overview	2011	2010	2009	2008	2007	2006
Defined benefit obligation	45 494.00	45 703.77	44 680.75	41 543.32	41 039.15	41 973.82
Fair value assets	41 143.00	41 234.46	39 723.55	39 790.69	37 197.93	37 293.10
Surplus or deficit	4 351.00	4 469.31	4 957.21	1 752.63	3 841.22	4 680.72
Actuarial gain/loss	-235.00	-1 209.59	1 085.39			
Gain/Loss due to change in assumptions	258.00	1 906.34	2 428.50			
Contributions in next year:						
— by the employer	1 930.00					
— by the employee	0.00					

New AXA Bank Europe plan

Managed in the form of group insurance.

Two plans exist alongside each other: a plan for staff (a) and a plan for directors (b).

(a) Defined benefit plan

— Capital at age 60 years (maturity date of the contract) equals:
$N/40 \times (3\ T_1 + 8\ T_2)$
where:
- N = number of service years (YY; MM) to age 60;
- T_1 = capped salary bracket;
- T_2 = salary bracket above this cap.

— Mixed financing contribution/bonus in annual premiums. Contributions depend on seniority and are determined at: 1.5% or 2% or 2.5% or 3% x T_1 + 5% x T_2 depending on seniority per 10-year period.

(b) Plan of “goal to be reached” type

— Capital at age 60 years equals:
$N/40 \times (2.2\ T_1 + 8.8\ T_2)$
where:
- N = number of service years (YY; MM) to age 60;
- T_1 = capped salary bracket;
- T_2 = salary bracket above this cap.

— Mixed financing contribution/bonus in annual premiums. The contribution depends on seniority and is determined at: 0.5% or 1% or 1.5% or 2% x T_1 + 5% x T_2 depending on seniority per 10-year period.

NASH - Defined benefit plans

in '000 EUR	31.12.2011	31.12.2010
1. Components of defined benefit plan assets and liabilities		
1.1. Net funded, defined benefit plan obligation (asset)	14 764	15 057
— 1.1.1. Present value of wholly or partially funded	54 772	48 944
— 1.1.2. (-) Fair value, defined benefit plan assets	40 008	33 886
1.1.2.1. Equity instruments		
1.1.2.2. Debt instruments		
1.1.2.3. Property		
1.1.2.4. Other assets	40 008	33 886
Of which: Property occupied or other assets used by the entity		
Of which: Financial instruments issued by the entity		
1.2. Present value of wholly unfunded defined benefit obligations		
1.3. Unrecognised actuarial gains (losses)		
1.4. Unrecognised past service cost		
1.5. Amounts not recognised as an asset, due to limits of para 58 (b)		
1.6. Fair value of any right to reimbursement recognised as an asset		
1.7. Other amounts recognized in the balance sheet		
Defined benefit plan obligation (asset), total	**14 764**	**15 057**
2. Expense recognised in profit or loss, total	**2 542**	**2 195**
2.1. Current service cost	1 947	1 517
2.2. Interest cost	2 219	2 070
2.3. (-) Expected return on plan assets	-1 624	-1 391
2.4. (-) Expected return on reimbursement rights recognised as asset		
2.5. Net actuarial loss (gain) recognised		
2.6. Past service cost		
2.7. Loss (gain) of any curtailments or settlements		
2.8. Effect of limit in par. 58 (b) when the net amount of the defined benefit obligation is negative		
Memorandum items		
Actual return on plan assets	1 665	1 155
Actual return on reimbursement rights recognised as assets		
Accumulated amount of actuarial gains and losses recognised in the statement of recognised income and expense	6 628	5 438
Employer estimate of contributions expected to be paid during the next period		
3. Movements in defined benefit plan obligation for defined benefit plan		
3.1. Defined benefit plan obligation, beginning balance	48 944	38 978
3.2. (-) Benefits paid	-582	127
3.3. Current service cost	1 947	1 517
3.4. Interest cost	2 219	2 070
3.5. Actuarial gains and losses, total	1 231	5 547
3.6. Past service cost, total		
3.7. Increases through business combinations		
3.8. (-) Decreases through business divestiture		
3.9. Foreign currency exchange increase (decrease)		
3.10. Contributions paid by plan participants	1 013	959
3.11. Other increase (decrease)		
3.12. Defined benefit plan obligations, Closing balance	54 772	48 944
4. Principal actuarial assumptions used in defined benefit plans		
4.1. Discount rates	4.20%	4.30%
4.2. Expected return on plan assets	4.50%	4.50%
4.3. Expected rate of salary increases	3.50%	3.50%
4.4. Future defined benefit increases		
4.5. Expected rate of return on reimbursement rights recognised as assets		
4.6. Medical cost trend rate		
4.7. Other material actuarial assumptions (please specifiy below)		

The new AXA Bank Europe plan is an insurance contract concluded with AXA Belgium Insurance.

As part of the management of its insurance activities, AXA Belgium invests paid premiums of AXA Bank Europe in various types of investments. Investments involving payments by AXA Bank Belgium and recognised in the AXA Europe balance sheet consists primarily of shares, bonds and real estate.

The reconciliation relating to these investments between the beginning and the end of the financial year looks like this:

in '000 EUR	31.12.2011	31.12.2010
Fair value of investments (beginning a financial year)	33 886	29 144
Income from investments	1 665	1 155
Contribution by employer	4 026	2 755
Contribution by employee	1 013	959
Paid benefits during the year	-582	-127
Fair value of investments (end of financial year)	40 008	33 886

Special events occurring during the year

Were there any amendments or changes to the plan document or agreements that rule the plan?	No
Was the plan affected by any mergers or acquisitions or spinoffs?	No
Were there any major transfers of employees between entities or lines of business?	No
Were there any major restructurations or major movements in the population?	No
Was coverage extended to another category of employees or beneficiaries?	No
Was coverage reduced and limited to a certain category of employees or beneficiaries?	No
Was there a change in the financing method (Contracted out to an insurer or set up a fund, ...)?	No
Was there a major change in the Social Charges paid with regards to this plan?	No

Statistics

Statistics	2011	2010
Actives - count	682	684
Actives - average age	45	44
Actives - average service	17	17
Actives - average annual salary	60	57
Deferred - count	52	34
Deferred - average age	37	38
Deferred - average annual pension	2	3
Retirees - count		
Retirees - average age		
Retirees - average annual pension		

Assumptions

Assumptions	2011	2010
Discount rate	4.2%	4.3%
Salary increase rate	3.5%	3.5%
Rate of inflation	2.0%	2.0%
Medical inflation rate		
Pension indexation rate		
Expected return on Plan Assets for N+1 expense (as a percentage)		
Expected return on Separate Assets for N+1 expense (as a percentage)		
Valuation date of the latest complete valuation (YYYYMMDD)	*31/12/10*	*31/12/09*
Valuation date of the next complete valuation (YYYYMMDD)	*31/12/12*	*31/12/11*
Expected Average remaining service Life/EARSL	*13*	*13*

Items in '000 EUR	Reconciliation of Defined Benefit Obligation (DBO) (a)	Reconciliation of Fair Value of Plan Assets under IFRS (b)	Reconciliation of Fair Value of Separate Assets under IFRS (c)	Reconciliation of Total Assets (d)=(b)+(c)
Previous year closing	**48 944**		**33 886**	**33 886**
Value at beginning of year	48 944		33 886	33 886
Service Cost	2 960			
Employee Contributions			1 013	1 013
Interest Cost	2 219			
Expected Return on Assets (net of investment tax if any)			1 624	1 624
Actuarial Loss/Gain due to Experience	747		41	41
Actuarial Loss/Gain due to Change in Assumptions	478			
Plan Amendment				
Net Gain/Loss amortization				
Net Transition Obligation / Asset amortization				
Net Past Service Cost amortization				
Curtailments				
Settlements				
Change in asset ceiling				
Net transfer In(out) (including effects of acquisitions)				
Transfer from Separate Assets to Plan Assets				
Transfer from Separate Assets to General Assets (enter as negative)				
Employer Contributions to Plan Assets				
Employer Contributions to Separate Assets			4 026	4 026
Benefits directly paid by the employer (enter as negative)				
Benefits paid from Plan Assets (enter as negative)				
Benefits paid from Separate Assets (enter as negative)	-582		-582	-582
Local change FX effect				
Foreign Exchange variance				
Value at end of year	**54 766**		**40 008**	**40 008**

Items in '000 EUR	Funded Status under IFRS (unfunded if positive) (e)=(a)-(b)	Unrecognized Past Service Cost / (Asset) under IFRS (f)	Assets not recognized due to asset ceiling under IFRS (g)	SORIE (Net (Gain) / Loss recognized in Equity under IFRS) (h)	Balance Sheet Liability / (Asset) under IFRS (i)=(e)-(f)+(g)	2011 Pension Expense / (Income) under IFRS (j)=(i)-(h)-(c)	Expected Year N+1 Pension Expense / (Income) under IFRS
Previous year closing	**48 944**			**5 438**	**48 944**		
Value at beginning of year	48 944			5 438	48 944		
Service Cost	2 960				2 960	2 960	3 104
Employee Contributions						-1 013	-1 048
Interest Cost	2 219				2 219	2 219	2 313
Expected Return on Assets (net of investment tax if any)						-1 624	-1 766
Actuarial Loss/Gain due to Experience (2)	747			706	747		
Actuarial Loss/Gain due to Change in Assumptions (2)	478			478	478		
Plan Amendment							
Net Gain/Loss amortization							
Net Transition Obligation / Asset amortization							
Net Past Service Cost amortization							
Curtailments							
Settlements							
Change in asset ceiling							
Net transfer In(out) (including effects of acquisitions)							
Transfer from Separate Assets to Plan Assets							
Transfer from Separate Assets to General Assets (enter as negative)							
Employer Contributions to Plan Assets							
Employer Contributions to Separate Assets							
Benefits directly paid by the employer (enter as negative)							
Benefits paid from Plan Assets (enter as negative)							
Benefits paid from Separate Assets (enter as negative)	-582				-582		
Local change FX effect							
Foreign Exchange variance							
Value at end of year	**54 766**			**6 622**	**54 766**	**2 542**	**2 603**

Sensitivity analysis	2011
DBO's Sensitivity to a +0.5% change in the discount rate (as a percentage)	-4.38%
DBO's Sensitivity to a –0.5% change in the discount rate (as a percentage)	4.74%
DBO's Sensitivity to a +0.5% change in the inflation rate (as a percentage)	2.10%
DBO's Sensitivity to a +0.5% change in the salary increase (as a percentage)	7.10%
DBO's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage)	
DBO's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the discount rate (as a percentage)	-6.43%
Service cost's Sensitivity to a –0.5% change in the discount rate (as a percentage)	7.08%
Service cost's Sensitivity to a +0.5% change in the salary increase (as a percentage)	7.50%
Sercice cost's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the inflation rate (as a percentage)	2.70%

Estimated Future Benefits Paid (for current active population, i.e. excluding new entrants)	2011
Estimated future benefits paid - year N+1	5 893
Estimated future benefits paid - year N+2	3 131
Estimated future benefits paid - year N+3	4 045
Estimated future benefits paid - year N+4	2 488
Estimated future benefits paid - year N+5	4 360
Cumulative estimated future benefits paid - From year N+6 to year N+10	20 950
Estimated future benefit payments - From year N+11 until the last benefit payment is paid	137 923

	2011
Expected employer contributions to Plan Assets	
Expected employer contributions to Separate Assets	3 109

Historical overview	2011	2010	2009	2008	2007	2006
Defined benefit obligation	54 766.00	48 943.67	38 977.86	32 675.48	29 095.84	30 224.17
Fair value assets	40 008.00	33 886.26	29 144.27	24 391.01	20 950.21	19 462.26
Surplus or deficit	14 764.00	15 057.40	9 833.59	8 284.46	8 145.63	10 761.90
Actuarial gain/loss						
Gain/Loss due to change in assumptions	747.00	2 689.91	440.31			
Contributions in next year:	478.00	2 857.02	3 083.83			
— by the employer	3 109.00					
— by the employee	1 013.00					

Other plans

Health Care - Defined benefit plans

in '000 EUR	31.12.2011	31.12.2010
1. Components of defined benefit plan assets and liabilities		
1.1. Net funded, defined benefit plan obligation (asset)	10 105	9 231
— 1.1.1. Present value of wholly or partially funded	10 105	9 231
— 1.1.2. (-) Fair value, defined benefit plan assets		
1.1.2.1. Equity instruments		
1.1.2.2. Debt instruments		
1.1.2.3. Property		
1.1.2.4. Other assets		
Of which: Property occupied or other assets used by the entity		
Of which: Financial instruments issued by the entity		
1.2. Present value of wholly unfunded defined benefit obligations		
1.3. Unrecognised actuarial gains (losses)		
1.4. Unrecognised past service cost		
1.5. Amounts not recognised as an asset, due to limits of paragraph 58 (b)		
1.6. Fair value of any right to reimbursement recognised as an asset		
1.7. Other amounts recognized in the balance sheet		
Defined benefit plan obligation (asset), total	**10 105**	**9 231**
2. Expense recognised in profit or loss, total	**728**	**573**
2.1. Current service cost	319	166
2.2. Interest cost	409	407
2.3. (-) Expected return on plan assets		
2.4. (-) Expected return on reimbursement rights recognised as asset		
2.5. Net actuarial loss (gain) recognised		
2.6. Past service cost		
2.7. Loss (gain) of any curtailments or settlements		
2.8. Effect of limit in par. 58 (b) when the net amount of the defined benefit obligation is negative		
Memorandum items		
Actual return on plan assets		
Actual return on reimbursement rights recognised as assets		
Accumulated amount of actuarial gains and losses recognised in the statement of recognised income and expense	4 040	3 837
Employer estimate of contributions expected to be paid during the next period		
3. Movements in defined benefit plan obligation for defined benefit plan		
3.1. Defined benefit plan obligation, beginning balance	9 231	7 980
3.2. (-) Benefits paid	-58	17
3.3. Current service cost	319	166
3.4. Interest cost	409	407
3.5. Actuarial gains and losses, total	203	696
3.6. Past service cost, total		
3.7. Increases through business combinations		
3.8. (-) Decreases through business divestiture		
3.9. Foreign currency exchange increase (decrease)		
3.10. Contributions paid by plan participants		
3.11. Other increase (decrease)		
3.12. Defined benefit plan obligations, Closing balance	10 105	9 231
4. Principal actuarial assumptions used in defined benefit plans		
4.1. Discount rates	4.20%	4.30%
4.2. Expected return on plan assets	4.50%	4.50%
4.3. Expected rate of salary increases		
4.4. Future defined benefit increases		
4.5. Expected rate of return on reimbursement rights recognised as assets		
4.6. Medical cost trend rate	3.50%	3.50%
4.7. Other material actuarial assumptions		
5. Effects of changes in the assumed medical trend rate	**Increase 1%**	**Increase 1%**
5.1. Current service cost and interest cost components of periodic medical cost	942	987
5.2. Accumulated obligation for medical cost	12 581	12 293
5. Effects of changes in the assumed medical trend rate	**Decrease 1%**	**Decrease 1%**
5.1. Current service cost and interest cost components of periodic medical cost	563	544
5.2. Accumulated obligation for medical cost	8 117	7 017

Special events occurring during the year

Were there any amendments or changes to the plan document or agreements that rule the plan?	No
Was the plan affected by any mergers or acquisitions or spinoffs?	No
Were there any major transfers of employees between entities or lines of business?	No
Were there any major restructurations or major movements in the population?	No
Was coverage extended to another category of employees or beneficiaries?	No
Was coverage reduced and limited to a certain category of employees or beneficiaries?	No
Was there a change in the financing method (Contracted out to an insurer or set up a fund, ...)?	No
Was there a major change in the Social Charges paid with regards to this plan?	No

Statistics	2011
Actives - count	1 194
Actives - average age	48
Actives - average service	23
Actives - average annual salary	
Deferred - count	
Deferred - average age	
Deferred - average annual pension	
Retirees - count	548
Retirees - average age	71
Retirees - average annual pension	

Assumptions	2011	2010
Discount rate	4.2%	4.3%
Salary increase rate		
Rate of inflation	3.5%	3.5%
Medical inflation rate		
Pension indexation rate		
Expected return on Plan Assets for N+1 expense (as a percentage)		
Expected return on Separate Assets for N+1 expense (as a percentage)		
Valuation date of the latest complete valuation (YYYYMMDD)	*31/12/10*	*31/12/09*
Valuation date of the next complete valuation (YYYYMMDD)	*31/12/12*	*31/12/11*
Expected Average remaining service Life/EARSL	*12*	*13*

Items in '000 EUR	Reconciliation of Defined Benefit Obligation (DBO) (a)	Reconciliation of Fair Value of Plan Assets under IFRS (b)	Reconciliation of Fair Value of Separate Assets under IFRS (c)	Reconciliation of Total Assets (d)=(b)+(c)
Previous year closing	**9 232**			
Value at beginning of year	9 231			
Service Cost	319			
Employee Contributions				
Interest Cost	410			
Expected Return on Assets (net of investment tax if any)				
Actuarial Loss/Gain due to Experience	-71			
Actuarial Loss/Gain due to Change in Assumptions	236			
Plan Amendment				
Net Gain/Loss amortization				
Net Transition Obligation / Asset amortization				
Net Past Service Cost amortization				
Curtailments				
Settlements				
Change in asset ceiling				
Net transfer In(out) (including effects of acquisitions)				
Transfer from Separate Assets to Plan Assets				
Transfer from Separate Assets to General Assets (enter as negative)				
Employer Contributions to Plan Assets				
Employer Contributions to Separate Assets				
Benefits directly paid by the employer (enter as negative)	-20			
Benefits paid from Plan Assets (enter as negative)				
Benefits paid from Separate Assets (enter as negative)				
Local change FX effect				
Foreign Exchange variance				
Value at end of year	**10 105**			

Items in '000 EUR	Funded Status under IFRS (unfunded if positive) (e)=(a)-(b)	Unrecognized Past Service Cost / (Asset) under IFRS (f)	Assets not recognized due to asset ceiling under IFRS (g)	SORIE (Net (Gain) / Loss recognized in Equity under IFRS) (h)	Balance Sheet Liability / (Asset) under IFRS (i)=(e)-(f)+(g)	2011 Pension Expense / (Income) under IFRS (j)=(i)-(h)-(c)	Expected Year N+1 Pension Expense / (Income) under IFRS
Previous year closing	**9 232**			**3 837**	**9 232**		
Value at beginning of year	9 231			3 837	9 231		
Service Cost	319				319	319	334
Employee Contributions							
Interest Cost	410				410	410	438
Expected Return on Assets (net of investment tax if any)							
Actuarial Loss/Gain due to Experience (2)	-71			-71	-71		
Actuarial Loss/Gain due to Change in Assumptions (2)	236			236	236		
Plan Amendment							
Net Gain/Loss amortization							
Net Transition Obligation / Asset amortization							
Net Past Service Cost amortization							
Curtailments							
Settlements							
Change in asset ceiling							
Net transfer In(out) (including effects of acquisitions)							
Transfer from Separate Assets to Plan Assets							
Transfer from Separate Assets to General Assets (enter as negative)							
Employer Contributions to Plan Assets							
Employer Contributions to Separate Assets							
Benefits directly paid by the employer (enter as negative)	-20				-20		
Benefits paid from Plan Assets (enter as negative)							
Benefits paid from Separate Assets (enter as negative)							
Local change FX effect							
Foreign Exchange variance							
Value at end of year	**10 105**			**4 002**	**10 105**	**729**	**772**

Sensitivity analysis	2011
DBO's Sensitivity to a +0.5% change in the discount rate (as a percentage)	-11.96%
DBO's Sensitivity to a –0.5% change in the discount rate (as a percentage)	10.70%
DBO's Sensitivity to a +0.5% change in the inflation rate (as a percentage)	
DBO's Sensitivity to a +0.5% change in the salary increase (as a percentage)	
DBO's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage)	
DBO's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage)	12.25%
Service cost's Sensitivity to a +0.5% change in the discount rate (as a percentage)	-13.80%
Service cost's Sensitivity to a –0.5% change in the discount rate (as a percentage)	11.10%
Service cost's Sensitivity to a +0.5% change in the salary increase (as a percentage)	
Sercice cost's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage)	
Service cost's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage)	14.72%
Service cost's Sensitivity to a +0.5% change in the inflation rate (as a percentage)	

Estimated Future Benefits Paid (for current active population, i.e. excluding new entrants)	2011
Estimated future benefits paid - year N+1	20
Estimated future benefits paid - year N+2	21
Estimated future benefits paid - year N+3	22
Estimated future benefits paid - year N+4	22
Estimated future benefits paid - year N+5	23
Cumulative estimated future benefits paid - From year N+6 to year N+10	127
Estimated future benefit payments - From year N+11 until the last benefit payment is paid	690

	2011
Expected employer contributions to Plan Assets	
Expected employer contributions to Separate Assets	

Historical overview	2011	2010	2009	2008	2007	2006
Defined benefit obligation	10 105.00	9 231.44	7 979.52	6 179.93	6 513.55	7 692.08
Fair value assets	0.00	0.00	0.00	0.00	0.00	0.00
Surplus or deficit	10 105.00	9 231.44	7 979.52	6 179.93	6 513.55	7 692.08
Actuarial gain/loss	-71.00	-719.57	0.00			
Gain/Loss due to change in assumptions	236.00	1 415.54	1 445.54			
Contributions in next year:						
— by the employer	20.00					
— by the employee	0.00					

33 / SHARE-BASED PAYMENTS

Every year the AXA Group assigns a number of “equities” (shares) to each country to distribute amongst its employees.

This concerns share options on the shares of the parent company AXA NV.

The beneficiaries of the equities that are assigned randomly are allocated a percentage (which varies each year) in the form of share options. The balance is assigned in the form of “Performance Units” (PU) based on 1 PU for 2.5 equities. These PUs are revalued based on the Group’s results. Up to and including the assignments in 2009, the revaluation of the PUs amounted to 50% after a year based on the results of the year of assigning and another 50% after 2 years based on the results of the financial year that followed the assignment. After 2 years, these PUS entitle their owner to a cash payment of the equivalent amount insofar as the number of PUs amount to less than 1 000. If the number of PUs, however, is more than 1 000, 70% entitles their owner to a cash payment and 30% to shares (“AXA shares”). The transfer costs of the shares were passed on by the Group to the local entity for an amount that was EUR 57 381.72 at the end of 2011.

For the assignment of the 2010 financial year, 50% of the PUS that are revalued based on the Group’s results will be converted based on the average closing rate of the AXA share during the last 20 quotation days prior to 19 March 2012 (payment on 19 March 2012) while the other 50% will be converted based on the average closing rate of the AXA share during the last 20 quotation days prior to 19 March 2013 (payment or conversion into AXA share at the preference of the beneficiary).

For the assignment for the 2011 financial year, the Pus will be revalued based on the level of the achieved goals jointly for the Group and the entity of the beneficiary during the period ranging from 1 January 2011 to 31 December 2012. Based on this achieved level, the conversion percentage will be determined with which the original number of PUs will be increased. The payment of the equivalent amount of these PUs will be executed on 18 March 2014 or on the 3rd birthday of the assignment. The valuation and inclusion of these share options will take place at the AXA sa parent company. The part with regard to AXA Bank Europe is intangible.

An estimate of the costs of the benefits assigned for the 2011 financial year has shown that this amounts to ± EUR 384 000.

The table below provides an overview of a number of options that have been assigned to employees who have a contract with AXA Bank Europe.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Granted options	27 341	43 990	53 640	76 345	98 874	69 616	49 700	45 459	36 975	65 245	88 976	109 879	766 039
Exercised options													
Cancelled options							-523	-512	-359	-1 536	-1 150	-7 500	-11 580
Expired options	-82 016	-132 063											-214 079
Exercise price	**38.96**	**30.74**	**19.96**	**10.47**	**16.90**	**19.70**	**27.75**	**32.95**	**21.00**	**9.76**	**15.43**	**14.73**	
													540 380

in ‘000 EUR	≥ 2000	≥ 2003
Options at 01.01.2011	**570 064**	**527 110**
Granted options in 2011	109 879	109 879
Exercised options in 2011		
Cancelled options in 2011	-7 500	-7 500
Expired options in 2011	-132 063	
Options at 31.12.2011	**540 380**	**629 489**

The cancelled options concern employees who have left the company and, therefore, no longer wish to make use of their right to exercise their options.

34 / GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

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

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

The amounts thus established totalled approximately EUR 3.0 million for 2011.

35 / EQUITY

Subscribed capital

in '000 EUR	31.12.2011	31.12.2010
Subscribed capital	546 318	546 318
Revaluation reserves		
Revaluation of available-for-sale financial assets	-306 196	-228 324
Deferred tax	104 101	78 987
	-202 095	-149 337
Actuarial gains/losses relating to promised pension schemes	-12 182	-8 752
Deferred tax	4 141	2 966
	-8 041	-5 786
Foreign currency translation	16 907	-1 362
Cash flow hedges	-40 491	-24 385
Deferred tax	11 385	8 288
	-29 106	-16 097
Other reserves (including results carried forward)	-475 250	464 539
RESULT FOR THE FINANCIAL YEAR	-147 758	12 342

The issued capital amounts to 546 318 241.47 euros and consists of 395 911 750 shares without making a reference to the nominal value.

It was paid up in full.

The reserves from the revaluation comprise the reserves from the revaluation of the exchange rates, the revaluation of the assets available for selling, the revaluation of the cash flow covers and the reserves for pension liabilities.

The “other reserves” section comprises the legal reserves and the transferred results from the AXA Bank Europe parent company and the consolidation reserves by the first IFRS inclusion with this last one and all consolidation reserves for the subsidiaries.

The consolidation reserves also include the Fund for General Bank Risks. This is started by the bank to deal with unforeseeable risks and future unexpected losses. This fund amounts to EUR 33 million (unchanged when compared to the previous financial year).

36 / PROFIT ALLOCATION AND DIVIDENDS PER SHARE

The Board of Directors recommends to integrally transfer the losses of the financial year together with the transferred results to the following financial year. Dividends will, therefore, not be distributed.

37 / CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of the period

in '000 EUR	31.12.2011	31.12.2010
Components of cash and cash equivalents:	1 452 842	623 347
On hand (cash)	77 159	590 212
Cash and balances with central banks	558 999	33 135
Loans and receivables	128 548	
Held-to-maturity investments		
Available-for-sale assets	498 298	
Financial assets held for trading		
Financial assets designated at fair value through profit or loss		
Other short term, highly liquid investments (Bank overdrafts which are repayable on demand, if integral part of cash management)	189 838	
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1 452 842	623 347

38 / RELATED-PARTY TRANSACTIONS

Income and Expenses from related-party transactions 31.12.2011 – in '000 EUR	Parent	Parent entities with joint control	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Key management of the entity or its parent	Other related parties	Total
BALANCE SHEET								
Assets: loans and advances			3 302			1 979	6 613 192	6 618 473
Current accounts							18 538	18 538
Term loans			3 302				6 385 402	6 388 704
Finance leases								
Consumer Credit						10		10
Mortgage loans						1 969		1 969
Other							209 252	209 252
Equity instruments								
Trading securities								
Investment securities								
Other receivables			14				790 249	790 263
TOTAL ASSETS			3 316			1 979	7 403 441	7 408 736
Liabilities: deposits	1 652		215				2 846 293	2 848 160
Deposits	152		215				53 724	54 091
Other borrowings	1 500						2 792 569	2 794 069
Other financial liabilities							342 852	342 852
Debt certificates							342 852	342 852
Subordinated liabilities								
Share based payments								
— Granted								
— Exercised								
Other liabilities							9 130	9 130
TOTAL LIABILITIES	1 652		215				3 198 275	3 200 142
Derivatives (Notional amounts)								
Interest rate swaptions							6 298 913	6 298 913
Interest rate IRS							71 552 190	71 552 190
Equity instruments TRS							3 633 023	3 633 023
Other items off-balance-sheet								
Guarantees issued by the group							776 319	776 319
Guarantees received by the group							5 603 869	5 603 869
Provisions for doubtful debts								

Income and Expenses from related-party transactions

31.12.2011 – in '000 EUR

	Parent	Parent entities with joint control	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Key management of the entity or its parent	Other related parties	Total
Profit or loss								
Expenses								
Interest expenses	57						796 363	796 420
Foreign exchange								
Fees and commissions							5 999	5 999
Insurance premiums								
Rendering of services								
Purchase of goods, property and other assets								
Transfers								
Other			1				6 281	6 282
TOTAL EXPENSES	**57**		**1**				**808 643**	**808 701**
Income								
Interest Income			159				174 620	174 779
Foreign exchange								
Fees and commissions							7 237	7 237
Dividend income								
Insurance premiums								
Receiving of services								
Sales of goods, property and other assets								
Transfers								
Other							7 306	7 306
TOTAL INCOME			**159**				**189 163**	**189 322**
Expenses from current year in respect of bad or doubtful debts								

Income and Expenses from related-party transactions

31.12.2010 – in '000 EUR

	Parent	Parent entities with joint control	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Key management of the entity or its parent	Other related parties	Total
BALANCE SHEET								
Assets: loans and advances			**4 154**			**1 262**	**5 163 446**	**5 168 862**
Current accounts								
Term loans			4 154				5 147 445	5 151 599
Finance leases								
Consumer Credit						14		14
Mortgage loans						1 248		1 248
Other							16 001	16 001
Equity instruments								
Trading securities								
Investment securities								
Other receivables			**10**				**10 031**	**10 041**
TOTAL ASSETS			**4 164**			**1 262**	**5 173 477**	**5 178 903**
Liabilities: deposits	**1 331**		**211**				**3 414 649**	**3 416 191**
Deposits	131		211				50 545	50 887
Other borrowings	1 200						3 364 104	3 365 304
Other financial liabilities							**450 000**	**450 000**
Debt certificates							450 000	450 000
Subordinated liabilities								
Share based payments								
— Granted								
— Exercised								
Other liabilities							**215 720**	**215 720**
TOTAL LIABILITIES	**1 331**		**211**				**4 080 369**	**4 081 911**
Derivatives (Notional amounts)								
Interest rate swaptions							51 623 264	51 623 264
Interest rate IRS							5 576 779	5 576 779
Equity instruments TRS							3 413 120	3 413 120
Other items off-balance-sheet								
Guarantees issued by the group							1 020 051	1 020 051
Guarantees received by the group							4 425 718	4 425 718
Provisions for doubtful debts								

Expenses and income generated by transactions with related parties

31.12.2010 – in '000 EUR

	Parent	Parent entities with joint control	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Key management of the entity or its parent	Other related parties	Total
Profit or loss								
Expenses								
Interest expenses	45						233 916	233 961
Foreign exchange							3 591	3 591
Fees and commissions							8 584	8 584
Insurance premiums								
Rendering of services								
Purchase of goods, property and other assets								
Transfers								
Other			1				9 988	9 989
TOTAL EXPENSES	**45**		**1**				**256 079**	**256 125**
Income								
Interest Income			66				229 535	229 601
Foreign exchange								
Fees and commissions							6 243	6 243
Dividend income								
Insurance premiums								
Receiving of services								
Sales of goods, property and other assets								
Transfers								
Other							10 118	10 118
TOTAL INCOME			**66**				**245 896**	**245 962**
Expenses from current year in respect of bad or doubtful debts								

The "Other Related Parties" column also contains the transactions of the sister companies.

We find the mobilisation claims with regard to the asset in the "long-term loans" section within the framework of the reverse repurchase transactions with AXA Belgium for EUR 4 488 million and a reverse repurchase with AXA France for EUR 697 million.

We would also like to point out that AXA Bank Europe acts as an intermediary within the framework of a Total Return Equity Swap. This transaction takes place, on the one hand, with AXA S.A. (France) and AXA Life France. Within the framework of this transaction, cash is both received and paid out as security. The net impact on the result account of AXA Bank Europe is slight.

The "other loans" section can be found under liabilities that contains the following elements:

- Term investments of AXA Belgium for a total amount of EUR 484 million;
- Term investment of GIE AXA Tresorie Paris (GIE AGA) for EUR 170 million;
- Term investment for EUR 476 million door AXA Investment Managers Paris;
- Cash collateral of AXA Holding Paris for EUR 888 million;
- Mobilisation debts as a result of repos with AXA France Vie for EUR 217 million;
- Received cash collateral with regard to the aforementioned Total Return Equity Swap for EUR 109 million.

Key management Compensations

in '000 EUR

	31.12.2011	31.12.2010
Short-term employee benefits	5 889	4 130
Post-employment benefits		
Other long-term benefits		
Termination benefits	197	
Share based payments	172	52
TOTAL	**6 258**	**4 182**

The figures relating to managers in key positions involve the members of the management committee of AXA Bank Europe.

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

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

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

Consequently, regarding these persons no separate database is kept by AXA.

39 / LEASE AGREEMENTS

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

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

Assets held under an operating lease as a lessee

31.12.2011 – in '000 EUR

	Total of future minimum lease payments under non-cancelable operating lease	Total of future minimum sublease payments expected to be received under non-cancelable subleases	Minimum lease payments recognized as an expense	Contingent rents payments recognized as an expense	Sublease payments recognized as an expense
For the lessee - Residual maturity	102				
< 1 year	3 664				
> 1 year ≤ 5 years	59				
> 5 years	3 825		1 312		
TOTAL	**3 895**		**1 375**		

Assets held under an operating lease as a lessee

31.12.2010 – in '000 EUR

	Total of future minimum lease payments under non-cancelable operating lease	Total of future minimum sublease payments expected to be received under non-cancelable subleases	Minimum lease payments recognized as an expense	Contingent rents payments recognized as an expense	Sublease payments recognized as an expense
For the lessee - Residual maturity					
< 1 year	125				
> 1 year ≤ 5 years	3 710				
> 5 years	60				
TOTAL NOMINAL AMOUNT	**3 895**		**1 375**		

40 / REPURCHASE AGREEMENTS (REPO) AND REVERSE REPURCHASE AGREEMENTS (REVERSE REPO)

Status as at 31 December 2011

Transferor: Repo - No derecognition of transfers of financial assets out of: 31.12.2011 – in '000 EUR	Equity instruments	Debt instruments	Loans and advances	Other	Total
Financial assets held for trading		10 166 486			10 166 486
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		**10 166 486**			**10 166 486**

Transferor: Liabilities (financing obtained) 31.12.2011 – in '000 EUR	Total
Repo	
Credit institutions	9 860 370
Other than credit institutions	762 453

Transferee: Assets (financing granted) 31.12.2011 – in '000 EUR	Total
Reverse repo	
Credit institutions	645 871
Other than credit institutions	6 289 108

Status as at 31 December 2010

Transferor: Repo - No derecognition of transfers of financial assets out of:

31.12.2010 – in '000 EUR	Equity instruments	Debt instruments	Loans and advances	Other	Total
Financial assets held for trading		6 813 744			6 813 744
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		**6 813 744**			**6 813 744**

Transferor: Liabilities (financing obtained)

31.12.2010 – in '000 EUR	Total
Repo	
Credit institutions	6 055 732
Other than credit institutions	1 123 625

Transferee: Assets (financing granted)

31.12.2010 – in '000 EUR	Total
Reverse repo	
Credit institutions	1 494 704
Other than credit institutions	4 577 775

41 / FINANCIAL RELATIONSHIPS WITH AUDITORS

31.12.2011 – in '000 EUR	31.12.2011
Remuneration of the auditor(s)	908
Remuneration for exceptional activities or special commissions performed within the company by the auditor(s)	
— Other audit activities	86
— Advisory activities	
— Other activities outside audit activities	53
Remuneration for exceptional activities or special commissions performed within the company by persons associated with the auditor(s)	
— Other audit activities	
— Advisory activities	
— Other activities outside audit activities	

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

42 / SEGMENT INFORMATION

The segment information model contains both a split based on geographical segment and based on business unit.

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

The Shared Services business unit (also referred to as the “headquarters”) comprised the centralised ALM (asset and liability management) & cash resources functions, the supportive functions, AXA Hedging Services, the Execution Desk Paris and the IT centre Poland.

Transactions between the different business units are carried out professionally and objectively (arm’s length principle) where mainly the following basic principles are applied:

- Service Level Agreements: The AXA Bank Europe subsidiaries outsource various services to AXA Bank Europe headquarters of which the most important ones are specifically risk management, the internal audit, the ALM and the management of liquid resources/cash resources. The results of these services are designated depending on the provisions and conditions between headquarters and each subsidiary. Internal service level agreements make detailed arrangements with regard to tasks and responsibilities of the supportive services.
- Funds Transfer Pricing: The management of cash resources and ALM within AXA Bank Europe is centralised at the level of AXA Bank Europe headquarters. With a view of transferring the interest risk of the commercial activities to the centralised ALM, the Funds Transfer Pricing system is used. This means that deposits that are provided for safekeeping by the commercial business units are reinvested at the central ALM and that the loans allocated by the commercial business units are financed by the central ALM while using the Funds Transfer Pricing interest rate.
- Allocation of ALM results: In addition to the commercial margin, AXA Bank Europe may use a conversion margin for its retail activities. With a view to achieving the best possible balance sheet management, this is managed centrally at headquarters. The ALM result is entered on the commercial activities to allow a total assessment at the level of each country. The parameters that are used in this entry are economic capital and assets and liabilities of the retail activities.

Status as at 31 December 2011

AXA Bank Europe Net Income in ‘000 EUR	**Net Banking Product**	**Commissions**	**Administrative Expenses**	**Loan Loss Provisions**	**Other**	**Taxes**	**Net Income**
Belgium	273.785	-37.294	-190.569	-13.577	0.000	-2.362	29.983
Shared Services	56.484	0.000	-57.609	0.000	0.069	1.009	-0.047
Belgium & Shared Services	**330.269**	**-37.294**	**-248.178**	**-13.577**	**0.069**	**-1.353**	**29.936**
Hungary	49.848	-0.261	-32.317	-159.358	-3.553	-3.715	-149.356
Switzerland	-0.368	-0.220	-15.193	0.000	0.000	0.000	-15.781
Czech Republic	1.153	-0.247	-9.246	0.000	0.000	0.196	-8.144
Slovakia	-0.008	-0.035	-4.370	0.000	0.000	0.000	-4.413
Poland	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AXA Bank Europe	**380.894**	**-38.057**	**-309.304**	**-172.935**	**-3.484**	**-4.872**	**-147.758**

Status as at 31 December 2010

AXA Bank Europe Net Income in ‘000 EUR	**Net Banking Product**	**Commissions**	**Administrative Expenses**	**Loan Loss Provisions**	**Other**	**Taxes**	**Net Income**
Belgium	238.223	-30.137	-181.397	-4.422	0.005	4.313	26.586
Shared Services	84.790	0.000	-62.486	0.000	0.000	18.143	40.446
Belgium & Shared Services	**323.013**	**-30.137**	**-243.883**	**-4.422**	**0.005**	**22.456**	**67.032**
Hungary	59.150	-0.542	-38.200	-48.756	-0.187	3.765	-24.771
Switzerland	-3.182	-0.140	-10.676	0.000	0.000	0.012	-13.986
Czech Republic	-2.627	-0.434	-10.384	0.000	0.000	-0.176	-13.621
Slovakia	0.008	0.000	-2.319	0.000	0.000	0.000	-2.312
Poland	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AXA Bank Europe	**376.362**	**-31.253**	**-305.463**	**-53.178**	**-0.183**	**26.057**	**12.342**

43 / EVENTS AFTER THE BALANCE SHEET DATE

A sales agreement was concluded with the Zweiplus AG Bank at the start or November 2011 when the client portfolio or the branch in Switzerland was transferred. This concerns a deposit and time deposit account portfolio.

The decision was taken to stop activities in 2012 in Switzerland due to the sale.

In view of the economic evolution in Hungary, it was also decided to stop all new activities in the area of credit issue here.

The decision was taken to set up a global platform within the AXA Group within the framework of further optimisation of the provision of advice and monitoring the coverage strategy in favour of other AXA entities. The decision was taken to sell AXA Hedging Services Ltd to another group entity as a result thereof.

On 28 March 2012, the Board of Directors assessed the annual accounts and approved their publication.

The annual accounts will be submitted for approval to the General Meeting of Shareholders on 26 April 2012.

Brussels, 28 March 2012

Board of directors

Jacques de Vaucleroy, Chairman
Emmanuel de Talhouët, Vice-chairman
Jef Van In, Chairman of the Executive Committee (since February 14, 2011)
Dominique Bellec (since January 10, 2012)
Irina Buchmann
Frédéric Clément (since August 30, 2011)
Sabine De Rycker (since February 1, 2012)
Patrick Vaneeckhout
Emmanuel Vercoustre (since December 6, 2011)
BVBA M.B.I.S., represented by Marc Bellis (since August 23, 2011)
Jacques Espinasse
Thomas Gerber
Patrick Lemoine
Marc Raisière
François Robinet (till November 30, 2011)
Philippe Eyben (till December 6, 2011)

MANAGEMENT BODIES

ADMINISTRATION, MANAGEMENT AND AUDIT

Board of Directors

Jacques de Vaucleroy, Chairman

Emmanuel de Talhouët, Vice-Chairman

Dominique Bellec (since January 10, 2012)

Irina Buchmann

Frédéric Clément (since August 30, 2011)

Sabine De Rycker (since February 1st, 2012)

Jacques Espinasse

Philippe Eyben (until December 6, 2011)

Thomas Gerber

Patrick Lemoine

M.B.I.S. bvba, represented by Marc Bellis (since August 23, 2011)

Marc Raisière

François Robinet

Patrick Vaneeckhout

Jef Van In (since February 14, 2011)

Emmanuel Vercoustre (since December 6, 2011)

Executive Committee

Jef Van In, Chairman (since February 14, 2011)

Patrick Vaneeckhout, Vice-Chairman

Dominique Bellec (since January 10, 2012)

François Robinet, Vice-Chairman (until November 30, 2011)

Frédéric Clément (since August 30, 2011)

Sabine De Rycker (since February 1st, 2012)

Irina Buchmann (since April 20, 2010)

Philippe Eyben (until December 6, 2011)

Emmanuel Vercoustre (since December 6, 2011)

Audit Committee

Jacques Espinasse, Chairman

Patrick Lemoine

M.B.I.S. bvba, represented by Marc Bellis (since August 23, 2011)

Remuneration Committee

Jacques de Vaucleroy, Chairman

M.B.I.S. bvba, represented by Marc Bellis (since August 23, 2011)

Patrick Lemoine

Auditor

PricewaterhouseCoopers Réviseurs d’entreprises, scrl, represented by Mr Tom Meuleman and Mr Gregory Joos (registered auditors)

REPORT OF THE BOARD OF DIRECTORS FISCAL YEAR 2011

SUBMITTED TO THE GENERAL MEETING OF SHAREHOLDERS ON APRIL 26, 2012

1 / AXA BANK EUROPE

1.1 / Key events in 2011

1.1.1 / Many challenges in Hungary

In an attempt to reduce household debt, the Hungarian government has published legislation in September 2011 allowing customers to pay back foreign currency denominated mortgages at non-market rates for a limited time period. This legislation forced banks to provide for the likely cost related to these measures.

1.1.2 / Closing of Swiss activities

As announced on November 15, 2011, the customer portfolio has been transferred to bank zweiplus as part of a cooperation agreement between AXA Winterthur and bank zweiplus. The agreement will allow AXA Winterthur to continue to offer and distribute short and midterm savings and investment products through its own distribution channel at low cost. Following this transfer, the Swiss branch will be closed early 2012. Due to the relatively small contribution of the Swiss branch to AXA Bank Europe's net banking product, the impact of the closing of the Swiss activities will remain marginal over time.

1.1.3 / Launch of commercial activities in Slovakia

AXA Bank Europe launched commercial activities in Slovakia in April. This new activity was launched by means of a high-yield savings account distributed both by internal and external distribution networks. Net collections reached EUR 11 million at year end. Over 9 months, some 3 750 customers chose to trust AXA Bank Europe with their savings. As the launch of the Slovakian branch was based on a copy of the "Bank in a box" model developed for Czech Republic, it constitutes an important step in the development of AXA Bank Europe's retail business model.

1.1.4 / Adoption of adequate liquidity measures in order to strengthen and diversify the balance sheet and the liquidity position of AXA Bank Europe

In the context of strengthened regulatory liquidity requirements, AXA Bank Europe has decided to issue various instruments in order to ensure immediate liquidity in case of stress and keep funding risk under control.

In order to meet liquidity needs, diversified long to mid-term funding sources have been developed: EMTN (Euro Medium Term Note) products, a new tranche of covered bonds (series 3 and 4) and new investments in Basel III friendly assets.

1.1.5 / Poland IT center

AXA Bank Europe IT Center in Poland became an official branch of AXA Bank Europe in 2011. This center, set-up in 2009, is meant to become a center of internal expertise to support Flexcube, our core banking system for greenfield banks.

1.2 / The economic and financial context

1.2.1 / General context

In 2011, global GDP growth slowed down, settling around the 2.5% compared to 3.7% in 2010, continued to be driven by the emerging markets (5.9% in 2011 against 7.1% in 2010). In its trail, the downturn prompted worldwide exports to plummet from 14.1% in 2010 to 5.8% in 2011. This is to be attributed to three major events that affected the developed economies.

First of all, the earthquake and tsunami that devastated Japan in March 2011 had a significant impact on the Japanese economy, unprecedented since Hiroshima. This also had ramifications for the global economy as a whole, mainly in the automotive and electronics industries.

Secondly, the explosion of the United States' public deficit reached 14 000 trillion \$. The deadlock the US Congress found itself in, in its endeavours to reach agreement on ways to drive down this deficit, lasted the entire year, which caused the country to lose its AAA rating in the summer.

Finally, the sovereign debt crisis of the Eurozone, which no longer only affected the peripheral economies Greece and Ireland as it was the case in 2010, but now extended to affect virtually all countries in the Eurozone on top of Greece and Ireland and more especially Portugal, Italy and Spain. This crisis triggered both a rise in credit spread in the Eurozone as well as a slowdown of the European economy. The primary concern of European governments is now the reduction of their public debt.

1.2.2 / Investment climate

Investors turned away from risky assets and preferred more secure investments, whether in German, Swiss or Japanese bonds, or in gold (+21% since 1st January, reaching a peak in August at +35%).

In the same spirit, investors were also seen to turn away from the stock market which stabilized at +0.1% of the S & P index 2011 versus +12.8% in 2010.

The new regulations have already started creating opportunities and challenges for the financial service industry in the wake of the credit crunch. Insurance companies and banks have continued to move towards a more prudent approach in the allocation of assets, compliant with the provisions of "Solvency II" and "Basel III" regulations.

1.3 / Comments on results

1.3.1 / Production volumes

Net collections in mio EUR	2010	2011	Variation[3] (comparable FX)
Belgium	194	1 297	+568%
Hungary	76	60	-21%
Switzerland	141	-200	-226%
Czech Republic	436	87	-81%
Slovakia	-	11	-
TOTAL	**848**	**1 255**	**50%**

Total AXA Bank Europe **net collections** were EUR 1 255 million, or an increase of EUR 407 million compared to 2010. In 2011, one of AXA Bank Europe's priorities was to strengthen its retail funding through on-balance sheet retail products. To reach this objective AXA Bank Europe has launched the Optinote program, an EMTN (Euro Medium Term Note), in which four successful issues were placed for a total of EUR 225 million complementing the 5 years retail product offer with the Certirente (Term deposits accounts).

In Belgium the bank has reached a good level of net collections with a strong focus on on-balance sheet products where net collections were EUR 989 million compared to EUR 110 million in 2010. Deposits accounts (EUR 214 million net collections), Term-deposits accounts Certirente (EUR 565 million net collections) and the new EMTN program Optinote (EUR 225 million net collections) have positively contributed to this increase.

AXA Winterthur started cooperation with bank zweiplus for the distribution of banking products. AXA Bank Europe has transferred its portfolio of clients to bank zweiplus on January 3rd, 2012 and will cease all operational activity in the course of the first semester 2012.

The markets have been very competitive in the Czech Republic and Slovakia. The Czech branch has managed to attract EUR 87 million net new money thanks to its diversified distribution network combining the online approach with proximity advisors. The Slovak branch was launched since April 2011 and has collected EUR 11 million over the year.

Gross credit production in mio EUR	2010	2011	Variation[3] (comparable FX)
Belgium	2 749	2 957	+8%
Hungary	285	50	-82%
TOTAL	**3 034**	**3 007**	**-1%**

Gross Credit Production for AXA Bank Europe reached EUR 3 007 million compared to EUR 3 034 million in 2010, mainly as a result of higher volumes in Belgium offsetting lower production in Hungary.

In Belgium AXA Bank Europe primarily focuses on retail lending. The leading credit products for AXA Bank Europe are the mortgage loans where the bank has faced a strong competition in 2011 in order to maintain its market share stable at 7.09%, it has increased its production in mortgage loans in line with the bank's strict risk policy focusing on the prime clients and simple products. In 2011, the Belgian bank has successfully developed its consumer loans offer with green loans and has increased its market share from 6.09% to 7.42%.

Our business in Hungary has been impacted by the volatile market and many governmental and legal changes. AXA Bank Europe has acted proactively early in the year tightening underwriting in order to limit the exposure of the bank.

1.3.2 / Comments

Consolidated accounts (IFRS)

AXA Bank Europe consolidated accounts as of 31 December 2011 were drawn up in accordance with IFRS standards (International Financial Reporting Standards).

As of 31 December 2011, the consolidation scope of AXA Bank Europe included the following companies: AXA Bank Europe S.A., including the branches, AXA Hedging Services, Royal Street S.A., AXA Belgium Finance BV and Société de Crédit Foncier (SCF) created in 2010.

AXA Bank Europe's net consolidated result was EUR -147.8 million, compared to EUR 12.3 million the previous year. This decrease was primarily due to higher provisions for loan losses in Hungary and the Forced Conversion Plan, partially offset by exceptional growth in Belgium that remain the largest retail activity of AXA Bank Europe. Belgium is contributing to 79% of net banking revenues and the majority of the consolidated results before exceptional provisions. It continues to demonstrate exceptional growth, with an increase of 205% in total deposit account net new money.

Branches results, restated in accordance with IFRS standards and converted into euros when the currency is different, are as follows:

- The Swiss branch: EUR -16.9 million compared to EUR -14.5 million the previous year. AXA Bank Europe decided to close its Swiss banking branch, following the entry of a cooperation agreement between AXA Winterthur and bank zweiplus to continue the realization of the Life and Savings strategy. As a partner, bank zweiplus will offer white labelled savings products to be distributed via the AXA Winterthur distribution channel. AXA Bank Switzerland has transferred its customer portfolio to bank zweiplus. The one-off costs associated with the closure of the Swiss branch amount to EUR 4.3 million.
- The Hungarian branch: EUR -149.4 million compared to EUR -29.5 million the previous year. In an attempt to reduce household debt, the Hungarian government has published legislation in September 2011 allowing customers to redeem foreign currency denominated mortgages at non-market rates for a limited time period. As a result, AXA Bank Europe has provided for a total of EUR 103 million in order to cover the likely costs related to this legislation based on the number of submitted files by December 31, 2011. In addition, following the financial and economical situation in Hungary, AXA Bank Hungary provisioned EUR 54 million for the remaining mortgage portfolio. As one of the measures for the de-risking of the Hungarian banking activity, all Hungarian credit production has been stopped. Future focus of the bank remains on retail savings going forward.
- The Czech branch: EUR -8.1 million compared to EUR -14 million the previous year as a mainly driven by higher commercial margin compared to the margin applied for the commercial launch of the banking activity in 2010.
- The Slovak branch: EUR -4.4 million compared to EUR -2.3 million the previous year as a result of the commercial launch of the banking activity in 2011.

1. Converted using the average annual exchange rate.
2. Converted using the average annual exchange rate.
3. The 2011 figures were converted using the 2010 exchange rate for the comparison calculation.

In the final analysis, AXA Bank Europe's consolidated net result amounted to a loss of EUR 147.8 million and the consolidated balance sheet totalled EUR 41 837 million. These figures are to be compared with a profit of EUR 12.3 million in 2010 and a consolidated balance sheet total of EUR 31 377 million.

Considering the limited scope of consolidation, readers are referred to the other sections of this report for comments on developments, risks and uncertainties. For comments and details on the application of IFRS standards, please see the annual consolidated accounts and the explanatory notes they contain.

Statutory accounts

AXA Bank Europe's statutory accounts are drawn up in accordance with Belgian accounting standards and take into consideration the specific provisions for credit institutions.

The accounts include the branch accounts. As of 31 December 2011, the balance sheet total stood at EUR 40 273 million and we recorded a net loss of EUR 127 million.

This result consists of the following (Belgian accounting standards):

- Belgian banking activity: EUR 12.59 million in profit;
- Correction of the result of internal sales between headquarters and the branches: EUR 7.9 million;
- Hungarian banking activity: EUR - 117.21 million;
- Swiss banking activity: EUR - 17.35 million;
- Czech banking activity: EUR - 7.94 million;
- Slovak banking activity: EUR - 4.44 million;
- Execution Desk Paris: EUR - 0.71 million;
- Polish IT Center: EUR 0.18 million.

Appropriation of profit

The loss for the period was EUR 127 008 439.88.
Retained earnings from 2010 are up to EUR 112 066 619.75.

Therefore, the loss for appropriation amounts to EUR -14 941 820.13.

The Board of Directors has proposed carrying the loss forward again.

In view of Article 96,6 of the Companies Act, and in spite of the fact that the income statement shows an annual loss for two successive business years, the Board confirms that the company's business is continuing and justifies the application of the continuity accounting convention by the fact that the losses originate on one hand from the cost of opening branches and on the other from the macro-economic position in Hungary. This can also be seen from the fiscal years, which show a return to profits for the coming years.

1.4 / Governance

1.4.1 / Management Bodies: changes implemented in 2011 and since 1st January 2012.

Board of Directors:

- Appointment of Dominique Bellec, effective January 10, 2012;
- Appointment of Frédéric Clément, effective August 30, 2011;
- Appointment of Jef Van In, effective February 14, 2011;
- Appointment of Sabine De Rycker, effective February 1, 2012;
- Appointment of SPRL M.B.I.S., represented by Marc Bellis, effective August 23, 2011;
- Appointment of Emmanuel Vercoustre, effective December 6, 2011;
- Dismissal of Philippe Eyben, effective December 6, 2011.

Executive Committee:

- Appointment of Dominique Bellec, effective January 10, 2012;
- Appointment of Frédéric Clément, effective August 30, 2011;
- Appointment of Sabine De Rycker, effective February 1, 2012;
- Appointment of Emmanuel Vercoustre, effective December 6, 2011;
- Dismissal of Philippe Eyben, effective December 6, 2011.

Audit committee:

- Appointment of SPRL M.B.I.S., represented by Marc Bellis, effective August 23, 2011.

Remuneration Committee:

- Appointment of SPRL M.B.I.S., represented by Marc Bellis, effective August 23, 2011.

1.4.2 / Competence and independence of the Audit Committee

The AXA Bank Europe audit committee consists of Jacques Espinasse, Chairman, Patrick Lemoine and SPRL M.B.I.S., represented by Marc Bellis since August 23, 2011

Jacques Espinasse was appointed an independent Director of AXA Bank Europe on 17 April 2008. He has a degree from the University of Michigan and a Master's in Business Administration. He has been a Finance Executive of major companies in the automotive, media and communication sectors. He has served as a deputy chief executive for Havas Group and Chief Financial Officer and Management Board member of Vivendi.

Patrick Lemoine was appointed a Director of AXA Belgium on 1st January 2010. He is a graduate of the *Ecole des Mines* (EMSE). He received an *Etude Comptable Supérieur* (Higher Accounting Studies) diploma and an MBA from INSEAD. He is also an actuary. He began his career in 1981 with Credit Lyonnais and has since acquired significant experience as a technical director in property-casualty insurance and as a financial director in the insurance industry in France and Canada.

Marc-Antoine Bellis is representing SPRL M.B.I.S., which is appointed an independent Director of AXA Bank Europe effective August 23, 2011. He has a PhD in Law and has a bachelor's degree in Economic Law from ULB and has been research assistant in fiscal law for 8 years. He has been a lawyer at the "Barreau de Bruxelles". He has since then acquired an extensive experience in credits, ALM and Risk Management and in banking, including on an international level. Between 1994 and 2002, he was CEO of Fortis UK and until 2007 he was CEO of Corporate, Institutional & Public Banking for Fortis Group.

The Board of Directors is consequently in a position to demonstrate the **individual and collective competence** of the members of the audit committee, as required by the law of 17 December 2008 which requires an audit committee in financial institutions.

AXA Group entities in Belgium meet the independence criteria described in Article 526ter of the Company Code.

In addition, the Board pays special attention to the representative character of independent Directors.

1.4.3 / Competence and independence of the Remuneration Committee

The AXA Bank Europe Remuneration Committee is made up of Jacques de Vaucleroy, Chairman, Patrick Lemoine, and SPRL M.B.I.S, represented by **Marc Bellis** since 23rd August 2011, all non-executive directors. Marc Bellis therefore contributes his independent status and his wealth of experience as described above. **Patrick Lemoine**'s lengthy financial experience is also described above.

Jacques de Vaucleroy is a qualified lawyer from the UCL and has a master's degree in corporate law from the VUB. Most of his career has been spent in the ING group where, in particular, he was a member of the executive committee. He has 25 years' experience in insurance, assets management and banking in both Europe and the United States. He was appointed as AXA's Managing Director for Northern, Central and Eastern Europe (NORCEE) in 2010 and is a member of the Management Board and the Executive Committee of AXA (FR).

As a result, this means that the Board of Directors can substantiate the **individual and joint competence** of the members of the Remunerations Committee.

1.4.4 / Remuneration of Directors

General
The remuneration policy for senior executives used by AXA Bank Europe is based on AXA Group's remuneration policy while being consistent with local market practice.
The primary goal is to reconcile its principles and structure with healthy and effective management of company risk.

Remuneration policy structure
AXA Bank Europe Executives' remuneration consists of a fixed component and a variable component. The balance between the two depends on the level of responsibility. In any case, the fixed component is determined in coherence with market practices and at a level which is sufficient to allow for a flexible remuneration policy on the variable component.

The variable component consists of two parts:

— a non-deferred variable component defined by an annual cash target;
— a deferred variable component.

Performance measurement for non-deferred variable remuneration
The non-deferred variable component is determined based on:

— individual performance measured by the achievement of short and longer-term objectives;
— the performance of the individual's home entity;
— the performance of AXA Group as a whole.

Performance measurement for deferred variable remuneration
AXA has a long-term remuneration plan (AXA Equity plan). Its principles may be adjusted on a regular basis, notably based on changes in the international legal framework.

The approach is based on long-term motivation of employees, which enables deferral of a significant portion of variable remuneration and concurrent compliance with the requirements of national and international regulators. On average, this remuneration amounts to 40 to 60% of total variable remuneration.

The goal is to reward employees and gain their loyalty by binding them both to the intrinsic performance of AXA Group, to that of their home entity and to the performance of AXA share over the medium/long term. Beneficiary selection criteria are: the importance of the position held (role), how critical the holder is to the position (retention), how critical the person is to the future (potential) and the quality of their individual contribution (performance).

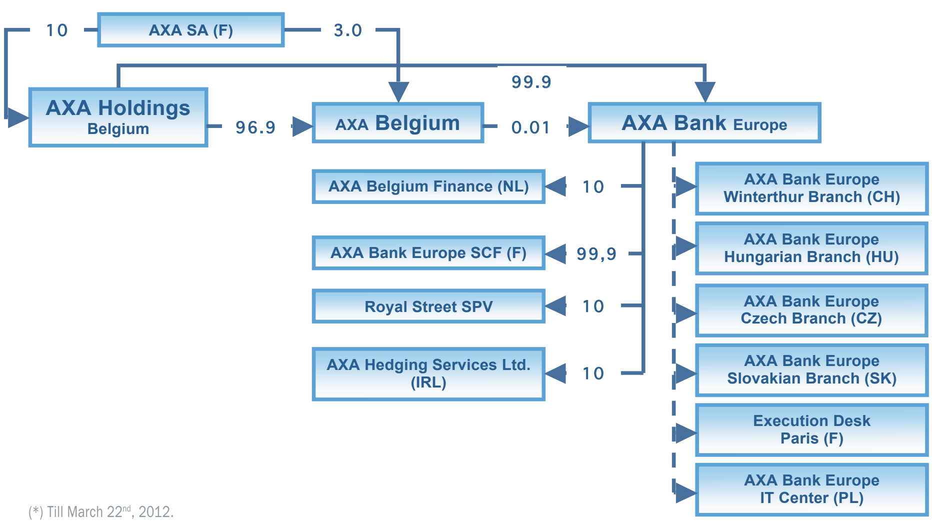
The deferred variable component consists of two main vehicles:

— stock options based on performance criteria with a total vesting period of four years and exercise within 10 years;
— performance Units based on performance criteria and paid in cash after a vesting period of three years.

Governance
The remuneration policy is reviewed by a Remuneration Committee consisting of non-Executive Directors, at least one of which is independent as meant in the Company Code.

The committee prepares the decisions to be taken by the Board of Directors taking into account the repercussions on risk and the company's risk management, on one hand, and the long-term interests of the organization's stakeholders, on the other.

1.4.5 / Simplified AXA Bank Europe shareholding structure



(*) Till March 22nd, 2012.

1.5 / Significant events occurred since January 1st, 2012
AXA Bank Europe's holding in the Irish company AXA Hedging Services Ltd was transferred to the Irish company AXA Global Distributors Ltd on 1st January 2012.

2 / RETAIL ACTIVITY INDICATORS BY ENTITY

2.1 / AXA Bank Europe in Belgium

2.1.1 / Market conditions
The strengthened growth of the Belgian economy in 2010 continued into the first semester of 2011 (+1% and +0.7% over the first two quarters) before decreasing slightly in the second semester, bringing the growth of the Belgian GDP for 2011 to 1.9% against 2.2% in 2010.

The substantial recovery of exports in 2010 continued in the first semester 2011 but decreased in the second semester as a result of a decline in export markets, which is no longer enough to compensate the high level of petrol prices. Consequently, the surplus on the balance of trade, which stood at 1% of the GDP in 2010, disappeared in 2011.

The burgeoning economic recovery that got underway in 2010 and continued into the first semester of 2011 has enabled to reduce the unemployment rate. The 2011 average number of unemployed people in Belgium was 421 823 meaning -3.8% less than in 2010 with an average of 438 425.

In anticipation of the slowdown of the economy, the Belgian household saving rate remains high (16.5%), even if it has dropped to just under the 2010 level (16.8%).

Add to these various elements the 3.5% rise in inflation in 2011, which was even more pronounced than the rate of inflation in 2010 (2.19%). This rise in inflation is largely driven by the sharp rise of energy prices.

Concerns chiefly focus on sovereign debt in the same way as for the rest of the Eurozone, unlike last year when Belgium still ranked as one of the best pupils. The situation saw public debt rise to 97%, and was further compounded by the lack of a central government to put in place the appropriate austerity measures. In November, this prompted the loss of the AA+ rating, which in turn saw public borrowing interest rates soar to just under 6% by the end of November.

In 2010 the real estate market recovered from the economic crisis of 2008, boosted by a low interest environment with average prizes +5.8% up. As already foreseen end of 2010, the recovery slowed down in 2011, as in the first semester of 2011, prizes remained flat compared to 2010, but in real terms, inflation taken into account, prizes went slightly down. The second semester of 2011 was more dynamic but prize rises couldn't catch up the inflation. As long-term interest rates are foreseen to rise again, the perspectives for the real estate market in 2012 will be affected by the purchasing power of the households and a house price stagnation should be expected.

2.1.2 / Savings activities
Given the increasing short term market rates, margin on savings went up significantly in 2011 compared to 2010. Numerous commercial actions were successfully launched beginning of 2011 on savings accounts (+EUR 812 million), on "Certirente" term deposits (+EUR 565 million) and "Optinote" EMTN's (+EUR 225 million).

2.1.3 / Credit activities
Mortgage loans were successfully piloted to the stated objective of EUR 2 021 million production, in spite of difficult market conditions. Indeed, whereas the market shrunk by almost 1%, AXA Bank Europe managed to maintain growth. Our market share remains stable at 7.09%.

Personal lending was boosted in 2011, with production reaching EUR 532 million. Coming from a production of EUR 398 million, this represents a +33% growth. Thanks to its well-chosen focus on renovation loans, as well as some relevant product innovations, AXA Bank Europe was well-positioned to grow faster than the overall market, which grew by 7%. Our market share has increased from 6.09% to 7.42%.

Business lending

Business lending targets SME's and independent professionals. The production grew to EUR 401 million, after a slight decrease in 2010 (EUR 358 million). This growth is particularly evident in the long-term investment credit sector.

Quality of the credit portfolio

Despite macroeconomic conditions that continue to be less favorable and the persistent international phenomenon of higher credit risk, the global loan portfolio, consisting primarily of retail loans, remained fundamentally sound. In 2011, AXA Bank Europe recorded a net loss ratio of +0.11%, that is an increase of 0.04% compared to 2010.

2.1.4 / Daily Banking
In 2011, AXA focused on the profitable growth of the traditional and the Internet current account, which demonstrated a net growth of 10 317 active accounts leading to a total 311 064 accounts. The total number of current accounts stood at 495 259. The sum total deposited into the current accounts as per end of 2011 amounted to EUR 1.31 billion, a 15% rise compared to 2010.

In early 2011, AXA also positioned the Click Bonus Internet account as part of the AXA Corporate Responsibility strategy by introducing PVC organic material for the card and the further expansion of the bonus banking concept with electronic transactions generating an extra 5 eurocents for a charitable cause.

The existing debit card portfolio grew by 2.2%, reaching a total of 420 966 cards. The number of transactions rose by 6.5%, reaching a total of 35 million transactions.

The credit card portfolio (Visa, MasterCard) went up by 7.5%. Our portfolio reached 82 333 cards. Our market share remained stable at 2.47%.

2.2 / AXA Bank Europe in Hungary

2.2.1 / Market conditions
GDP: After growing at a 2.5% in the first quarter of 2011, Hungary's economic rebound started to lose momentum resulting in a 1.4% GDP-growth in Q3. Following the pattern of the post-crisis era, net exports remained the main engine of growth as private consumption basically stagnated and investments dropped throughout the first 9 months of the year.

Unemployment: The recovery of the Hungarian labor market is still out of sight. The structural unemployment rate has been stagnating for almost 1.5 year at 11%.

Public debt and political risk: In 2011, the government introduced a series of political measures in order to reduce the debt to GDP ratio and fill the budget gap. These steps included the effective nationalization of private pension-fund assets and the introduction of extraordinary industry taxes.

In parallel, in an attempt to reduce household debt, the Hungarian government has enacted a legislation in September 2011 allowing customers to redeem foreign currency denominated mortgages at non-market rates for a limited time period. The manifesting political-regulatory risks and the deteriorating global environment resulted in the massive repricing of Hungarian CDS-rates. The 1-year HU CDS rate broke out from the 100-200bps range it had been oscillating within Feb-Sept 2011 and reached an all-time high of 639 bps by December.

Monetary policy: In the second half of the year consumer prices started to rise, mostly due to increase in excise tax raises and high oil prices. On the top of these impacts, higher risk associated with the outlook of the Hungarian economy and its knock-on effect of the forint led to a year-end base rate increase of 100bps.

FX: While the forint stayed within the 260-280 range against the euro in the first 8 months of the year, it skyrocketed from September to December to 314.6. The CHF/HUF also went to a new high of 266.6 as the EUR/CHF approached parity in August and only moderately corrected by year-end to 258.6.

2.2.2 / Saving activities

AXA's emphasis in relation to its savings activity for 2011 was a constant drive for stable margins while continuing with previous efforts of developing its overall retail deposit base in order to rebalance the loans to deposits ratio. Despite the war for deposit towards years end, AXA globally met its NNM target with EUR 60 million.

2.2.3 / Credit activities

The Hungarian loan market contracted further in 2011. AXA strengthen considerably the lending criteria in the first quarter. Parallel to this the underwriting process was centralized from the branches in order to increase control over the activity. New production was limited to HUF, a major shift from previous practices of lending in foreign currencies. Combined loans, having been limited to endowment policies of AXA previously, have been fully stopped. AXA became the first major bank to halt providing floating interest loans and shifted to fixed interest (re-pricing 5 years) as its unique offer. Consequently, new production figures fell sharply.

In an attempt to reduce household debt, the Hungarian government has published legislation in September 2011 allowing customers to pay back foreign currency denominated mortgages at non-market rates for a limited time period. This legislation forced banks to provide for the likely cost related to these measures.

As a consequence of these measures, AXA Bank Europe's has booked an amount of EUR 103 million relating to provisioning for the impact of legislation passed by the Hungarian government on top of the EUR 54 million provisions to cover the loan losses on the existing portfolio.

2.3 / AXA Bank Europe in Switzerland

2.3.1 / Market conditions

After a short improvement and increase of the interest rates across the different durations, Switzerland saw interest rates decreasing to historic lows. In December the 10 years Swiss Government bond offered an interest of 0.74% and the corresponding 4year bond fell to 0.07%. Many market players adjusted their interest rates to this low interest environment by implementing one to two rate decreases. AXA Bank Europe maintained during 2011 its interest rate of 1.1% for its flagship product, the "Sparkonto Plus".

2.3.2 / Saving activities

Till the announcement of the transfer of its customers and customer deposits to bank zweiplus on November 15th 2011 AXA Bank Europe's customer base attained 31 464 customers. At the same time the customer deposits came up to CHF 608 million. With its flagship product, the "Sparkonto Plus", an inflow of CHF 62 million resulted for time up to November 15.

2.3.3 / Transfer of customers and customer deposits to bank zweiplus and cease of operations

As announced on 15 November 2011, the customer portfolio has been transferred to bank zweiplus as part of a cooperation agreement between AXA Winterthur and bank zweiplus. The agreement will allow AXA Winterthur to continue to offer and distribute short and midterm savings and investment products through its own distribution channel at low cost. As a result of this transfer, the Swiss branch was closed leading to **one-off costs** amounting to **EUR 4.3 million**.

2.4 / AXA Bank Europe in the Czech Republic

2.4.1 / Market conditions

Net GDP growth (year on year) for the 3rd quarter of 2011 was only 1.2%, which was 0.1% less than originally predicted earlier this year. As per expectations, continuous reduction in household consumption and also reduction in government spendings is only slowly compensated by growing labor market. Major contributor to GDP growth was net export.

As for the evolution of prices in the economy, the average rate of inflation reached 1.9% in 2011. Impact of further administrative measures was the primary reason for price increases.

Banking sector is quite stable, traditionally led by three main banks (Komerční banka – Société Générale group, CSOB – KBC group and Ceska Sporitelna – Erste group). In the second half of 2011 new on-line banks market entered the market namely: Zuno Bank (Raiffeisen Bank International) in July, Equa Bank (ex Banco Popolare) in September, and Air Bank (PPF) in November.

2.4.2 / Savings activities

AXA Bank Czech Republic continued to grow during its second year of history by acquiring almost 17 000 new customers and currently service 52 000 customers. With nearly EUR 86 million Net New Money collected in 2011, the total deposit amount is almost 529 million EUR Assets Under Management. The major acquisition channel in 2011 was the AXA Agents' network that represents 55%, followed by 33% for the online channel and 12% for the Brokers' network.

2.5 / AXA Bank Europe in Slovakia

2.5.1 / Market conditions

GDP growth in Slovakia in Q3 was 3% (including seasonal changes), which was better than expected. Year on year dynamic was positive. However, compared to Q2, it was slightly slower. The main factor of positive economic growth was foreign demand. On the other hand, household and government consumption reduction negatively influenced GDP in Slovakia.

Inflation rose to 4.8%, heavily influenced by price increase in transportation and also energy.

2.5.2 / Savings activities

Although the AXA Bank Europe, Slovak branch, was legally established in December 2009, commercial activities were ultimately launched in April 2011.

The Slovak branch started its operations with a simple product, a high yield savings account with loyalty bonus, e-banking system, and chip debit VISA card. The major acquisition channel was internal network representing 39.8%, followed by online channel 32.6% and 27.7% for Broker network.

Over 9 months, some 3 750 customers chose to trust AXA Bank Europe with their savings.

2.6 / AXA Bank Europe Shared Services

2.6.1 / Treasury & Portfolio Management

The 2011 economic environment was characterized by the absence of sustained economic growth and a continued liquidity crisis on a global level. In Europe, slowing inflation figures and continued stress on the spread to be paid by European governments to finance sovereign debt resulted in a volatile interest rate environment, a change of ECB policy in June 2011 and more stress on the Euro currency relative to for instance USD and CHF. On top of all this, the Belgian budget management vacuum created by the absence of a government with full governing powers up to December 2011 additionally increased the price to pay for the financing of the Belgian debt.

Within this economic environment AXA Bank Europe left its important capital base untouched, reduced the interest rate sensitivity of its balance sheet and allocated even more management attention to the liquidity management of the bank and its sensitivity to the fluctuation of the spread on the Belgian debt.

A scenario based liquidity management was further extended with the inclusion of stress events on for instance interest rate downgrade of European countries. These stress tests proved AXA Bank Europe's liquidity buffer to be sufficiently big.

On top of this comfortable liquidity buffer, AXA Bank Europe continued the reduction of the liquidity gap on the commercial balance sheet through the issuance of both retail Euro Medium Term Notes (EMTN) and covered bonds. The first 2011 AAA covered bond issuance in April 2011 was of a size of EUR 500 million and had a maturity of five years. The second 2011 covered bond issuance in December was a 10 years maturity EUR 1.5 billion size and has been retained on the AXA Bank Europe balance sheet as markets were closed.

On the retail issues, AXA Bank Europe issued for more than EUR 350 million of EMTN (corresponding of 10 issues) toward retail and corporate clients in Belgium, France and Portugal, increasing the liquidity buffer and expanding AXA client coverage. All AXA Bank Europe bond issuances in 2011 have been done at prices that have gradually increased over the whole of 2011, following the increased financing costs of most European countries. This translates the way investors feel about crisis management and budget deficit management in Europe. The lack of confidence in European economies caused interest rate to be very volatile over the whole of 2011. The remaining interest rate sensitivity on the AXA Bank Europe balance sheet being concentrated under the one year, the bank was positively impacted by the reduction of the ECB main refinancing rate in November and December 2011 by 0.25% each time to the present level of 1%.

In the current financial crisis, AXA Bank Europe also developed the new activities with very limited financial market exposures to spare its capital while expanding the business. This strategy was built in order to create simple, clear and transparent payoffs to be leveraged into the group and re-used (from tranches products to continuous solutions) By this, AXA Bank Europe participated in the global AXA life insurance and banking offer expansion by providing tailor made simple and transparent structures to the group clients, fulfilling a need that was left empty before this offer range. In this scope of the global aim toward diversifying AXA Bank Europe revenues, the EMTN issued have been entirely manufactured in-house, retaining more fees for the bank, reinforcing AXA Bank Europe expertise, and with zero financial market risk. This way of working protected the bank fee business revenues from the financial market volatility in 2011 and optimized the capital consumption.

2.6.2 / Execution Desk

AXA Bank Europe continued to offer its activities as the market entry point for both transactions for the insurance business in variable annuities and transactions performed for EMTN's.

This creates a vision of AXA Bank Europe as a market access hub, a partner for financial expertise for the group and a business oriented entity committed at expanding AXA offer range and client coverage.

2.6.3 / AXA Hedging Services

AXA Hedging Services provides trade recommendations with regards to the hedging of specific life insurance products (variable annuities) for 16 Insurance companies within AXA Group. Hedging of AXA Life Europe UK business (freedom of services) has started. Operational set up is ready for hedging new products available in China and in Japan, China GMAB and ALJ GMAB product.

Despite the economic situation not favoring increase of long term investment in risky assets, by year end, the current sales volume reached EUR 2 billion.

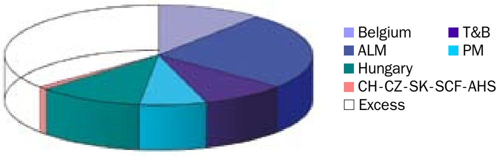
In order to optimize the board and monitoring of strategies for hedging the other entities of AXA, AXA Hedging Services Ltd was sold to another group entity. This transfer of AHS to AXA Global Distributor Ltd. is completed at this point.

3 / COMMENTS ON RISK MANAGEMENT POLICIES

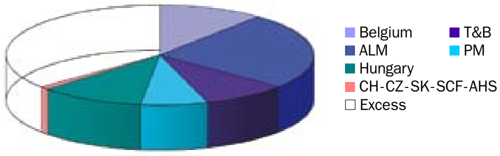
In the current financial turmoil, risk management policies are subject to daily "live tests". In 2011, risk policies were again scrutinized, in order to insure AXA Bank Europe a safe sailing across the world's financial turbulences: models were back-tested, limits were reviewed, indicators were challenged, reporting was improved… and changes were made whenever necessary. The main developments are described in the different paragraphs of this section. They will highlight the key risk events of 2011 and will also provide an overview of the strategies and mitigation methods used by the bank to maintain these risks at desired levels.

The first paragraph gives an overview of the risk allocation for 2011. The next sections will focus on AXA Bank Europe's mains risk categories for 2011, namely: strategic, credit, interest rate, liquidity, market and operational risks. All of them impact potentially the Bank's solvency, liquidity and profitability objectives.

Economic Capital per business line - 2010 allocation



Economic Capital per business line - 2011 allocation



Per business line in mio EUR	**Allocated 2010**	
	Before diversification	**After diversification**
Belgium	253.8	127.0
ALM	499.8	364.4
T&B	54.6	86.7
PM	66.4	64.2
Hungary	218.0	122.9
ALEHS	0.3	0.3
CH	5.1	5.5
CZ	0.2	0.8
SK	0	1.2
SCF	0.2	0.2
TOTAL	**1 098.5**	**850.7**

Per business line in mio EUR	**Allocated 2011**	
	Before diversification	**After diversification**
Belgium	257.8	125.6
ALM	447.2	366.0
T&B	102.6	84.0
PM	77.5	63.4
Hungary	224.2	122.9
ALEHS	0.3	0.3
CH	5.1	5.1
CZ	0.8	0.8
SK	1.2	1.2
SCF	0.2	0.2
TOTAL	**1 117**	**846.5**

3.1 / Risks allocation

The continuous identification and quantification of the bank's material risks are at the core of AXA Bank Europe's risk policies. These risks are measured, allocated, mitigated and continuously monitored through a well implemented internal risk appetite framework. Within this framework, the Bank's risk appetite is translated into functional limits and hedging procedures.

13 risks are considered as material for the bank. Each of them is the object of an Economic Capital model, which is forecasted on several horizons. Capital is then allocated for each activity of the Bank on a forward-looking way, based on AXA Bank Europe risk objectives.

Within its risk appetite framework, the capital allocation per business line for the year 2011 was very much in line with the 2010 allocation, showing a stability in the bank's risk objectives (see graph below).

During 2011, AXA Bank Europe developed the computation of forward looking RARORAC measures, enabling to forecast the bank's risk adjusted value creation.

3.2 / Strategic risk

Strategic risk is the risk that the bank's main objectives (in terms of solvency, of liquidity, of profitability and of value creation) may not be attained due to strategic decisions required from its Board of Directors or from its Management Board. It refers to decisions required to adapt to the external business environment, to improve the internal organization or to seize new strategic opportunities.

Strategic threats were monitored all along 2011 through strategic reviews, annual strategic planning exercises, financial planning processes, product approval processes and the management of strategic projects.

Main strategic threats came from AXA Bank Europe's external environment: unilateral decisions taken by the Hungarian Government (forcing banks to accept prepayment of mortgage loans at non in line with market conform), new bank levies in Belgium, strategic impact of the upcoming Basel III regulation…
The developments were the object of detailed analyses, decisions, and when necessary: provisions.
The Banks itself did not enter upon strategic developments having a potential major impact on the Bank's risk profile.

3.3 / Credit risk

Credit risk is the risk of loss associated with the default or the deterioration in the credit quality of counterparty exposures.

3.3.1 / Retail credit risk

The bank is mainly exposed to retail credit risk through its portfolio of retail loans (consumer loans, mortgage loans and small enterprises' loans) in Belgium and to mortgage loans in Hungary.

Retail credit risk in Belgium

The following mitigation measures were put in place in 2010:

— mortgage loans: a new acquisition scoring model was put in production at the beginning of 2011; a new cure rate model was developed and put in production;
— professional loans: a new cure rate model was developed and put in production;
— the development of a new economic capital model was also launched during the last quarter of 2011. Validation and implementation will take place early 2012.

Retail credit risk in Hungary

The credit portfolio of the Hungarian branch of AXA Bank Europe was kept under a very close watch in 2011 due to its vulnerability resulting from exchange rate fluctuations.

A number of new mitigation measures were put in place in 2011:

- severe tightening of the credit policy at the beginning of 2011, bringing the production close to a standstill, followed by a total stop of new credit production as from December 2011;
- provisions were increased as a precautionary measure to reflect the weakening of the HUF, the deteriorated economic environment in Hungary and the unilateral government decisions regarding early repayment at not market conform rates;
- retail credit governance was strengthened, through the creation of 2 credit committees;
- the full set of internal credit risk models (acquisition and behavioral PD, cure rate and LGD) was developed and implemented for provisions computation and risk management;
- unilateral government measures aiming at protecting FX mortgage debtors were implemented.

3.3.2 / Non-retail counterparty credit risk

The bank's exposure to non retail credit risk is limited to selected high quality investments (well rated sovereigns, corporate, financial institutions and asset backed securities) and to high quality counterparties to hedge the derivatives done with AXA insurance companies. AXA Bank Europe's entire bond portfolio is subject to limits on concentration risk and credit risk. Monitoring and compliance with the limits are ensured by AXA Bank Europe's non retail credit committee. Credit ratings and market price evolutions of our positions are carefully monitored and these are supplemented by regular stress test exercises to check the vulnerability of our credit portfolio to a number of adverse developments. Over the past year, particular attention has been paid to our exposures in peripheral European countries.

Positions that would fall below minimum rating and market price levels and that would fail the stress-tests are impaired.

During 2011, AXA Bank Europe continued to act for AXA Group as a centralized platform to access financial markets[1], which has led to an increase of the bank's exposures resulting from derivatives hedging transactions.

The bank's exposures to derivatives and money market transactions continue to be mitigated through an extremely strict collateral requirement policy. Exposures on such transactions are monitored on a daily basis to ensure that our credit exposures are adequately mitigated. The bank implemented a number of further measures during the year to limit our exposures on financial institutions resulting from derivatives hedging transactions and interbank deposits. The risk appetite for transactions with financial institutions as counterparties was halved during the year and the list of eligible counterparties was reduced significantly in light of the downward trend in credit quality of the financial services sector as a whole. Moreover, the maximum maturity on unsecured interbank transactions was limited to overnight transactions only, while transactions of a longer maturity are only permitted on a secured basis with selected, highly rated institutions. We responded to any credit exposures bans as imposed by AXA Group Global Risk Management by forthwith implementing these in our limit and exposure management system.

During the year, we continued to monitor the impact of the upcoming Basel III requirements on our investment portfolio in terms of its likely impact on the future calculation of risk weighted assets and the eligibility of our investment securities for use in secured funding transactions and in the calculation of the liquidity coverage ratio (see below chapter liquidity risk). This led to a review of AXA Bank Europe's investment policy, restricted to level 1 and level 2 assets categories (as per the Basel III definition). This means that certain asset classes (such as lower rated corporate bonds and asset back securities) were put in run-off.

(1) Back-to-back hedging services for AXA Group's variable annuities products.

3.4 / Interest rate risk

Interest rate risk is defined as the risk of potential adverse changes to the fair value of interest sensitive positions after movements in interest rates.

AXA Bank Europe's business focus on retail banking means that the bank concentrates its credit exposures on lower risk prime mortgage loans. The corollary of this business strategy is that the Bank is exposed to higher interest rate risk due to the long duration of a part of its mortgage portfolio. This position requires an active monitoring and mitigation through hedging techniques.

AXA Bank Europe's ALM department reports to the ALCO on the bank's structural interest rate risk exposures. It proposes scenarios for interest rate risk management decisions.

AXA Bank Europe's Risk Management department independently monitors risk exposures and compliance with agreed risk appetite limits.

Major developments during 2011:

- Interest rate risks indicators were split among their subcomponents:
  - pure interest rate risk;
  - option risk;
  - basis risk.
- The general limit on interest rate risk was replaced by triggers on its above-mentioned components.
- The Economic Capital model for interest rate risk has been reworked. Among others:
  - positions in non Euro currencies were included;
  - stability, accuracy and robustness of the model were significantly improved.

3.5 / Liquidity risk

AXA Bank Europe also maintains (at all times) a buffer of liquid assets that allow it to resist stress scenarios consisting of assumptions of reduced liquidity on financial markets and significant withdrawals by customers.

As stated previously, it also initiated a review of its investment policy to ensure its ongoing compliance with upcoming liquidity regulatory requirements.

The liquidity management policies were considerably enhanced during 2011:

- development of forecasting capacities on liquidity indicators;
- extension of the liquidity stress-tests to a wide range of new stresses;
- tightening of the liquidity limit;
- monitoring of Basel III LCR and NSFR ratio.

Several actions were also implemented in order to improve AXA Bank Europe's liquidity:

- issuance of a 1.5 Bn covered bonds;
- part of the non ECB eligible assets was sold.

These efforts will be continued during 2012, with the further automation of the liquidity reporting and the implementation of new structural liquidity indicators and triggers.

3.6 / Market risk

Market risk is usually composed of the following risks:

Risk	Definition
Interest Rate Risk (non structural, short term)	Risk of loss arising from potential adverse changes in the fair value of interest sensitive position after movements in interest rates.
Exchange Rate Risk	Risk of loss arising from potentially negative changes in fair position values (measured in home currency) due to exchange rate fluctuations.
Credit Spread Risk	Risk of losing money from market price movements of debt instruments that are caused by unexpected changes in credit spread.
Price Risk (Equity)	Adverse movements of exposures in stocks and other types of direct/indirect investments in enterprises that the bank is holding for trading activities.
Market Liquidity Risk	Risk that the firm cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption.

AXA Bank Europe's has a very conservative approach to market risk and does not engage in equity or commodities trading. As such, only the three first risks in the above list were considered material to AXA Bank Europe's activities in 2011.

AXA Bank Europe's ALCO is responsible to ensure that market risk management strategies are applied. It reviews market risk reports produced by the bank's Risk Management department and it monitors compliance with agreed risk appetite limits.

In 2011, AXA Bank Europe's market risk increased firstly because of the raise in volatilities and changes in correlations. Secondly, a new more conservative methodology to calculate market risk was introduced this year. Finally, short term interest rate risk sensitivity increased after internal transfers to trading portfolios without increasing the bank total exposure to this source of risk.

3.7 / Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, or from personnel or systems.

The failure or inadequacy may result from both internal and external causes.

In 2011, AXA Bank Europe updated the Operational Risk Management Charter in order to enhance the governance of this risk. AXA Bank Europe continued the adoption of the AXA group risk management framework and the implementation of this advanced framework has been reviewed by an external validator in Q4 of 2011. All branches where in scope in the cycle of 2011 and all of them participated in the process of the Operational Risk self assessments.

For the Board of Directors

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Jef Van In

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