AXA Belgium Finance (NL) B.V.

Unaudited interim financial statements June 30, 2016

Registered office:	Amsterdam
Address:	Ginnekenweg 213
	4835 NA BREDA

Breda, September 30, 2016

Table of contents

Total number of pages in this report: 23

Management report

General

AXA Belgium Finance (NL) B.V. is a limited liability company ('Besloten Vennootschap met beperkte aansprakelijkheid') under the laws of the Netherlands. At June 30, 2016 the Company is a wholly owned subsidiary of AXA Bank Europe S.A./N.V. The legal address of the parent company is Boulevard du Souverain 25, 1170 Brussels (Watermael-Boitsfort), Belgium. AXA Bank Europe S.A./N.V. in its turn is held for 100% by AXA S.A., Paris, France.

The Company has a Management Board consisting of two managing directors, who have been appointed by the Company's shareholder. The Company has no staff and its Management Board members work on a part-time basis for the Company. There are no potential conflicts of interests between any duties to the Company of any of the Management Board members and their private interests and/or other duties.

As from August 1, 2014 the Management Board of the Company consists of Mr. A.W. Veerman, chairman, and Mr. Geert Van de Walle, member. The composition of the Management Board is not in line with the legislation that requires a 'balanced composition' in terms of gender of the Management Board of certain companies. Because of the background of the existing Management Board members and their specific knowledge, changing the composition of the Management Board is not in the interest of the Company.

Financial information

The total assets increased by EUR 65 million from EUR 1,644 million at December 31, 2015, to EUR 1,709 million. Intragroup interest income amounts to EUR 20,738 million, totally from amounts receivable forming part of the fixed assets. Interest expense and similar charges amount to EUR 20,079 million. The operating expenses show an increase and amount to EUR 182,000. The profit before tax decreased, resulting in the net profit after taxation of EUR 369,000 (six months ended June 30, 2015: EUR 392,000).

Business overview

According to Article 2 of its Articles of Association, the Company's objectives are:

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

Currently, the Company's activity consists of issuing notes programmes that are unconditionally and irrevocably guaranteed by its sole shareholder AXA Bank Europe S.A./N.V. (the Guarantor). The notes issued by the Company are mainly placed among European investors. The net proceeds of these notes are lent to AXA Bank Europe S.A./N.V., which uses the proceeds for general corporate purposes. Several Notes are listed on the Luxembourg Stock Exchange.

Since December 31, 2015, there has been issues of the following Notes:
- Optinote Flexfunds (January);
- Optinote Demography (March);
- Optinote Megatrends (April);
- Optinote New Zealand 3 (May);
- Optinote Skandinavia NOK (July)
- Optinote European Excellence 2 (September);
- Optinote Global Diversification (September).

Reporting standards

Starting with the financial year 2014, the financial statements have been prepared in accordance with Financial Reporting Standards as adopted by the European Union (IFRS EU) and comply with mandatory elements of Part 9 of Book 2 of the Dutch Civil Code.

Risk management

The main activity of the Company consists of lending the proceeds of issued notes to AXA Bank Europe S.A./N.V., where a maximum correlation between the conditions of the notes and those of the loans to AXA Bank Europe S.A./N.V. is pursued, thus preventing the existence of substantial transformation risks. As a finance company, the Company could face a number of risks including, but not limited to credit risk, market risk, currency risk, operational risk, real estate risk and liquidity risk. In assessing the risk profile of the Company it is important to note that all notes issued by the Company are unconditionally and irrevocably guaranteed by AXA Bank Europe S.A./N.V.

The principal risks faced by the company during the first half of the financial year were substantially the same as those identified at year end 2015. A description of the company's risk management practices, principal risks and how they impact the business is provided in our Annual Report 2015.

Declaration section 5:25C

As required by section 5:25c of the Wet op het financieel toezicht (Dutch Financial Supervision Act), the Managing Directors declare that, to the best of their knowledge,

1. the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

2. the management report gives a true and fair view of the important events and their impact on the financial statements and as well as major related parties transactions that have occurred during the financial year together with a description of the principal risks and uncertainties that the Company faces.

Corporate social responsibility

The Company is a member of the AXA group that is active at the crossroads between social development, respect for the environment and economic performance. As such, the AXA group has developed a sustainable development strategy focusing on the specific nature of its financial protection business and the responsible behaviour commensurate with its status as a major international group. This is why the AXA group is committed to carrying out its activities as a responsible corporation, managing its direct impact on its various stakeholders:

- Employees: continually strengthening their skills and commitment with a view to improving performance, with a priority focus on diversity and equal opportunities.
- Clients: consistently delivering efficient services and adapted solutions, while adhering to the highest standard of professional conduct.
- Shareholders: achieving industry-leading operating performance levels in order to create lasting value, and providing them with transparent information.
- Suppliers: assessing their commitment to sustainable development and human rights when selecting suppliers, with AXA's purchasers upholding strict rules of professional conduct.
- The community: developing corporate philanthropy actions focusing on prevention, social volunteering, local development and the fight against exclusion.

Investments

Since December 31, 2015, there have been no principal investments made. Moreover, the Company has not planned any principal future investments, except for the onlending of the proceeds of the notes under the present programmes. Considering that there are no firm commitments for future investments, no information regarding the anticipated sources of funds needed to fulfil them is provided.

Future developments

The Notes Issuance Programme dated September 21, 2010, is created at the request of, and in close collaboration with AXA Bank Europe S.A./N.V. (in this Programme AXA Bank Europe S.A./N.V. acts both as potential Issuer together with AXA Belgium Finance (NL) B.V. and as Guarantor) and will support the business objectives of AXA Bank Europe S.A./N.V. that aim at providing an offer of notes with a broad range of maturities, currencies, structures and sizes, that shall be distributed through local entities of the AXA Group or third party distributors. The Programme allows retail issues, institutional issuances, private placements and reverse inquiry issues (for entities of the AXA Group and third parties) which can be organized under the same Programme throughout Europe. AXA Bank Europe S.A./N.V. has requested to prepare the issue process of several new issues in 2016 in Belgium.

We expect however only a limited issue-activity in the second half of 2016, mainly caused by the overall low level of interest rates.

Apart from these evolving business objectives, there has been no material adverse change in the financial position or prospects of the Company since June 30, 2016. There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the prospects of the Company for the current financial year.

Breda, September 30, 2016

Aernout Veerman, Chairman of the Management Board

Geert Van de Walle, Member of the Management Board

Financial statements

Statement of financial position as at June 30, 2016

	Note	**June 30,** 2016 (unaudited)	December 31, 2015 (audited)
		EUR000	EUR000
Assets			
Financial assets at fair value through profit or loss	3	1,703,733	1,639,030
Deferred tax assets		17	18
Taxes receivable		78	—
Other receivables		—	5
Cash and cash equivalents	4	4,891	4,852
Total assets		**1,708,719**	**1,643,905**
Shareholder's equity			
Issued share capital	5	1,768	1,768
Retained earnings	6	3,886	3,517
Total shareholder's equity		**5,654**	**5,285**
Liabilities			
Financial liabilities at fair value through profit or loss	7	1,702,975	1,638,463
Taxes payable		—	17
Other liabilities and accruals		90	140
Total liabilities		**1,703,065**	**1,638,620**
Total liabilities and shareholder's equity		**1,708,719**	**1,643,905**

Statement of comprehensive income for the six months ended June 30, 2016

	Note	for the six months ended June 30	
		2016 (unaudited)	2015 (unaudited)
		EUR000	EUR000
Interest income	8	20,738	19,774
Interest expense	8	(20,079)	(19,144)
Net interest income		**659**	**630**
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	9	—	—
Foreign exchange gains/(losses)	10	2	3
Net operating income		**661**	**633**
Operating expenses	12	(182)	(121)
Net operating expenses		**(182)**	**(121)**
Profit before tax		**479**	**512**
Income tax expense		(110)	(120)
Profit for the year		**369**	**392**
Other comprehensive income for the year, net of tax		**—**	**—**
Total comprehensive income for the year		**369**	**392**

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

Statement of changes in equity for the six months ended June 30, 2016

	Share capital	Retained earnings	Total
	EUR000	EUR000	EUR000
Balance at December 31, 2014	**1,768**	**2,796**	**4,564**
Profit for the period	—	392	392
Balance at June 30, 2015 (unaudited)	**1,768**	**3,188**	**4,956**
Profit for the period	—	329	329
Balance at December 31, 2015	**1,768**	**3,517**	**5,285**
Profit for the period	—	369	369
Balance at June 30, 2016 (unaudited)	**1,768**	**3,886**	**5,654**

Statement of cash flows for the six months ended June 30, 2016

	for the six months ended June 30	
	2016 (unaudited)	2015 (unaudited)
	EUR000	EUR000
Profit before tax for the period	479	512
Adjustments to reconcile profit before tax to net cash flows:		
Interest income	(20,738)	(19,744)
Interest expense	20,079	19,144
Effect of exchange rate changes	2	3
Other movements	(7)	(13)
	(185)	(98)
Working capital adjustment:		
Changes in interest receivables, deferred tax assets and other receivables	1,067	660
Changes in interest liabilities, taxes payable and other liabilities and accruals	(1,080)	(728)
	(13)	(68)
Operating activities		
Loans granted to group companies	(83,204)	(36,855)
Repayment on loans to group companies	31,841	24,731
Proceeds from issued medium term notes	83,204	36,855
Repayments on issued medium term notes	(31,841)	(24,731)
Interest received	11,930	13,032
Interest paid	(11,478)	(12,605)
Income tax paid	(215)	(230)
	237	197
Cash flow from operating activities	**39**	**31**
Net increase of cash and cash equivalents	39	31
Cash and cash equivalents as at January 1	4,852	4,146
Cash and cash equivalents as at June 30	**4,891**	**4,177**

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

Notes to the financial statements

1 Corporate information

AXA Belgium Finance (NL) B.V. (the Company) is a limited liability Company (‘Besloten Vennootschap met beperkte aansprakelijkheid’) under the laws of the Netherlands. At June 30, 2016 the Company is a wholly owned subsidiary of AXA Bank Europe S.A./N.V. The legal address of the parent company is Boulevard du Souverain 25, 1170 Brussels (Watermael-Boitsfort), Belgium. AXA Bank Europe S.A./N.V. shares are held by the ultimate parent company AXA S.A., Paris, France.

2 Basis of preparation

2.1 *Reporting standards*

The interim condensed financial statements for the six months ended June 30, 2016 have been prepared in accordance with IAS34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at December 31, 2015.

The interim condensed financial statements are unaudited.

2.2 *Functional and presentation currency*

These interim condensed financial statements are presented in Euro, which is the Company’s functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

2.3 *Use of significant accounting judgments, estimates and assumptions*

The Company uses estimates and judgments when drawing up its interim condensed financial statements on the basis of IAS34. These estimates and assumptions are continuously tested and are based on the experience from the past and other factors, among which an acceptable assessment of future events based on currently known conditions. The principal judgments and estimates, including underlying assumptions, are disclosed in the relevant notes to the interim condensed financial statement items in question.

2.4 *Going concern*

The Company’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the interim condensed financial statements continue to be prepared on the going concern basis.

2.5 *Summary of significant accounting policies*

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2015, except for the changes in accounting policies as mentioned below.

Changes in accounting policies

The following amendments are effective as from 1 January 2016 and are applied by the Company for the first time in these interim condensed financial statements without any material impact:

- Amendments to IFRS 11 – Joint arrangements, "Accounting for Acquisitions of Interests in Joint Operations", issued on 6 May 2014.

- Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible assets, "Clarification of Acceptable Methods of Depreciation and Amortisation", issued on 12 May 2014.

- Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture, "Agriculture – Bearer Plants", issued on 30 June 2014.

- Amendments to IAS 27 – Separate Financial Statements, "Equity Method in Separate Financial Statements", issued on 12 August 2014.

- Amendments to IAS 1 – Presentation of Financial Statements, "Disclosure Initiative", issued on 18 December 2014.

- Small modifications to a series of IFRSs ("Annual Improvement Project 2012 – 2014"), issued on 25 September 2014.

Standards issued but not yet effective

The standards that are issued, but not yet effective (and not yet endorsed for application within the European Union), up to the date of issuance of the Company's interim condensed financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 – Financial Instruments issued on 24 July 2014 and effective from 1 January 2018. The final version of IFRS 9 includes the various components of the three phases. The first phase concerns the classification and valuation of financial instruments. Financial assets are classified on the basis of the economic model in which they are managed as well as the contractual cash flow characteristics of the financial asset. For financial liabilities, most of the current rules included in IAS 39 continue to exist. New requirements were set forth if it was decided to value financial liabilities at current value with recognition of impairment in the income statement. In this case, changes in fair value due to credit risk fluctuations must be reversed in equity (under the item other comprehensive income). The Company will not make use of the possibility to adopt this last rule before 2018. The second phase concerns the application of a new methodology for calculating the specific impairments on financial assets and credit commitments ("impairment" or depreciation). In this methodology, the calculations are made using the expected credit losses rather than using the incurred credit losses. Furthermore, this methodology must be applied equally to credits and fixed income securities. Thus, from the first entry, the impairment in expected credit losses should be systematically recovered (after the first registration) as well as from the changes to the expected credit losses. The third phase includes general rules on hedge accounting. It is not expected that IFRS 9 will have a material effect on the Company's annual financial statements considering the current use of the fair value option.

- IFRS 15 – Revenue from Contracts with Customers, issued on 28 May 2014, with an effective date of 1 January 2018. A further clarification was issued on 12 April 2016 (same effective date). IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

- IFRS 16 – Leases, issued on 13 January 2016 and applicable as from 1 January 2019, introduces a single, on-balance sheet lessee accounting model. It is not expected that IFRS 16 will have a material effect on the Company's annual financial statements.

- Amendments to IAS 12 – Income Taxes – "Recognition of Deferred Tax Assets for Unrealised Losses on Debt Instruments Measured at Fair Value", issued on 19 January 2016 and applicable as from 1 January 2017. It is not expected that these amendments will have a material effect on the Company's annual financial statements.

- Disclosure Initiative – Amendments to IAS 7 – Cash Flow Statements, issued on 29 January 2016 and applicable as from 1 January 2017. The amendments require some further disclosures on changes in liabilities arising from financing activities.

- Narrow scope amendments to IFRS 2 – Share-based payments, issued on 20 June 2016 and applicable as from 1 January 2018. It is not expected that these amendments will have a material effect on the Company's annual financial statements.

- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4, issued on 12 September 2016. It is not expected that these amendments will have a material effect on the Company's annual financial statements.

- Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 28 – Investments in Associates and Joint Ventures – "Investment Entities" Applying the Consolidation Exception", issued on 18 December 2014. The application date of these amendments is 1 January 2016 but it has not yet been endorsed for application within the European Union. It is not expected that these amendments will have a material effect on the Company's annual financial statements.

3 Financial assets at fair value through profit or loss

	June 30, 2016 (unaudited)	December 31, 2015 (audited)
	EUR000	EUR000
Loans AXA Bank Europe S.A./N.V.	1,654,153	1,597,119
Interest receivable on loans AXA Bank Europe S.A./N.V.	49,580	41,911
	1,703,733	1,639,030

Movements in these items were as follows:

	AXA Bank Europe S.A./N.V.		
	Loans	Interest receivable	Total
	EUR000	EUR000	EUR000
Book value as at January 1, 2016	1,597,119	41,911	1,639,030
Loans granted	83,204	—	83,204
Repayments	(31,841)	—	(31,841)
Exchange rate differences	5,291	—	5,291
Fair value changes	380	—	380
Interest taken to profit and loss account	—	7,669	7,669
Book value as at June 30, 2016	1,654,153	49,580	1,703,733

	AXA Bank Europe S.A./N.V.		
	Loans	Interest receivable	Total
	EUR000	EUR000	EUR000
Book value as at January 1, 2015	1,615,038	33,427	1,648,465
Loans granted	157,011	—	157,011
Repayments	(125,099)	—	(125,099)
Exchange rate differences	(5,863)	—	(5,863)
Fair value changes	(43,968)	—	(43,968)
Interest taken to profit and loss account	—	8,484	8,484
Book value as at December 31, 2015	1,597,119	41,911	1,639,030

Contract maturity of financial assets at fair value through profit or loss:

	June 30, 2016			
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Loans AXA Bank Europe S.A./N.V.	388,254	556,397	709,502	1,654,153
Interest receivable on loans AXA Bank Europe S.A./N.V.	14,867	16,149	18,564	49,580
Total financial assets at fair value through profit or loss	403,121	572,546	728,066	1,703,733

	December 31, 2015			
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Loans AXA Bank Europe S.A./N.V.	255,778	706,375	634,965	1,597,119
Interest receivable on loans AXA Bank Europe S.A./N.V.	12,531	13,063	16,317	41,911
Total financial assets at fair value through profit or loss	268,309	719,438	651,282	1,639,030

Part of the interest rates are fixed between 0.00% and 5.85% and part of the interest rates are variable and are equal to the medium term notes issued by the Company, increased with margins from 0.06% (2015: Part of the interest rates are fixed between 0.00% and 5.85% and part of the interest rates are are equal to the medium term notes issued by the Company, increased with margins from 0.06%).

These loans are subordinated for a total par value of EUR 0 (2015: EUR 0).

4 Cash and cash equivalents

	June 30, 2016 (unaudited)	December 31, 2015 (audited)
	EUR000	EUR000
Current accounts AXA Bank Europe S.A./N.V.	4,884	4,818
Current accounts other banks	7	34
Total cash and cash equivalents	4,891	4,852

There are no restrictions on the availability of cash and cash equivalents.

5 Issued share capital

	June 30, 2016 (unaudited)	December 31, 2015 (audited)
	EUR000	EUR000
3,897 ordinary shares with a par value of EUR 453.80	1,768	1,768

The Company's authorized capital amounts to EUR 4,000,000. Shares outstanding have not changed compared to prior year.

In consequence of the risk management framework, capital management of AXA Belgium Finance (NL) B.V., as well as all related decisions, are monitored within AXA Bank Europe S.A./N.V. in close collaboration with the management of AXA Belgium Finance (NL) B.V.

6 Retained earnings

	June 30, 2016 (unaudited)	December 31, 2015 (audited)
	EUR000	EUR000
Balance at start	3,517	2,796
Result for the period	369	721
Balance at end	3,886	3,517

7 Financial liabilities at fair value through profit or loss

	June 30, 2016 (unaudited)	December 31, 2015 (audited)
	EUR000	EUR000
Medium term notes	1,654,153	1,597,119
Interest payable medium term notes	48,822	41,344
Total financial liabilities at fair value through profit or loss	1,702,975	1,638,463

Contract maturity of financial liabilities at fair value through profit or loss:

	June 30, 2016			
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Medium term notes	388,254	556,397	709,502	1,654,153
Interest payable medium term notes	14,379	16,003	18,440	48,822
Total financial liabilities at fair value through profit or loss	402,633	572,400	727,942	1,702,975

	December 31, 2015			
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Medium term notes	255,779	706,375	634,965	1,597,119
Interest payable medium term notes	12,176	12,994	16,174	41,344
Total financial liabilities at fair value through profit or loss	267,954	719,369	651,139	1,638,463

Issued medium term notes are unconditionally and irrevocably guaranteed by the parent company AXA Bank Europe S.A./N.V. Part of the interest rates for notes with maturity exceeding one year are fixed between 0.00% and 5.75% and part of the interest rates are variable (2015: partly fixed between 0.00% and 5.75% and partly variable).

In 2016 the applicable interest rate for notes maturing within one year is depending on the 3 months Euribor rate, with a minimum of 2.5% and a maximum of 5.5% in one case (2015: interest depending on the 3 months Euribor rate, with a minimum of 2.5% and a maximum of 5.5% in one case).

8 Net interest income

	June 30, 2016 (unaudited)	June 30, 2015 (unaudited)
	EUR000	EUR000
Interest income on:		
Loans AXA Bank Europe S.A./N.V.	20,738	19,774
Total interest income	20,738	19,774
Interest expense on:		
Medium term notes	(20,079)	(19,144)
Total interest expense	(20,079)	(19,144)
Net interest income	659	630

9 Net gain/(loss) on financial assets and liabilities at fair value through profit or loss

The fair value gains/(losses) on loans and receivables of EUR 5,291 thousand (June 30, 2015: EUR (5,774) thousand) are mitigated by the fair value gains/(losses) on medium term notes of EUR 5,291 thousand (June 30, 2015: EUR 5,774 thousand).

10 Foreign exchange gains/(losses)

Foreign exchange gains of EUR 2 thousand (June 30, 2015: gain of EUR 3 thousand) are on net basis and include gains and losses arising from foreign currency transactions and the effects of conversion of foreign currency assets and liabilities.

11 Other income

Other income are related results realized due to repurchase of notes and loans.

12 Operating expenses

The operating expenses include directors' remunerations, travel expenses and professional service fees (investment management, accounting, audit, tax, legal).

13 Number of employees

Since May 1, 2016 the Company has one director on the payroll on a parttime basis (before that date and in prior year no employees).

14 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of certain financial assets and liabilities carried at cost, including cash and short-term loans receivable and payable - are considered to approximate their respective carrying values due to their short-term nature.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These inputs result in the following fair value hierarchy:

- Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.
- Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.
- Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

Valuation techniques

The fair value of the financial instruments is determined using available market information and estimating methods. The following methods and assumptions have been used to estimate the fair value of the financial instruments:

- Loans; the fair value of the loans to the parent company is estimated by using the discounted value of the future cash flows at market conditions;
- Medium term notes; the fair value of the medium term notes is estimated by using the discounted value of the future cash flows at market conditions.

The determination of the existence of an active market is most often straight forward with market quote information readily available to the public and or investment teams. There is no bright line or minimal threshold of activity that represents "regularly occurring market transactions", thus the level of actual transactions should be evaluated with consideration of frequency and volume. However, a low level of volume of transactions still represents a price if determined in a normal business environment on an arm's length basis and the transaction amounts are important indicators of fair value.

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

The use of observable input parameters leads to a level 2 fair value hierarchy whereas the use of non-observable inputs leads to a level 3 fair value hierarchy unless their influence is not significant. Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the instrument. As the parameters used may vary from one instrument to another, we determine the observability and the significance of potentially non-observable parameters by class of instrument. We maintain a decision table justifying, based on these criteria, the level of fair value attributed to each class of instrument. A dedicated committee ensures a regular revision, at least once a year, of this decision table to ensure its accuracy and comprehensiveness. The dedicated committee is, at least, composed of the managers of the accounting policies and the middle-office representing the business. If the revision would lead to a transfer of an instrument between levels of the fair value hierarchy, the transfer shall occur at the end of the reporting period. Transfers between levels may occur when an instrument fulfils the criteria defined, which are market and product dependent.

Fair value hierarchy as at June 30, 2016

	Level 1	Level 2	Level 3	Total
	EUR000	EUR000	EUR000	EUR000
Financial assets				
Financial assets at fair value through profit or loss	—	1,260,070	441,663	1,703,733
Financial liabilities				
Financial liabilities at fair value through profit or loss	—	1,261,427	441,548	1,702,975

Fair value hierarchy as at December 31, 2015

	Level 1	Level 2	Level 3	Total
	EUR000	EUR000	EUR000	EUR000
Financial assets				
Financial assets at fair value through profit or loss	—	1,261,467	377,563	1,639,030
Financial liabilities				
Financial liabilities at fair value through profit or loss	—	1,261,007	377,456	1,638,463

The fair value of other financial assets and liabilities are approximated by their carrying amounts.

Reconciliation of the fair value of level 3 financial assets and financial liabilities for the six months ended June 30, 2016.

	Assets loans AXA Bank Europe S.A./N.V.	Liabilities Medium term notes
	EUR000	EUR000
Book value as at January 1, 2016	377,563	377,456
New issues loans/medium term notes	61,882	61,882
Interest recognised in profit or loss	51	43
Net unrealized gains and losses recognised in profit or loss	2,167	2,167
Book value as at June 30, 2016	441,663	441,548

Reconciliation of the fair value of level 3 financial assets and financial liabilities for the year ended December 31, 2015.

	Assets loans AXA Bank Europe S.A./N.V.	Liabilities Medium term notes
	EUR000	EUR000
Book value at December 31, 2014	285,319	285,233
New issues medium term notes / loans	118,255	118,255
Unwindings medium term notes / loans	(10,917)	(10,917)
Net unrealized gains and losses recognised in profit or loss	(15,196)	(15,196)
Interest recognised in profit or loss	102	81
Book value at December 31, 2015	377,563	377,456

Set out below is a comparison of the carrying amounts and fair value of financial assets and financial liabilities as at June 30, 2016 and December 31, 2015:

Carrying amount and fair value as at June 30, 2016

	Carrying amount	Fair value
	EUR000	EUR000
Financial assets		
Loans and receivables	1,703,733	1,703,733
Financial liabilities		
Medium term notes	1,702,975	1,702,975

Carrying amount and fair value as at December 31, 2015

	Carrying amount	Fair value
	EUR000	EUR000
Financial assets		
Loans and receivables	1,639,030	1,639,030
Financial liabilities		
Medium term notes	1,638,463	1,638,463

The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at June 30, 2016 is as shown below.

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**	**Sensitivity of the input to the fair value**
Financial assets: Loans and receivables	DCF	Volatilities based on historical data *	+10% -10%	10% increase (decrease) would result in an increase (decrease) in fair value by EUR 20,0 million
Financial liabilities: medium term notes	DCF	Volatilities based on historical data *	+10% -10%	10% increase (decrease) would result in an increase (decrease) in fair value by EUR 20,0 million

The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at December 31, 2015 is as shown below.

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to the fair value
Financial assets:				
Loans and receivables	DCF	Volatilities based on historical data *	-10% - 10%	10% increase (decrease) in the growth rate would result in an increase (decrease) in fair value by EUR 18.0 million
Financial liabilities: medium term notes	DCF	Volatilities based on historical data *	-10% - 10%	10% increase (decrease) in the growth rate would result in an increase (decrease) in fair value by EUR 18.0 million

* In most cases observable option prices are used as input parameters in the valuation process of the medium term notes pay-off. However in some cases (e.g. performance linked to fund prices) no observable option prices are available and, in corollary, no volatilities. In that cases we use historical volatility of the performance.

15 Commitments and contingencies

There are no commitments and contingencies.

16 Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Key management of the Company (members of the Management Board) is also considered to be a related party. Related party transactions are at an arms-length basis. Related party transactions between the Company and its related party AXA Bank Europe S.A./N.V. were as follows:

- Loans and receivables from participants, refer to Note 3;
- Cash and cash equivalents, refer to Note 4;
- Interest income and similar income, refer to Note 8.
- Guarantee by AXA Bank Europe S.A./N.V. that unconditionally and irrevocably guarantees the due and punctual payment of the principal of and interest on the issued notes as well as of any additional amounts which may be required to be paid by the Company.
- AXA Investment Managers fee charges for provided services regarding loans and notes issuance, refer to Note 12.
- Transactions with key management, refer to Note 12.

17 Subsequent events

No events took place after balance sheet date that could have a material effect on the financial position of the Company.

Breda, September 30, 2016

Aernout Veerman, Chairman of the Management Board

Geert Van de Walle, Member of the Management Board