

AXA Belgium Finance (NL) B.V.

Unaudited interim financial statements 30 June 2017

Breda, 29 September 2017



Table of contents

General information	1
Management report	2
Financial statements	
Statement of financial position as at 30 June 2017	7
Statement of comprehensive income for the six months ended 30 June 2017	8
Statement of changes in equity for the six months ended 30 June 2017	9
Statement of cash flows for the six months ended 30 June 2017	10
Notes to the financial statements	12

Total number of pages in this report: 28

General information

Management board

Mr. Aernout Veerman (Chairman)

Mrs. Grete Schaekers (Member)

Statutory seat

Amsterdam

Registered office

Ginnekenweg 213

4835 NA Breda

File number at the Business Register of the Chamber of Commerce: 33224298

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Management report

General

AXA Belgium Finance (NL) B.V. is a limited liability company ('Besloten Vennootschap met beperkte aansprakelijkheid') under the laws of the Netherlands. At 30 June 2017 the Company is a wholly owned subsidiary of AXA Bank Belgium. The legal address of the parent company Troonplein 1, 1000 Brussels, Belgium. AXA Bank Belgium 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 27 March 2017 the Management Board of the Company consists of Mr. A.W. Veerman, chairman, and Mrs. Grete Schaekers, member.

Financial information

The total assets decreased by some EUR 60 million from EUR 1,492 million at 31 December 2016, to EUR 1,431 million. Intragroup interest income amounts to EUR 18,187 thousand, totally from amounts receivable forming part of the fixed assets. Interest expense and similar charges amount to EUR 17,738 thousand. The operating expenses show a decrease and amount to EUR 161,000. The profit before tax decreased, resulting in a net profit after taxation of EUR 215,000 (six months ended 30 June 2016: EUR 369,000).

In April 2017, the Company distributed a dividend of EUR 3,800,000 to its sole shareholder, AXA Bank Belgium.

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 Belgium (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 Belgium, which uses the proceeds for general corporate purposes. In order to enhance the liquidity and transferability, the existing onlending arrangement was amended by the introduction of the systematic subscribing of the Company to Bonds issued by AXA BANK since the end of March 2017. In this context, all existing loans granted to AXA Bank Belgium were amended to bonds, without affecting the outstanding amounts, the number of such arrangements, the currency or other any substantial terms (other than the form), in order to preserve maximum continuity.

Several Notes are listed on the Luxembourg Stock Exchange.

Since 31 December 2016, there has been issues of the following Notes:

- Optinote ESG Leaders Switchable (February)
- Optinote Super Region Switchable (April)
- Optinote Nordic 3 (June)
- Optinote Low Carbon NOK (July)
- Optinote ESG Leaders Switchable 2 (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 Belgium where a maximum correlation between the conditions of the notes and those of the loans to AXA Bank Belgium 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 Belgium.

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 2016. A description of the company's risk management practices, principal risks and how they impact the business is provided in our Annual Report 2016.

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 31 December 2016, 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 through the subscribing of bonds issued by AXA Bank Belgium. Considering that there are no firm commitments for future investments, no information regarding the anticipated sources of funds needed to fulfil them is provided.

Future developments

The Notes Issuance Programme dated 21 September 2010, is created at the request of, and in close collaboration with AXA Bank Belgium (in this Programme AXA Bank Belgium 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 Belgium 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 Belgium has requested to prepare the issue process of several new issues in 2017 in Belgium. We expect only a limited or no issue activity after September 2017, 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 30 June 2017. Other than an expected limited issue activity in the second half of the year, 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, 29 September 2017

Aernout Veerman, Chairman of the Management Board

Grete Schaekers, Member of the Management Board

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Financial statements

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Statement of financial position as at 30 June 2017

	Note	30 June 2017 (unaudited)	31 December 2016 (audited)
		EUR000	EUR000
Assets			
Financial assets at fair value through profit or loss	4	1,429,046	1,485,916
Taxes receivable		188	22
Cash and cash equivalents	5	1,766	5,570
Total assets		1,431,000	1,491,508
Shareholder's equity			
Issued share capital	6	1,768	1,768
Retained earnings	7	538	4,123
Total shareholder's equity		2,306	5,891
Liabilities			
Financial liabilities at fair value through profit or loss	8	1,428,598	1,485,461
Other liabilities and accruals	9	96	156
Total liabilities		1,428,694	1,485,617
Total liabilities and shareholder's equity		1,431,000	1,491,508

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Statement of comprehensive income for the six months ended 30 June 2017

		for the six months ended 30 June	
	Note	2017 (unaudited)	2016 (unaudited)
		EUR000	EUR000
Interest income	10	18,187	20,738
Interest expense	10	(17,738)	(20,079)
Net interest income		449	659
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	11	-	-
Foreign exchange gains/(losses)	12	(15)	2
Other income	13	-	-
Net operating income		434	661
Operating expenses	14	(161)	(182)
Net operating expenses		(161)	(182)
Profit before tax		273	479
Income tax expense		(58)	(110)
Profit for the period		215	369
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		215	369

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

Statement of changes in equity for the six months ended 30 June 2017

	Share capital	Retained earnings	Total
	EUR000	EUR000	EUR000
As at 1 January 2016	1,768	3,517	5,285
Profit for the period	-	369	369
Other comprehensive income	-	-	-
Total comprehensive income	-	369	369
Transactions with owners	-	-	-
	-	369	369
As at 30 June 2016 (unaudited)	1,768	3,886	5,654
Profit for the period	-	237	237
Other comprehensive income	-	-	-
Total comprehensive income	-	237	237
Transactions with owners	-	-	-
	-	237	237
As at 1 January 2017	1,768	4,123	5,891
Profit for the period	-	215	215
Other comprehensive income	-	-	-
Total comprehensive income	-	215	215
Transactions with owners	-	-	-
Dividends	-	(3,800)	(3,800)
	-	(3,585)	(3,585)
As at 30 June 2017 (unaudited)	1,768	538	2,306

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Statement of cash flows for the six months ended 30 June 2017

	for the six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
	EUR000	EUR000
Profit before tax for the period	273	479
<i>Adjustments to reconcile profit before tax to net cash flows:</i>		
Interest income	(18,187)	(20,738)
Interest expense	17,738	20,079
Effect of exchange rate changes	(15)	2
Other movements	15	(7)
	(176)	(185)
<i>Working capital adjustment:</i>		
Changes in interest receivables, deferred tax assets and other receivables	258	1,067
Changes in interest liabilities, taxes payable and other liabilities and accruals	(318)	(1,080)
	(60)	(13)
<i>Operating activities:</i>		
Loans granted to group companies	–	(83,204)
Bonds granted to group companies	(101,363)	–
Repayment on loans to group companies	103,686	31,841
Repayment on bonds to group companies	56,512	–
Transfers from loans	(1,302,741)	–
Transfers into bonds	1,302,741	–
Proceeds from issued medium term notes	101,363	83,204
Repayments on issued medium term notes	(160,198)	(31,841)
Interest received	15,525	11,930
Interest paid	(15,071)	(11,478)
Income tax paid	(222)	(215)
	232	237
Cash flow from operating activities (carry forward)	(4)	39

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	for the six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
	EUR000	EUR000
Carried forward	(4)	39
<i>Financing activities:</i>		
Dividend paid	(3,800)	—
Cash flow from financing activities	(3,800)	—
Net increase of cash and cash equivalents	(3,804)	39
Cash and cash equivalents as at 1 January	5,570	4,852
Cash and cash equivalents as at 30 June	1,766	4,891

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

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Notes to the financial statements

1 Corporate information

AXA Belgium Finance (NL) B.V. (the Company) is a limited liability Company ('Besloten Vennootschap met beperkte aansprakelijkheid') under the laws of the Netherlands. At 30 June 2017 the Company is a wholly owned subsidiary of AXA Bank Belgium S.A./N.V. The legal address of the parent company is Troonplein 1, 1000 Brussels, Belgium. AXA Bank Belgium S.A./N.V. shares are held by the ultimate parent company AXA S.A., Paris, France.

2 Basis of preparation

2.1 Reporting standards

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 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 31 December 2016.

2.2 Functional and presentation currency

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

2.3 Use of significant accounting judgments, estimates and assumptions

The Company uses estimates and judgments when drawing up its interim condensed financial statements on the basis of IAS 34. 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 financial statements continue to be prepared on the going concern basis.

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3 Accounting policies

3.1 *New Standards, Interpretations and Amendments adopted by the Company*

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 2016, except for the adoption of new standards effective as of 1 January 2017. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed financial statements of the Company. The nature and the impact of each amendment is described below:

- **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Company is not required to provide additional disclosures in its interim condensed financial statements, but will disclose additional information in its annual financial statements for the year ended 31 December 2017.

- **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Company applied the amendments retrospectively. However, their application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

- **Annual Improvements Cycle - 2014-2016**

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Company applied the amendments retrospectively. However, their application has no effect on the Company's financial position and performance as the Company has no interests in other entities that are in the scope of the amendments.

3.2 Standards, Interpretations and Amendments issued but not yet effective

The following Standards issued by the IASB have been endorsed by the EU and will become effective in 2018:

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Contracts with Customers.

The Standards, Interpretations and Amendments that are issued, but not yet effective, up to the date of issuance of the Company's financial statements will be adopted by the Company once they become effective in the EU:

- Clarifications to IFRS 15: Revenue from Contracts with Customers (IFRS effective date 1 January 2018).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (IFRS effective date 1 January 2018).
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (IFRS effective date 1 January 2018).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (IFRS effective dates 1 January 2017 and 1 January 2018).
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration (IFRS effective date 1 January 2018).
- Amendments to IAS 40: Transfers of Investment Property (IFRS effective date 1 January 2018).
- IFRS 16: Leases (IFRS effective date 1 January 2019).
- IFRIC 23: Uncertainty over Income Tax Treatments (IFRS effective date 1 January 2019).
- IFRS 17: Insurance Contracts (IFRS effective date 1 January 2021).

Major expected changes in the IFRS framework as listed above are:

IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The Standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

As major part of the financial assets and financial liabilities of the Company are designated and measured at fair value through profit or loss (which can continue under IFRS 9, including the own credit risk on the issued EMTN's in order to avoid an accounting mismatch with the related financial assets), the impact of IFRS 9 on the financial statements of the Company is expected to be low.

IFRS 15 - Revenue

This Standard includes a five-step model to determine when revenue should be recognised.

Step 1 = Identify the contract with the customer

Step 2 = Identify the performance obligations in the contract

Step 3 = Determine the transaction price

Step 4 = Allocate the transaction price to the performance obligations in the contract

Step 5 = Recognise revenue when (or as) the entity satisfies a performance obligation

This Standard is not expected to have a significant impact on the financial statements of the Company.

IFRS 16 - Leases

This Standard introduces a uniform accounting methodology for lessees. The Company is currently assessing the impact of this standard on its financial statements. However, the impact on the financial statements of the Company is not expected to be significant.

IFRS 17 - Insurance Contracts

This Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. This Standard is not expected to have a significant impact on the financial statements of the Company.

4 Financial assets at fair value through profit or loss

	30 June 2017 (unaudited)	31 December 2016 (audited)
	EUR000	EUR000
Loans AXA Bank Belgium S.A./N.V.	–	1,391,878
Bonds AXA Bank Belgium S.A./N.V.	1,377,604	45,000
Interest receivable on loans AXA Bank Belgium S.A./N.V.	–	49,031
Interest receivable on bonds AXA Bank Belgium S.A./N.V.	51,442	7
Total financial assets at fair value through profit or loss	1,429,046	1,485,916

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Movements in these items were as follows:

AXA Bank Belgium S.A./N.V.

	Loans	Bonds	Interest receivable loans	Interest receivable bonds	Total
	EUR000	EUR000	EUR000	EUR000	EUR000
As at 1 January 2017	1,391,878	45,000	49,031	7	1,485,916
Loans granted	-	-	-	-	-
Bonds granted	-	101,363	-	-	101,363
Repayments	(102,418)	(56,512)	(6,398)	(9,127)	(174,455)
Transfers from loans	(1,302,741)	-	(51,964)	-	(1,354,705)
Transfers into bonds	-	1,302,741	-	51,964	1,354,705
Exchange rate differences	3,287	(12,094)	34	(292)	(9,065)
Fair value changes	9,994	(2,894)	-	-	7,100
Interest taken to profit or loss account	-	-	9,297	8,890	18,187
As at 30 June 2017	-	1,377,604	-	51,442	1,429,046

AXA Bank Belgium S.A./N.V.

	Loans	Bonds	Interest receivable loans	Interest receivable bonds	Total
	EUR000	EUR000	EUR000	EUR000	EUR000
As at 1 January 2016	1,597,119	-	41,911	-	1,639,030
Loans granted	94,534	-	-	-	94,534
Bonds granted	-	46,137	-	-	46,137
Repayments	(303,947)	-	-	-	(303,947)
Exchange rate differences	14,179	-	-	-	14,179
Fair value changes	(10,007)	(1,137)	-	-	(11,144)
Interest taken to profit or loss account	-	-	7,120	7	7,127
As at 31 December 2016	1,391,878	45,000	49,031	7	1,485,916

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

30 June 2017				
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Bonds AXA Bank Belgium S.A./N.V.	121,637	649,459	606,508	1,377,604
Interest receivable on bonds AXA Bank Belgium S.A./N.V.	5,867	37,055	8,520	51,442
Total financial assets at fair value through profit or loss	127,504	686,514	615,028	1,429,046
31 December 2016				
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Loans AXA Bank Belgium S.A./N.V.	219,257	567,014	605,607	1,391,878
Bonds AXA Bank Belgium S.A./N.V.	-	-	45,000	45,000
Interest receivable on loans AXA Bank Belgium S.A./N.V.	9,180	26,178	13,673	49,031
Interest receivable on bonds AXA Bank Belgium S.A./N.V.	5	-	2	7
Total financial assets at fair value through profit or loss	228,442	593,192	664,282	1,485,916

Part of the interest rates are fixed between 0.00% and 5.85% and part of the interest rates are variable and are equal to the medium term notes issued by the Company, increased with margins from 0.06% (2016: Part of the interest rates are fixed between 5.85% and 0.00% and part of the interest rates are variable and are equal to the medium term notes issued by the Company, increased with margins from 0.06%).

The loans are not subordinated.

5 Cash and cash equivalents

	30 June 2017 (unaudited)	31 December 2016 (audited)
	EUR000	EUR000
Current accounts AXA Bank Belgium S.A./N.V.	1,729	5,558
Current accounts other banks	37	12
Total cash and cash equivalents	1,766	5,570

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

6 Issued share capital

	30 June 2017 (unaudited)	31 December 2016 (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 Belgium S.A./N.V. in close collaboration with the management of AXA Belgium Finance (NL) B.V.

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7 Retained earnings

	30 June 2017 (unaudited)	31 December 2016 (audited)
	EUR000	EUR000
Balance at start	4,123	3,517
Result for the period	215	606
Dividends	(3,800)	-
Balance at end	538	4,123

During the six months ended 30 June 2017 the Company distributed a cash dividend amounting to EUR 3,800,000 to the shareholder.

8 Financial liabilities at fair value through profit or loss

	30 June 2017 (unaudited)	31 December 2016 (audited)
	EUR000	EUR000
Medium term notes	1,377,604	1,436,878
Interest payable medium term notes	50,994	48,583
Total financial liabilities at fair value through profit or loss	1,428,598	1,485,461

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

	30 June 2017			
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Medium term notes	105,350	665,746	606,508	1,377,604
Interest payable medium term notes	5,693	36,867	8,434	50,994
Total financial liabilities at fair value through profit or loss	111,043	702,613	614,942	1,428,598

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	31 December 2016			
	<1 years	1-5 years	>5 years	Total
	EUR000	EUR000	EUR000	EUR000
Medium term notes	219,256	567,015	650,607	1,436,878
Interest payable medium term notes	8,934	26,093	13,556	48,583
Total financial liabilities at fair value through profit or loss	228,190	593,108	664,163	1,485,461

Issued medium term notes are unconditionally and irrevocably guaranteed by the parent company AXA Bank Belgium S.A./N.V. The movement of the financial liabilities at fair value through profit or loss is similar to the movement of the financial assets at fair value through profit or loss, with the exception of a small difference in the interest rates. Part of the interest rates for notes with maturity exceeding one year are fixed between 0.00% and 5.75% and part of the interest rates are variable (2016: partly fixed between 5.75% and 0.00% and partly variable).

In 2017 the applicable interest rate for notes maturing within one year is depending on the 3 months Euribor rate, with a minimum of 2.5% and a maximum of 5.5% in one case (2016: interest depending on the 3 months Euribor rate, with a minimum of 2.5% and a maximum of 5.5% in one case).

The contractual repayment amount at maturity is EUR 1,261,797 thousand (2016: EUR 1,328,171 thousand).

9 Other liabilities and accruals

	30 June 2017 (unaudited)	31 December 2016 (audited)
	EUR000	EUR000
Trade creditors	–	–
Other payables and accruals	96	156
Total other liabilities and accruals	96	156

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10 Net interest income

	30 June 2017 (unaudited)	30 June 2016 (audited)
	EUR000	EUR000
Interest income on:		
Loans AXA Bank Belgium S.A./N.V.	9,297	20,738
Bonds AXA Bank Belgium S.A./N.V.	8,890	–
Total interest income	18,187	20,738
Interest expense on:		
Medium term notes	(17,738)	(20,079)
Total interest expense	(17,738)	(20,079)
Net interest income	449	659

11 Net gains/(losses) on financial assets and liabilities at fair value through profit or loss

The fair value gains/losses on loans and bonds and receivables of positive EUR 7,100 thousand (30 June 2016: negative EUR 5,291 thousand) are mitigated by the fair value gains/losses on medium term notes of negative EUR 7,100 thousand (30 June 2016: positive EUR 5,291 thousand).

12 Foreign exchange gains/(losses)

Foreign exchange losses of EUR 15 thousand (30 June 2016: gain of EUR 2 thousand) are on a net basis and include gains and losses arising from foreign currency transactions and the effects of translation of foreign currency assets and liabilities.

13 Other income

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

14 Operating expenses

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

15 Employee benefit expenses

	30 June 2017 (unaudited)	30 June 2016 (unaudited)
	EUR000	EUR000
Salaries	12	4

16 Number of employees

The Company has only one part time director as own employee (2016: one).

17 Transactions with key management

The directors' remunerations are recorded as general and administrative expenses and amount to EUR 12 thousand (2016: EUR 26 thousand), and include only short-term remunerations of current members of the Management Board. No other benefits, like pension, medical, termination share-based payment transactions, company cars or loans, have been granted.

The amounts disclosed are the amounts recognised as an expense during the year.

18 Fair value of financial assets and liabilities at fair value through profit or loss

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

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

Fair value hierarchy

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

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

valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

Valuation techniques

The fair value of the financial instruments is determined using available market information and estimating methods. The valuation methods have not been changed compared to previous year. The following methods and assumptions have been used to estimate the fair value of the financial instruments:

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

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

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

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

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Fair value hierarchy as at 30 June 2017

	Level 1	Level 2	Level 3	Total
	EUR000	EUR000	EUR000	EUR000
Financial assets				
Financial assets at fair value through profit or loss	-	898,552	530,494	1,429,046
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	898,247	530,351	1,428,598

Fair value hierarchy as at 31 December 2016

	Level 1	Level 2	Level 3	Total
	EUR000	EUR000	EUR000	EUR000
Financial assets				
Financial assets at fair value through profit or loss	-	1,013,467	472,449	1,485,916
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,013,146	472,315	1,485,461

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

Reconciliation of fair value measurement of level 3 financial assets and liabilities:

	Assets Loans and Bonds AXA Bank Belgium S.A./N.V.	Liabilities medium term notes
	EUR000	EUR000
As at 1 January 2016	377,563	377,456
New issues medium term notes / loans	73,739	119,876
New bonds	46,137	-
Unwindings medium term notes / loans	(7,096)	(7,096)
Transfers level 3 into level 2 medium term notes / loans	(23,269)	(23,269)
Net unrealized gains and losses recognised in profit or loss	5,261	5,261
Interest recognised in profit or loss medium term notes / loans	107	87
Interest recognised in profit or loss bonds	7	-
As at 31 December 2016	472,449	472,315
New issues medium term notes / loans	-	55,771
New bonds	55,771	-
Unwindings medium term notes / loans	(5,404)	(5,404)
Unwindings bonds	-	-
Transfers from loans	(412,875)	-
Transfers into bonds	412,875	-
Transfers level 3 into level 2 medium term notes / loans	-	-
Transfers level 3 into level 2 bonds	-	-
Net unrealized gains and losses recognised in profit or loss	8,218	8,218
Interest recognised in profit or loss medium term notes / loans	(453)	52
Interest recognised in profit or loss bonds	514	-
FX-impact	(601)	(601)
As at 30 June 2017	530,494	530,351

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Set out below is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2017 and 31 December 2017:

Carrying amount and fair value as at 30 June 2017

	Carrying amount	Fair value
	EUR000	EUR000
Financial assets		
Loans and receivables	<u>1,429,046</u>	<u>1,429,046</u>
Financial liabilities		
Medium term notes	<u>1,428,598</u>	<u>1,428,598</u>

Carrying amount and fair value as at 31 December 2017

	Carrying amount	Fair value
	EUR000	EUR000
Financial assets		
Loans and receivables	<u>1,485,916</u>	<u>1,485,916</u>
Financial liabilities		
Medium term notes	<u>1,485,461</u>	<u>1,485,461</u>

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The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 June 2017 is as shown below.

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to the fair value
Financial assets: Loans, Bonds and receivables	DCF	Volatilities based on historical data*	+10% - 10%	10% increase (decrease) in the growth rate would result in an increase (decrease) in fair value by EUR 19.0 million (31 December 2016: EUR 19.0 million)
Financial liabilities: medium term notes	DCF	Volatilities based on historical data*	+10% - 10%	10% increase (decrease) in the growth rate would result in an increase (decrease) in fair value by EUR 19.0 million (31 December 2016: EUR 19.0 million)

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

19 Commitments and contingencies

No commitments and contingencies.

20 Related party disclosures

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

- Loans, bonds and receivables from participants, refer to Note 4;
- Cash and cash equivalents, refer to Note 5;
- Interest income and similar income, refer to Note 10;
- Guarantee by AXA Bank Belgium S.A./N.V. that unconditionally and irrevocably guarantees the due and punctual payment of the principal of and interest on the issued notes as well as of any additional amounts which may be required to be paid by the Company;
- AXA Investment Managers fee charges for provided services regarding loans and notes issuance of EUR 1 thousand (31 December 2016: EUR 8 thousand);
- Transactions with key management, refer to Note 17.

21 Subsequent events

No events took place after balance sheet date that could have a material effect on the financial position of the Company as at 30 June 2017.

Breda, 29 September 2017

Aernout Veerman, Chairman of the Management Board

Grete Schaekers, Member of the Management Board