AXA BANQUE

réinventons / la banque

ANNUAL REPORT

2018

AXA BANQUE

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GENERAL INFORMATION

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1 GENERAL INFORMATION

AXA BANQUE

Name and registered office

AXA BANQUE

203-205, rue Carnot

94 138 FONTENAY-SOUS-BOIS FRANCE

Legal form

A French public limited company (*société anonyme*) with a Management Board and a Supervisory Board

Corporate purpose

All studies of financial, industrial and commercial business, all banking, financing, lending, discounting, deposit-taking and brokerage fee-related operations, in particular insurance brokerage, all securities trading and investment transactions and in general anything that in the broadest possible definition may be considered to fall within the remit of banks, credit institutions or investment firms.

Trade and Companies Register

542 016 993 Créteil

Share capital and number of shares

AXA Banque has share capital of €122,039,328.00, corresponding to 7,627,458 shares with a par value of €16 at December 31, 2018.

Shareholders

At December 31, 2018, the Company's shareholder structure was as follows:

- 51% of the share capital was owned by AXA France Participations;
- 49% of the share capital was held by AXA France Vie.

AXA Banque's ultimate parent company is AXA.

GOVERNANCE (COMPOSITION AT DECEMBER 31, 2018)

Management Board

Chairman of the Management Board	Marie-Cécile Plessix
Members of the Management Board	Valérie Broncard Corinne Calendini Emmanuel Ramé

Supervisory Board

Chairman of the Supervisory Board	Bertrand Poupart-Lafarge
Vice-Chairman of the Supervisory Board	Matthieu Bébéar
Members of the Supervisory Board	Christophe Dupont Madinier – Advisor AXA Banque Europe, represented by Emmanuel Vercoustre AXA France IARD, represented by Laurence Boone AXA France Vie, represented by Françoise Gilles

Statutory Auditors

Incumbent auditors	Mazars PricewaterhouseCoopers Audit
Alternate auditors	Etienne Boris Gilles Dunand Roux

INFORMATION RELATING TO THE ECKERT LAW

The Eckert Law (No. 2014-617) of June 13, 2014 on dormant bank accounts and lapsed life insurance policies came into force on January 1, 2016. Since that date, institutions have been required to identify dormant accounts each year.

An account is considered dormant in two cases:

1/ If its holder has not carried out any transaction on it and has not contacted the bank, via any means whatsoever, nor carried out any other transaction in another account opened in his or her name at the same institution, for a period of one year. Note that this period is extended to five years for securities accounts, passbook accounts, regulated savings accounts, certificates of deposit and term accounts. For products with a holding period (share savings plans - PEA), the five-year period begins at the end of this period.

2/ Or if at the end of a period of 12 months following the death of the account holder, his or her heirs have not contacted the institution to claim their rights.

To protect savers and their beneficiaries, this law imposes a certain number of obligations on institutions that hold these accounts, in particular:

- The annual identification of dormant bank accounts;
- The deposit of assets held in dormant bank accounts with the Caisse des Dépôts et Consignations (CDC) at the end of a period of inactivity provided for by law;
- The acquisition by the State of sums thus deposited with CDC, under the 30-year limitation period;
- Lastly, the annual publication of the number of dormant accounts held in their books, the total amount of deposits and assets recorded in these accounts, as well as the number of accounts and the amount of assets transferred to CDC.

For 2018, the regulatory information to be published is as follows:

- 2,914 accounts transferred to CDC in 2018, including €1,212,826 of transferred assets;
- 38,747 dormant accounts held with AXA Banque at December 31, 2018, comprising recorded deposits and assets of €32,341,000.

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ACTIVITY REPORT

To the Shareholders,

We have called this Shareholders' Meeting to approve the financial statements in accordance with the provisions applicable to the Company by law and pursuant to its Articles of Association, and to report to you on its situation during the financial year ended December 31, 2018.

We encourage you to approve the annual financial statements attached to this report.

Please also note that we have made available to you, within the applicable deadlines, all the other documents required by law.

Company activities and outlook

Context of the Company's activity during the past financial year

In 2018, the global macroeconomic context was characterised by a slowdown in growth and the emergence of various risks, in particular political risks. This less buoyant environment led to a fall in equity markets in most OECD countries: in the United States the Dow Jones lost 7%, in Europe the Eurostoxx 50 slipped 15% and in France the CAC 40 was down 12%. The financial sector was particularly affected by this fall (-33% for banks), which took place against a backdrop of increased volatility, with the VIX index rising 20%.

The foreign exchange market was more stable: the euro lost 4% against the US dollar, 6% against the Japanese yen and 4% against the Swiss franc but, under the effect of Brexit-related threats, gained nearly 2% against the pound sterling. The commodities market was marked by a significant fall in the price of oil (WTI lost 25%), a sign in particular of the weakening of global growth.

The decoupling of the US and Eurozone fixed-income markets was confirmed: US interest rates continued to rise in 2018 while those in the Eurozone either remained flat or fell slightly under the impact of the European Central Bank's accommodating policy. The OAT (ten-year) gave up 6 basis points (bp) to end the year at 0.71%. The ten-year swap rate (vs. Eonia) followed the same trend, dropping 4bp to 0.66%. Short-term interest rates (Euribor) remained stable at a historically low level.

Credit spreads behaved more diversely, with a certain degree of volatility during the year. The spread on Italian government debt, for example, widened sharply owing to political turmoil in the country, before tightening again slightly at the end of the year. Private sector credit spreads also suffered from the sluggish economic environment: the Itraxx Europe IG 5Y corporate CDS index widened by 46bp and the Itraxx Europe Senior Fin 5Y bank CDS index by 41bp. Bond issuance spreads were affected by this movement too, with French senior bank debt up by some 40bp and French covered bonds up by between 20bp and 25bp.

Against this backdrop, in 2018 AXA Banque faced increasingly strong competition in its banking market operations. In particular, the mortgage lending activity saw a slowdown in new business from remortgages, which led to a fierce pricing battle between lenders. The regulatory environment also tested French banks, with the entry into force of MIFID2, for example.

Significant events during the financial year

Customers

Despite a difficult environment, AXA Banque generated healthy sales in 2018. Through the efforts both of AXA's French distribution networks and its own sales forces, it managed to win nearly 45,000 new customers, although its total customer portfolio had shrunk to around 650,000 at the end of the year.

Deposit accounts

In day to day banking, AXA Banque opened 37,000 deposit accounts, 34,000 of which including a bank card, a stable rate year on year excluding the Soon brand business, which was discontinued in 2017. This activity brought the number of accounts with cards to 231,000 at the end of 2018 (215,000 excluding Soon), an increase of 4% from December 31, 2017. AXA Banque's sales policy prioritises the opening of main bank accounts and encourages customers to use their account and card frequently, specifically by offering bonuses for paying in monthly income and waiving account charges for active use. This policy paid off, with a 10% increase in the number of active fee-free cards to 142,000 by the end of the year. Similarly, purchases made with these cards increased by 9% to €1.9 billion between 2017 and 2018.

Savings

In financial savings, AXA Banque enables its customers to invest through securities accounts or share savings plans. This activity contracted slightly in 2018, with assets under management down 12% to €920 million mainly due to the fall in the financial markets. Conversely, there were strong inflows into the bank savings business (up €230 million net). This increase was mainly driven by the €140 million rise in demand deposits stemming from growth in the number of accounts, together with an increase in average account balances. The AXA Banque savings account also recorded a net inflow of €40 million, despite low interest rates. Lastly, regulated savings products (Livret A, LDD, PEL, CEL, etc.) saw an increase of €50 million, in line with market trends.

Loans

The lending activity grew in 2018, with a total of €3.4 billion in new loans, i.e. 10% more than in 2017. In particular, there was robust 8% growth in new mortgage loans to €1.8 billion despite a two-thirds reduction in the number of loans acquired from competitors relative to the previous year; this momentum stemmed from the increasing professionalism and level of training and organisation of the Bank's business provider network. The lombard loan activity, which consists in financing high net worth customers' projects and using various assets that they hold as collateral, accelerated sharply in 2018: new loan production came to €1.3 billion (+14%), a record performance underpinned by the granting of a number of very large loans, in accordance with the Bank's wealth management development strategy. Lastly, new consumer credit business grew by 3% to €0.3 billion, driven by personal loans (+4%) and, in particular, several one-off promotional operations ("Ventes Privées" in June and "Black Friday" in November).

Financing

In this context of strong growth in customer lending and a slighter increase in customer deposits, the Company turbocharged its refinancing through the issuance of negotiable debt securities under its STEP label NEU CP and Banque de France-eligible NEU MTN programmes.

AXA Banque thus increased its financial debt by €1.7 billion under excellent conditions, notably thanks to the excellent ratings it obtained in September 2018 from S&P (A+) and Fitch Ratings (A), which enabled it to refinance in high volume at competitive rates.

Foreseeable developments and outlook

Despite a difficult economic and competitive environment, AXA Banque plans to continue its commercial development in 2019, focusing on the following areas:

- Distributing banking services, particularly deposit accounts, to the insured customers of AXA France in conjunction with its distribution network, by continuing to roll out the bankinsurer model and raise the banking activity's profile in its branches;
- Increasing banking and insured customer loyalty by growing the mortgage loan business;
- Accelerating wealth banking synergies with AXA Wealth Management.

Other significant events since the close of the financial year

None.

Research and development activity

We hereby inform you, pursuant to the provisions of Article L.232-1 of the French Commercial Code (*Code de commerce*), that the Company did not carry out any research and development activity in relation to its business during the past financial year.

Review of the company financial statements

The rules and methods for preparing the annual financial statements are identical to those used in previous years.

Balance sheet

AXA Banque's assets grew by €2.3 billion (+22%) between the end of 2017 and the end of 2018, mainly driven by growth in outstanding mortgage and lombard loans. This growth was financed mainly by the issuance of debt securities and to a lesser extent by term accounts.

Assets

Assets stood at €13,022 million at December 31, 2018, compared with €10,695 million the previous year.

They comprised the following main items:

- Cash and balances at central banks for €578 million
- Treasury bills and money-market instruments for €1,226 million
- Amounts due from credit institutions for €1,299 million
- Customer items for €8,985 million (net)
- Bonds and other fixed-income securities for €698 million

Liabilities and equity

Shareholders' equity amounted to €353 million.

Liabilities amounted to €12,569 million and consisted mainly of:

- Deposits from credit institutions for €1,210 million
- Deposits from customers for €5,239 million

- Debt securities for €5,997 million
- Subordinated debt for €79 million

Income statement

AXA Banque's revenues increased by €21 million to €137 million in 2018. This increase was mainly due to the increase in net interest income (+€33 million). At the same time, operating expenses and business providers' fees also increased, by €5 million and €3 million respectively, resulting in a decrease in the gross operating loss from €23 million in 2017 to €9 million in 2018. There was a net loss of €13 million in 2018 compared with a net loss of €27 million in 2017.

Expenses not deductible for tax purposes

In accordance with the provisions of Article 223 *quater* of the French General Tax Code (*Code général des impôts*), we ask that you approve the non-deductible surplus depreciation, as referred to in Article 39-4 of that Code, in the amount of €47,713.

Review of the consolidated financial statements

Balance sheet

AXA Banque's consolidated balance sheet grew by €1.6 billion (+14%) to €12.3 billion in 2018. This growth was driven mainly by the increase in outstandings in mortgage loans (+€1 billion) and lombard loans (+€0.6 million). On the asset side, the securities portfolio decreased (-€0.5 billion) as a result of balance sheet optimisation transactions; this fall was offset by an increase in cash (+€0.4 billion). On the liability side, the €0.7 billion increase in customer deposits resulted from the opening of term accounts (+€0.5 billion), growth in demand deposits (+€0.1 billion) and growth in passbook savings balances (+€0.1 billion). In addition, debt securities increased by €1.2 billion: this change was made possible by AXA Banque obtaining top-tier credit ratings in September 2018, S&P having rated it «A+» and Fitch «A». Lastly, AXA Banque carried out capital increases and subordinated debt issues to maintain a high solvency level in a context of growth in customer lending, resulting in a €0.1 billion increase in the Bank's capital.

Income statement

AXA Banque's consolidated revenues (based on underlying earnings) rose from €140 million in 2017 to €142.5 million in 2018 (+2%). This increase was essentially linked to that in net interest income (+4%), which benefited from the growth in mortgage and lombard loan outstandings. The ratings obtained in the third quarter also enabled AXA Banque to refinance at a lower cost. Conversely, net fee income declined in 2018 (-€1.9 million, i.e. -8% from 2017): the main factor behind this decrease was the decline in mortgage loan early repayment penalties, which fell by two thirds between 2017 and 2018. Lastly, other banking operating income and expenses suffered from an increase in the contribution to the European Single Resolution Fund, leading to an additional expense of €1 million compared with 2017.

AXA Banque's operating expenses saw a limited increase of 3%, from €127.6 million to €131.5 million, despite the additional hiring implemented to support the business' growth and improve customer satisfaction: the number of active employees on permanent and fixed-term contracts rose from 671 FTE at the end of 2017 to 772 FTE at the end of 2018 (of which 746 permanent employees). The Bank also made significant investments, particularly in IT.

The cost of risk fell by 22% to €7.3 million, benefiting from non-recurring income related to the assignment of amortised receivables.

Income before tax at 100% consequently rose from €3.1 million to €3.6 million (+16%). After tax and minority interests, AXA Banque's underlying earnings went from a loss of €3.4 million in 2017 to income of €2.2 million in 2018. It made a net loss of €17.5 million due mainly to the remeasurement at fair value of derivative instruments hedging the Bank's balance sheet, following the decrease in interest rates.

CONSOLIDATED INCOME (IFRS)

In € million	Dec. 17	Dec. 18	Change
Net interest income	120.4	125.7	+5.4
Net fee income	23.4	21.6	-1.9
Other banking income and expenses	-1.0	-2.2	-1.3
Share of partners (joint venture)	-2.8	-2.5	+0.3
Revenues	**140.0**	**142.5**	**+2.5**
Operating expenses	-127.6	-131.5	-3.9
Gross operating income	**12.4**	**11.0**	**-1.4**
Cost of risk and non-recurring items	-9.4	-7.3	+2.0
Income before tax	**3.1**	**3.6**	**+0.6**
Tax	-4.8	0.0	+4.8
Income after tax	**-1.7**	**3.7**	**+5.4**
Net income attributable to minority interests	-1.7	-1.4	+0.3
Underlying earnings	**-3.4**	**2.2**	**+5.7**
Capital gains and losses on disposal of financial fixed assets	0.1	-0.2	-0.3
Adjusted earnings	**-3.4**	**2.0**	**+5.4**
Change in FV of financial instruments through P&L	-16.2	-19.6	-3.4
Net income	**-19.6**	**-17.5**	**+2.0**

This table provides an "economic" view of the income for the financial year. While the net income is consistent with the consolidated income statement presented in this report, this table also shows «underlying earnings», an intermediate management balance that inter alia excludes changes in the fair value of financial instruments.

Financial results for the last five financial years

(in thousands of euros unless otherwise stated)	**December 31, 2014**	December 31, 2015	**December 31, 2016**	December 31, 2017	**December 31, 2018**
I. Capital at year-end					
Share capital	89,468	89,468	95,784	100,319	122,039
Number of shares in issue	5,591,744	5,591,744	5 986 844	6,269,943	7,627,458
Bonds convertible into ordinary shares					
II. Result of operations for the year					
Total revenues excluding VAT	221,797	261,427	270,151	262,713	324,260
Earnings before tax, employees' profit sharing, depreciation, amortisation and impairment	-1,967	6,024	-2,625	-22,333	-4,961
Corporate income tax	12	6	29	120	96
Employees' profit sharing for the year	965	1,666	1,951	1,641	1,102
Earnings after tax and employees' profit sharing					
Earnings after tax, employees' profit sharing, depreciation, amortisation and impairment	-7,343	338	-12,980	-26,824	-12,981
Net dividend distribution					
III. Earnings per share (in €)					
Earnings after tax and employees' profit sharing but before depreciation, amortisation and impairment (in €)	-1.31	0.66	-0.82	-3.80	-2.40
Earnings after tax, employees' profit sharing, depreciation, amortisation and impairment (in €)	-1.31	0.06	-2.32	-4.28	-1.70
Net dividend per share (in €)					
IV. Staff					
Average number of employees during the year	595	628	658	672	753
Total payroll for the year	26,691	28,221	30,670	32,061	35,351
Total benefits paid during the year	10,905	11,795	12,358	12,762	14,115

Risk management

AXA Banque's consolidated risk profile (excluding compliance risk) is monitored on a quarterly basis using the Risk Management Dashboard, which covers credit and counterparty risk, financial risks (interest rate and liquidity), concentration risk, operational risk, IT security and the business continuity plan. More specifically, the weekly monitoring of financial transactions and related limits is summarised monthly and presented at the Bank's quarterly ALM Committee meetings.

The risk mapping is updated each year, based on work that the business lines and the internal control system's stakeholders carry out together, and related targets are determined by combining the following two dimensions for each risk:

- The control and management system's maturity on the one hand (represented on the x-axis),
- And on the other hand financial risks, represented on the y-axis by a non-linear scale: either on the basis of the measurement of the internal capital associated with each risk or, for risks that are not quantified, in absolute terms.

The review of the types of risk to which the Bank is exposed as a result of its activities led to the following observations at the end of 2018:

Liquidity risk

In 2018, AXA Banque pursued a strategy of diversifying its refinancing sources. It also obtained a financial solidity rating from two international rating agencies, enabling it to increase its visibility and attractiveness to investors. The associated control and management system remained stable and, as a result of the Bank's diversification of its refinancing sources, was rated between "moderate" and "strong".

Credit risk

Deemed high (based on the measurement used within the framework of the ICAAP) and with a control and management system rated «strong»; this customer credit risk is concentrated on (i) consumer credit activities with no guarantee in favour of the lender (the case for mortgage and lombard loan activities) and (ii) deposit account activities (in the event of debit account balances).

Concentration risk

Deemed moderate (based on measurement of the internal capital allocated to this risk) and with a stable control and management system rated "moderate".

Interest rate risk

Deemed low/moderate (based on measurement of the internal capital allocated to this risk) and with a better control and management system than in previous years, rated between "moderate" and "strong".

Operational risks

Deemed moderate (based on measurement of the internal capital allocated to this risk) and with a control and management system rated between "moderate" and "strong".

Counterparty risk

Deemed between low and moderate based on the measurement used in the ICAAP. The control and management system is rated between "moderate" and "strong".

Compliance risk

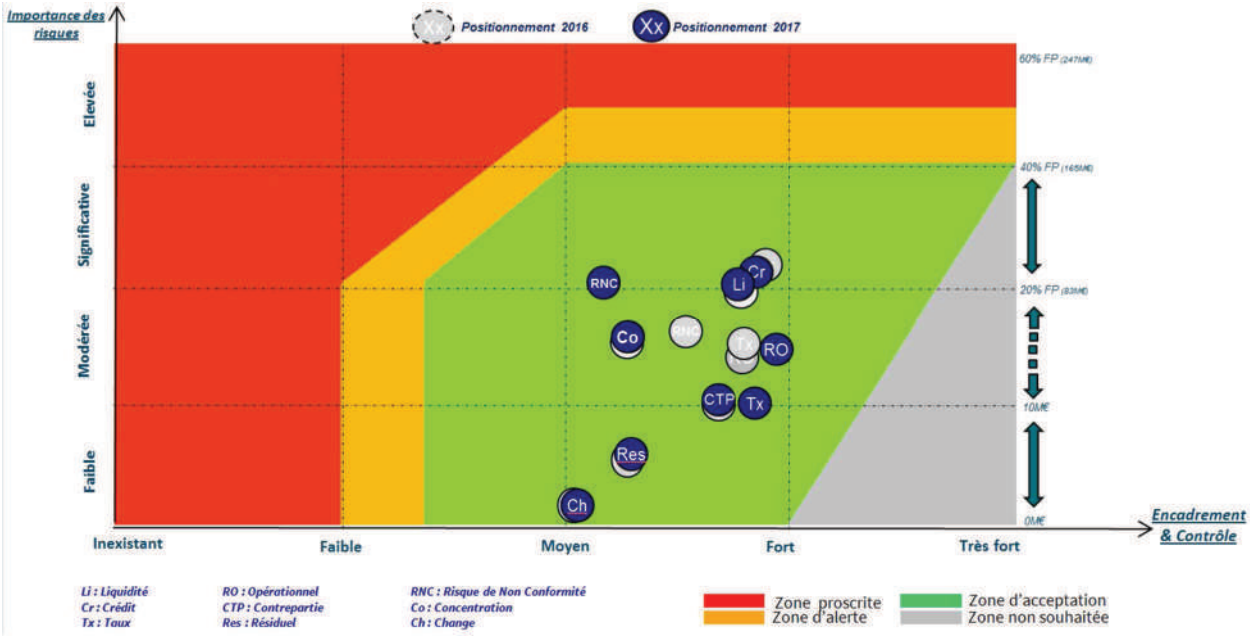
Deemed high (particularly given the strengthening of regulations, controls and sanctions) and with a control and management system rated between “moderate” and “strong”, reflecting the process for mapping the main compliance risks.

Residual risk

Deemed low and with a stable control and management system rated “moderate”.

Currency risk

Deemed virtually non-existent and with a control and management system rated “adequate”, or ”moderate”.



The annual risk mapping review process makes it possible to reassess risks’ materiality, confirm quantification and qualitative monitoring decisions, validate progress in the areas for improvement identified and define actions still to be implemented (in terms of management, measurement, control or coverage). The updating process also aims to ensure that the various risks remain within the acceptable limits defined by the executive body with regard to the Bank’s overall risk appetite (see the green areas on the graph).

AXA Banque’s counterparty risk arises from transactions to hedge and invest cash surpluses. The weekly monitoring of exposures and limit consumption is included in the monthly management report and presented in detail at least every three months to the ALM Committee. The cash investment framework was regularly reviewed and updated in 2018 and the main decisions were submitted for approval to the executive body (and the supervisory body, where applicable).

Investment transactions involve overnight and term loans with a maturity of less than one year, investments in short-term debt securities (certificates of deposit, treasury bills, BMTNs and secondary market bonds) and investments in securities with a maturity of more than one year (bonds, BMTNs, covered bonds and sovereign debt).

Concentration risk mainly arises from the lombard loan activity and financial transactions. With lombard loans, it relates to the unit concentration per group of beneficiaries and is subject to quarterly monitoring by the Audit Risk Committee as regards the level of commitment and hedging for all beneficiaries.Regarding financial transactions, portfolio concentration is now monitored based on five themes, with a breakdown by counterparty group, financial rating, region and business sector, as well as time concentration by HQLA level.

A detailed presentation is made to the ALM Committee, in which the Management Board's members participate.

In addition, the concentration of refinancing sources is monitored and presented under three distinct categories: product type, counterparty type and time concentration.

In terms of liquidity risk, at end-2018 AXA Banque had an LCR of 189%, above the regulatory threshold of 100%.

The main risk affecting AXA Banque's business is credit risk, i.e. that of total or partial non-repayment of loans granted to customers. This risk is managed:

- At the time of granting, by selecting borrowers based on their repayment capacity, this selection being made in particular by using scores; and by putting in place guarantees in favour of the lender, in particular for mortgage loan activities (mainly via a guarantee granted by Crédit Logement) and lombard loan activities;
- In the event of arrears, by the active management of these defaults, firstly out-of-court and then, if necessary, through litigation; with, if applicable, prior activation of the guarantees received when the loan was approved.

With regard to interest rate risk, the hedging strategy implemented following the increase in new long-term fixed-rate loans made it possible to maintain interest rate risk within the limits set by the governance rules. The fixed-rate gap with internal run-off rules shows a very limited overall interest rate open position at December 31, 2018, which reflects the fact that AXA Banque's exposure to interest rate movements is essentially "neutral".

As regards operational risk, the criteria and thresholds for reporting significant incidents did not change in 2018.

Lastly, with regard to compliance risk, the Permanent Control and Compliance Department regularly reports to the executive officers and the Audit Risk Committee.

Supplier payment terms

In accordance with the provisions of Articles L.441-6-1 and D.441-4 of the French Commercial Code, information relating to supplier payment terms is presented below, by due date, for the last financial year.

(Amounts inc. VAT)	No arrears	Invoices from suppliers settled late (1) at December 31, 2018					Total
		1 to 30 days	31 to 60 days	61 to 90 days	> 90 days	Total	
Number of invoices concerned	156					73	177
Amount of invoices concerned	12,255,065	51,768	15,483	1,353	93,413	162,017	12,417,081
% of amount invoiced to customers in 2018	9.27%	0.04%	0.01%	0.00%	0.07%	0.12%	9.40%
Number of invoices excluded (disputed)	6					40	46
Amount outstanding on excluded invoices (disputed)	139,826	40,321	10,229	2,053	76,935	129,537	269,363

(1) Payment arrears calculated on the basis of the contractual deadline

Customer payment terms

In accordance with the provisions of Articles L.441-6-1 and D.441-4 of the French Commercial Code, information relating to customer payment terms is presented below, by due date, for the last financial year.

The information relating to the payment terms referred to in Article D.441-4 of the French Commercial Code does not include banking and related transactions as they are deemed not to fall within the scope of the information to be provided.

(Amounts inc. VAT)	No arrears	Invoices to customers settled late (1) at December 31, 2018					Total
		1 to 30 days	31 to 60 days	61 to 90 days	> 90 days	Total	
Number of invoices concerned	7					3	10
Amount of invoices concerned	997,723	0	0	163,142	285,561	448,703	1,446,426
% of amount invoiced to customers in 2018	9.14%					0.12%	9.26%

(1) Payment arrears calculated on the basis of the contractual deadline

NB.: Banking and related transactions do not fall within the scope of the information to be provided pursuant to Article L.441-6-1.

Appropriation of income

Retained earnings in the financial statements at December 31, 2018, before appropriation of income, show a debit balance of €136,164,495.02.

We propose that the loss for the year amounting to €12,981,117.02 be allocated to retained earnings, which, after appropriation, would amount to €149,145,612.04.

We hereby remind you of the amount of dividends distributed in respect of the previous three financial years:

	2015	2016	2017
Number of shares	5,591,744	5,986,844	6,269,943
Net dividend per share	- €	- €	- €

Subsidiaries and associates

Acquisition of interests conferring significant influence or control in France during the past financial year

In the past financial year, the Company did not acquire any equity interest in a company with its registered office in France representing more than 5%, 10%, 20%, 33.33% or 50% of that company's capital, nor did it assume control of any company with its registered office in France.

Subsidiaries and controlled companies in France and abroad

At December 31, 2018, AXA Banque owned the following subsidiaries:

- AXA Banque Financement, 65%-owned, with its registered office at 203-205 rue Carnot 94138 Fontenay-sous-Bois Cedex;
- SAS Société Immobilière Carnot 203, 100%-owned, also with its registered office located at 203-205 rue Carnot 94138 Fontenay-sous-Bois Cedex.

AXA Banque Financement

AXA Banque Financement's strategy is to offer consumer loans (personal loans and revolving credit) to the customers of AXA France and AXA Banque, based on loans' effectiveness in complementing certain insurance products - in the pairing of motor loans and motor insurance, for example. To that end, AXA Banque Financement relies on the resources of AXA Banque and BNP Paribas Personal Finance, within the framework of a French joint venture (*société en participation* - SEP) established with these two companies.

This subsidiary generated pre-tax revenues of €36,207 thousand in 2018, compared with €42,948 thousand in 2017.

The result for the 2018 financial year was income of €4.3 million compared with income of €5.1 million in 2017.

This subsidiary is fully consolidated.

SAS Société Immobilière Carnot 203 (SIC 203)

This subsidiary's main activity is to buy and sell all real estate assets and rights (urban or rural buildings and properties, developed or undeveloped land, etc.) and all corporate rights relating to such assets.

This subsidiary generated no revenue in 2018 or 2017.

Its result for the 2018 financial year was a loss of €16 thousand compared with a loss of €8.2 thousand in 2017.

This subsidiary is not consolidated given its immaterial nature, having no revenue, external debt of €33 thousand in 2018 compared with €10 thousand in 2017, total assets of €68 thousand in 2018 compared with €6 thousand in 2017, and no activity in 2018 or 2017.

Branches

At December 31, 2018, the Company had no branches.

Corporate officers

Membership of the Supervisory Board and the Management Board

The Supervisory Board has six members.

The Board meets at least four times a year, and whenever necessary. Its members receive the information necessary for them to perform their duties prior to each meeting.

In accordance with the law, it also exercises the following main responsibilities:

- It determines the number of, appoints and proposes the removal from office of the Management Board's members, as well as setting any limits on their powers;
- It appoints a Chairman and a Vice-Chairman from among its natural person members;
- It sets the attendance fee allocation rules, if applicable and subject to the overall amount authorised by the Shareholders' Meeting, as well as the compensation of members of the Management Board and, if applicable, the Chairman of the Supervisory Board;
- It may give one or more of its members special mandates for one or more specific purposes;
- It may decide to create commissions or committees tasked with studying issues that the Board or its Chairman submits;
- It reviews the Company's strategic policies, annual budgets and medium-term plans, as presented by the Management Board;
- It is kept informed by the Management Board of any significant events concerning the Company's business;
- At all times, it carries out any inspections and checks it deems appropriate. In particular, it ensures that:
    - powers are properly allocated within the Company, and that the Management Board members' powers and responsibilities are properly exercised;
    - the various internal control systems function properly, and that the Statutory Auditors perform their duties in satisfactory conditions; in particular, in this context it reviews the annual reports required under banking regulations;
- It reviews the financial statements and forward-looking management documents; it reviews or draws up, as the case may be, the related legal and regulatory reports;
- It monitors the quality of the information provided to shareholders and banking supervisory authorities;
- It reviews the agenda for Shareholders' Meetings;

- It regularly reviews and revises the strategies and policies governing the taking, management, monitoring and reduction of risks to which the Company is or could be exposed;

At December 31, 2018, Amaury de Warenghien was Chairman of the Supervisory Board. He was succeeded by Bertrand Poupart-Lafarge with effect from January 1, 2019. The Chairman organises and directs the Board's work, and reports thereon to the Shareholders' Meeting. He also oversees the proper functioning of the Company's bodies.

Marie-Cécile Plessix is Chairman of the Management Board. For the performance of general management, Marie-Cécile Plessix has the broadest powers to act in all circumstances on the Company's behalf, under the Supervisory Board's supervision and within the framework of the guidelines that it defines.

Valérie Broncard and Emmanuel Ramé are members of the Management Board. Corinne Calendini was appointed member of the Management Board with effect from January 1, 2019.

Renewal of terms of office of members of the Supervisory Board

We hereby inform you that no Supervisory Board member's term of office expires at the close of this Shareholders' Meeting.

Compensation package for persons subject to Article L.511-71 of the French Monetary and Financial Code – Advisory opinion

Pursuant to Articles L.511-73 and L.533-30 of the French Monetary and Financial Code, the shareholders are invited to issue an advisory opinion on the total amount of compensation of all kinds paid to the persons referred to in Article L.511-71 of said code.

Under the terms of these articles, introduced by the Banking Act of July 26, 2013 and amended by Order No. 2014-158 of February 20, 2014 transposing Directive 2013/36/EU, the so-called CRD IV, in particular, the Ordinary Shareholders' Meeting must be consulted annually on the total amount of compensation of all kinds paid during the year under review:

- to the people responsible for AXA Banque's effective management (Article L.511-13), i.e., the members of AXA Banque's Management Board,
- and to employees (including risk takers, people performing control functions and any employee who, based on their overall income, falls into the same pay bracket) whose professional activities have a significant impact on the Company's or Group's risk profile.

In 2018, this total amount was €3,449,371.

Variable portion of compensation of executive officers and certain categories of employees that may exceed the fixed portion of their compensation – Article L.511-78 of the French Monetary and Financial Code

In accordance with Article L.511-78 of the French Monetary and Financial Code, in 2018 the Shareholders' Meeting authorised the variable portion of the compensation of executive officers and certain categories of employees (mentioned in Article L.511-71) to exceed the fixed portion of their compensation, but limited it to twice this fixed compensation.

Terms of office of the Statutory Auditors

As the terms of office of PricewaterhouseCoopers Audit and Mazars, the Company's incumbent and alternate Statutory Auditors, respectively, are due to expire at the end of this meeting, we propose that you renew the terms of office of PricewaterhouseCoopers Audit and Mazars, as incumbent Statutory Auditors, for a term of six years, i.e. until the end of the financial year ending on December 31, 2024, and that you do not renew the term of office of the alternate Statutory Auditor.

Statement of extra-financial performance and other social and environmental information

Applicable only to companies with assets or revenues exceeding €100 million and a workforce exceeding 500

Pursuant to the provisions of Articles L.225-102-1 and R.225-105 *et seq* of the French Commercial Code, the statement of extra-financial performance, which replaces the social and environmental information regarding the Company for 2018, is included in the Appendix to AXA's financial report, in chapter 7 of its 2018 registration document, available on AXA's website, www.axa.com, "Investors" section, Appendix to the 2018 Financial Report - Chapter 7 of the registration document).

As the Company is controlled, within the meaning of Article L.233-16 of the French Commercial Code, by AXA, which publishes an extra-financial performance statement for all the subsidiaries it controls, it is not required to publish separately the information referred to in the fifth paragraph of Article L.225-102-1 of the French Commercial Code.

Employee shareholding information

The Company's employees do not directly hold shares in the Company. An employee share ownership policy is however implemented at the AXA Group level. Within this framework, the Company's employees may in particular invest in capital increases of AXA, the AXA Group's parent company, reserved for AXA Group employees. At December 31, 2018, the AXA Group's employees and agents held 5.19% of AXA's share capital and 6.37% of its voting rights, through mutual or similar funds and direct holdings of ordinary shares or ADS.

Capital increase

We propose that the shareholders approve a capital increase, made necessary by the growth in the Company's business, in order to comply with its prudential regulatory ratios, first and foremost the Pillar II CET1 solvency ratio requirements set by the ACPR.

The Shareholders' Meeting will therefore be asked to increase the share capital by €12,614,320, raising it from €122,039,328 to €134,653,648 by issuing 788,395 new shares with a par value of €16.

These new shares will be issued at a price of €63.42, i.e. with an issue premium of €47.42 per share. Including the issue premium, the capital increase will amount to €50,000,010.90.

The new shares will be issued, with dividend rights, from January 1, 2019 and will be fungible with existing shares as from the capital increase's final completion date.

Subject to your approval of this proposed share capital increase, we therefore propose to amend Article 6 of the Articles of Association as follows:

“The share capital is set at one hundred and thirty-four million, six hundred and fifty-three thousand, six hundred and forty-eight euros (€134,653,648). It is divided into 8,415,853 shares of €16 each, all of the same category.”

We remind you that employees do not directly hold shares in the Company. An employee share ownership policy is however implemented at the AXA Group level. Within this framework, the Company’s employees invest in capital increases of AXA, the AXA Group’s parent company, reserved for Group employees. We therefore do not propose for your vote a draft resolution to open up the Company’s share capital to employees.

THE MANAGEMENT BOARD

REPORT ON CORPORATE GOVERNANCE

Ladies and Gentlemen,

In accordance with the provisions of paragraph 6 of Article L.225-68 of the French Commercial Code, we present hereunder our corporate governance report.

Conditions for preparing and organising the Board's work

Presentation of the Supervisory Board

Breakdown of share capital

The Company's share capital is wholly owned by the AXA Group, more specifically AXA France Vie (49%) and AXA France Participation (51%), both wholly-owned subsidiaries of the AXA Group.

Composition of the Board

The Supervisory Board currently has six members. The term of office of each member is six years.

At December 31, 2018, the Supervisory Board had the following members:

- Amaury de Warenghien – Chair
- Matthieu Bébéar - Vice-Chair
- Christophe Dupont-Madinier
- AXA Bank Europe, represented by Emmanuel Vercoustre
- AXA France IARD, represented by Laurence Boone
- AXA France Vie, represented by Françoise Gilles

AXA France Assurance, represented by Pierre Janin, resigned from the Board in 2018.

At the Supervisory Board meeting of December 21, 2018, Amaury de Warenghien resigned as Chairman with effect from December 31, 2018, while Bertrand Poupart-Lafarge was co-opted to and appointed Chairman of the Board with effect from January 1, 2019.

The resignations and appointments that take place in 2019 will maintain at the same level or increase the representation of women on AXA Banque's Supervisory Board.

In accordance with the provisions of Article L.225-37-4 of the French Commercial Code, you will find below the list of offices and positions held in any [other] company by each of the Company's corporate officers in the 2018 financial year:

AMAURY DE WARENGHIEN

Born May 1, 1958

Head of Finance, Strategy and Legal at AXA France

Offices and positions at December 31, 2018	
AXA Group	**Outside AXA Group**
Deputy Chief Executive Officer of AXA Assurance IARD Mutuelle (SAM) Deputy Chief Executive Officer of AXA Assurance Vie Mutuelle (SAM) Permanent representative of AXA France IARD as member of the Board of Directors of AXA Investment Managers (SA) Director of GIE AXA France (GIE)	Director and Vice-Chairman of Neuflize Vie (SA) Director of Media-Participations (SA) Permanent representative of AXA France Vie as member of the Supervisory Board of Unofi-Assurances (SA) Permanent representative of AXA France Vie as member of the Supervisory Board of Unofi-Crédit (SA) Member of the Supervisory Board of SAS Unofi (SAS) Director of COE-Rexecode (association)
Offices and positions held in 2018 but expired at December 31, 2018	
Chairman of the Supervisory Board and Chairman of the Appointments Committee of AXA Banque (SA) Director of Natio Assurance (SA) Director of AXA Global Direct (SA)	

MATTHIEU BEBEAR

Born January 4, 1969

Chief Executive Officer of AXA Particuliers et IARD Entreprises

Offices and positions at December 31, 2018	
AXA Group	**Outside AXA Group**
Deputy Chief Executive Officer of AXA France Vie (SA) Deputy Chief Executive Officer of AXA France IARD (SA) Chief Executive Officer of AXA ASSURANCES IARD MUTUELLE (SAM) Chief Executive Officer of AXA ASSURANCES VIE MUTUELLE (SAM) Chairman of the Board of Directors and Director of ASSOCIATIONS DIFFUSION SERVICES – ADIS (SA) Chairman of the Board of Directors of JURIDICA (SA) Vice-Chairman of the Supervisory Board of AXA BANQUE (SA) Permanent representative of AXA ASSURANCES IARD MUTUELLE (SAM) as member of the Board of Directors of AXA Global Re (SA) Permanent representative of AXA ASSURANCES VIE MUTUELLE (SAM) as Chairman of the Supervisory Board of AXA WEALTH SERVICES - AWS (SAS) Chairman of the Management Committee of ALPHA SCALE (SAS) Director of GIE AXA France (GIE) Member of the Sponsorship Committee of AXA ATOUT CŒUR (association) Director of GIE AGIPI	Permanent representative of AXA France IARD as member of the Board of Directors of UCAR (SA) Director of AGIPI (association) Director of AGIPI Retraite (association) Director of Association de Protection des fonctionnaires (association)
Offices and positions held in 2018 but expired at December 31, 2018	
Member of the Board of Directors of AXA LEGAL PROTECTION (SAS)	

CHRISTOPHE DUPONT MADINIER

Born November 19, 1951
Retired

Offices and positions at December 31, 2018

AXA Group	Outside AXA Group
Member of the Supervisory Board, member of the Appointments Committee and Chairman of the Compensation Committee, the Audit Risk Committee and the Finance Committee of AXA Banque (SA) Chairman of the Board of Directors and member of the Compensation Committee of AXA Wealth Europe SA (Luxembourg)	Director and Chairman of the Audit Risk Committee of INTREAS Réassurance (Netherlands)

Offices held in 2018 but expired at December 31, 2018: none

FRANCOISE GILLES

Born December 23, 1975
Chief Risk Officer of AXA Bank Belgium

Offices and positions at December 31, 2018

AXA Group	Outside AXA Group
Permanent representative of AXA France Vie as member of the Supervisory Board of AXA Banque (SA) Director and member of the Management Committee (as Chief Risk Officer) of AXA Bank Belgium	Director and Chairman of the Audit Risk Committee of INTREAS Réassurance (Netherlands)

Offices and positions held in 2018 but expired at December 31, 2018

Director and member of the Management Committee (as Chief Risk Officer) of AXA Bank Belgium	

LAURENCE BOONE

Born May 15, 1969
Chief Economist of the AXA Group

Offices and positions at December 31, 2018

AXA Group	Outside AXA Group
Representative of AXA France IARD as member of the Supervisory Board of AXA Banque (SA)	Member of the Board of Directors of Kering

Offices held in 2018 but expired at December 31, 2018: none

EMMANUEL VERCOUSTRE

Born January 28, 1962
Chief Financial Officer and Deputy Chief Executive Officer of AXA Bank Belgium

Offices and positions at December 31, 2018

AXA Group	Outside AXA Group
Deputy Chief Executive Officer of AXA Bank Belgium Representative of AXA Bank Belgium as member of the Supervisory Board of AXA Banque (SA); Director of AXA Bank Belgium Chairman of the Board of Directors and member of the Audit Committee of AXA Bank Europe SCF (SA)	Director of the International Swaps and Derivatives Association (ISDA)

Offices held in 2018 but expired at December 31, 2018: none

MARIE-CECILE PLESSIX

Born August 27, 1968

Chairman of the Management Board of AXA Banque

Offices and positions at December 31, 2018	
AXA Group	**Outside AXA Group**
Chairman of the Board of Directors of AXA Banque Financement (SA) Chairman of the Management Board of AXA Banque (SA) Chairman of Société Immobilière Carnot 203 (SAS) Director and Member of the Audit Committee of AXA Bank Europe SCF (SA) Director of Avanssur (SA) Director of AXA Bank Belgium (Belgian SA) Member of the Supervisory Board of Drouot Estate (SARL)	
Offices and positions held in 2018 but expired at December 31, 2018	
Chief Executive Officer of AXA Banque Financement (SA)	

EMMANUEL RAME

Born December 25, 1963

Chief Financial and Legal Officer of AXA Banque and AXA Banque Financement

Offices and positions at December 31, 2018	
AXA Group	**Outside AXA Group**
Member of the Management Board of AXA Banque (SA) Deputy Chief Executive Officer of AXA Banque Financement (SA) Deputy Chief Executive Officer of AXA Bank Europe SCF (SA)	Director of Monte Paschi Banque (SA)
Offices and positions held in 2018 but expired at December 31, 2018	
Director of AXA Bank Europe SCF (SA)	

VALERIE BRONCARD

Born April 3, 1967

Director of Sales, Distribution and Digital – AXA Banque

Offices and positions at December 31, 2018	
AXA Group	**Outside AXA Group**
Deputy Chief Executive Officer of AXA Banque Financement (SA) Member of the Management Board of AXA Banque (SA)	
Offices held in 2018 but expired at December 31, 2018: none	

Conditions for preparing the Supervisory Board's work

The Chair:

- Sets the agenda for Board meetings;
- Receives the documents prepared by the Company's internal departments under the Management Board's authority, and ensures that they are distributed to the participants;
- Organises and directs the Supervisory Board's work;
- And ensures that the Board's members are able to fulfil their duties, and in particular that they have the requisite information and documents;

The Board is assisted by an Audit Risk Committee, a Finance Committee and a Compensation Committee, which had the following members at December 31, 2018:

- Christophe Dupont-Madinier – Chair
- Françoise Gilles

As well as an Appointments Committee, which had the following members at December 31, 2018:

- Amaury De Warenghien – Chair
- Christophe Dupont-Madinier

Conditions for organising the Board's work

Organisation

The Chairman organises the work of the Board, which operates in accordance with internal rules that were submitted for approval at the Board meeting of March 30, 2016 and reviewed at that of September 28, 2018. In addition to the mandatory meetings it holds to approve the quarterly and annual financial statements, the Board meets if necessary to discuss the Company's business performance.

Board meetings and participation therein

The Chairman convenes the Supervisory Board in accordance with the provisions of Article 14 of the Articles of Association.

The Board met four times in 2018,

The participation rate in 2018 was 69%. The Supervisory Board's meetings were chaired by the Chairman of the Board.

The Statutory Auditors are invited to all Supervisory Board meetings at which the financial statements are reviewed (to date only annual financial statements for the Company).

The Company has a works council. The Chairman ensures that the representatives of the employee representative bodies are regularly convened and have the information and documents needed to fulfil their duties.

Minutes of meetings

The minutes of each meeting are drawn up by the Board's secretary and then approved by the Chair, who submits them for the Board's approval at its next meeting. Once they have been approved and signed by the Chairman and another Board member, the minutes are recorded in the minutes book.

Apart from reviewing recurring items on its agenda:

- For information (e.g. business performance; commitments in excess of €5 million),
- For review (e.g. Management Board reports; annual report on internal control in accordance with the Decree of November 3, 2014; company and consolidated financial statements),
- Or for approval (e.g. annual report to the Shareholders' Meeting),

the Board made a number of decisions in the financial year ended December 31, 2018, including in particular:

- The convening of a meeting in September 2019 to carry out a major capital increase, in addition to that already carried out in May;
- The creation of a subsidiary to be approved as a covered bond issuer (*société de financement de l'habitat*-SFH);
- The authorisation for the Management Board to issue T2 debt intra-Group;
- The appointment of a new Chairman of the Board with effect from January 1, 2019.

The Board also reviewed, in particular, version 01.18 of the Group Standards Handbook (GSH), the new lombard loan commitment rules and the opinions issued by the works council on the Company's financial situation and strategy and on its compensation policy, etc.

Information provided to the Board

The members of the Supervisory Board receive all documents and information needed to perform their duties.

Compensation and benefits paid to corporate officers holding at least one office in a company whose securities are admitted to trading on a regulated market

Only Laurence Boone holds an office in a company whose securities are admitted to trading on a regulated market (Kering).

Statement of compensation and benefits paid to corporate officers:

Attendance fees were paid in 2018 to Christophe Dupont Madinier, a member of the Supervisory Board, the Audit Risk Committee, the Finance Committee, the Appointments Committee and the Compensation Committee in respect of his participation in these bodies in 2018, as shown in the table below.

Members	Attendance fees
Christophe Dupont Madinier	EUR 15,000

With the exception of these attendance fees, the Company does not pay any compensation directly to its corporate officers.

Corporate governance code

Given the Company's specific characteristics, while it is deemed unnecessary for it to refer to a corporate governance code (specifically, the APEP/MEDEF listed company corporate governance code of December 2008), it nevertheless applies the usual principles of good governance when their application makes sense in light of said characteristics.

In addition, the Company falls within the scope of application of the AXA Group's Group Standards Handbook, which includes a certain number of governance recommendations that it implements.

Shareholders' attendance of the Shareholders' Meeting

All the procedures governing shareholders' attendance of the Company's Shareholders' Meeting are set out in Article 24 of the Articles of Association. Note in particular that all of the Company's shares are listed as «administered».

Agreements referred to in Article L.225-86 of the French Commercial Code and agreements entered into between an executive or a significant shareholder and a subsidiary

In 2018, the Supervisory Board received one authorisation request for a regulated agreement within the meaning of Articles L.225-86 *et seq* of the French Commercial Code.

In addition, 12 agreements authorised in previous years continued in the year ended December 31, 2018.

Lastly, no agreement has been entered into, directly or through an intermediary, between, on the one hand, a member of the Company's Management Board or Supervisory Board or a shareholder with more than 10% of its voting rights and, on the other hand, another company of which the Company directly or indirectly owns more than half of the capital.

Delegations of authority to increase share capital

Pursuant to paragraph 3 of Article L.225-37-4 of the French Commercial Code, we remind you that the Management Board does not have a delegation of authority to set the terms and conditions for the issuance of shares under a capital increase decided on by the Shareholders' Meeting, nor a delegation of authority allowing it to increase the share capital at its sole discretion.

Approval of the terms of the Supervisory Board's report on the Management Board's management report to the Shareholders' Meeting

AXA Banque's Supervisory Board has reviewed the Management Board's management report for the 2018 financial year, as well as the company and consolidated financial statements approved by the Management Board for the same financial year. The Supervisory Board has no observations to make on said report or financial statements.

The management report contains a description of the highlights of 2018. In this regard, the Supervisory Board wishes to highlight in particular the strong sales momentum that led AXA Banque to achieve record new business volumes in most of its activities, in particular:

- 34,000 new deposit accounts including bank cards at December 31, 2018, which kept the number of accounts with cards above 230,000, with an increasing number of "active" accounts;
- €3.4 billion in new loans, bringing total outstandings to €9.5 billion at December 31, 2018, up 19% year-on-year.

These commercial successes attest in particular to the continued successful anchoring of AXA Banque's offering within AXA France's networks and with AXA Wealth Management (Thema and Gestion Privée).

The Bank's financial structure is solid, with a short-term liquidity ratio (LCR) of 189% and an overall solvency ratio of 11.6%, of which 9.6% on Core Equity Tier 1 capital alone. Given the Bank's planned development, the Shareholders' Meeting is nevertheless invited to carry out a first capital increase of €50 million as from May 2019, a proposal that has the Board's full support and agreement, it being noted that a second is already planned for the end of the year.

Apart from through customer deposits in current and savings accounts, refinancing is provided by different types of liabilities with staggered maturities. Having received a top-tier financial solidity rating in the summer of 2018, AXA Banque was able to continue this 'market' refinancing, in particular through the issuance of negotiable debt securities and term accounts, in much higher volumes and at more favourable rates than before. The plan to create an SFH was launched in the summer of 2018 and is expected to be completed by June 2019.

AXA Banque reported a consolidated net loss of €17 million in 2018, its result being adversely affected by the breakdown of designated hedging relationships due to early repayments (and renegotiations) on its loan portfolio, as well as by an adverse change in the value of its balance sheet risk hedging derivatives portfolio, in connection with an unexpected fall in market rates at the end of 2018.

In conclusion, the Supervisory Board considers that thanks to its diversified, comprehensive range of retail banking products and services, together with its subsidiary AXA Banque Financement AXA Banque is adequately equipped to successfully pursue its sustained commercial development strategy, focusing primarily on customers insured by AXA France while improving its profitability. It can achieve this in particular through economies of scale and an expected increase in its outstanding loans, particularly mortgage and lombard loans.

Procedures relating to the preparation and processing of accounting and financial information for the company and consolidated financial statements

AXA Banque uses SAB software to keep accounting records and prepare its financial statements. This software allows the Company to extract all accounting information while ensuring a perfect audit trail.

All accounting entries are made in accordance with French accounting standards and updated to reflect any regulatory changes. IFRS-related adjustments are also made to prepare the consolidated financial statements.

As far as prudential reporting is concerned, the AXA Banque information system automatically generates the relevant regulatory reports using, in particular, the Viveo, Invoke and Risk Authority software packages.

The accounting control system

A dedicated Finance and Legal Department team carries out second-level accounting controls. It is responsible for checking and justifying accounting entries for transactions carried out by (i) the Company's operational departments, in particular the Banking Operations Department and the Treasury Department, and (ii) the general accounting function.

This team reports to the Head of Permanent Control and Compliance, every quarter providing him or her with the results of the second-level accounting controls it has carried out.

The accounting controllers formally record the results of each control performed in the COMET internal control management application, and report on these activities.

The organisation of these controls, with the specified control objectives, makes it possible to cover all the Bank's activity and transactions, whether on or off-balance sheet.

The audit trail's quality and reliability is ensured by an organisation based on the separation of tasks and use of the SAB banking engine:

- The Accounting Control Department controls the justification and documentation of accounting entries as well as the revision of manual entries in the accounting application;
- For its part, the Accounting and Finance Projects Department has defined and configured the Bank's accounting rules.
- The system is secured by a logical security system and access rights, which are reviewed periodically.

Audit trail quality is an integral part of the subjects reviewed by the Statutory Auditors, who did not detect any material shortcoming in this area.

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CONSOLIDATED FINANCIAL STATEMENTS

Balance sheet – Assets

(in thousands of euros)	Note(s)	December 31, 2018	*(1)* January 1, 2018	December 31, 2017
Cash and balances at central banks	**7.1**	577,923	184,539	184,539
Financial assets at fair value through profit or loss	**7.2**	8,805	28,986	26,886
Derivatives used for hedging purposes	**7.15**	53,163	147,086	147,086
Financial assets at fair value through other comprehensive income	**7.3**	897,495	1,380,479	
Financial assets available for sale				1,382,579
Loans and advances to credit institutions and similar, at amortised cost	**7.4 / 7.5**	697,105	616,368	616,368
Loans and advances to customers and similar, at amortised cost	**7.4 / 7.5**	9,722,151	8,161,677	8,174,550
Remeasurement adjustment on interest-rate risk hedged portfolios		109,544	82,403	82,403
Current and deferred tax assets	**7.9**	21,919	24,879	21,161
Accrued income and other assets	**7.10**	178,539	81,456	80,552
Property, plant and equipment	**7.12**	2,516	790	790
Intangible assets	**7.12**	18,705	16,080	16,080
Total assets		**12,287,867**	**10,724,741**	**10,732,992**

(1) Opening balance after first-time application of IFRS 9.

Balance sheet – Liabilities

(in thousands of euros)	Note(s)	December 31, 2018	*(1)* January 1, 2018	December 31, 2017
Financial liabilities at fair value through profit or loss	7.2	935,194	1,365,364	1,365,364
Derivatives used for hedging purposes	7.15	120,416	98,960	98,960
Deposits from credit institutions	7.6	1,196,577	1,168,169	1,168,169
Deposits from customers	7.6	5,224,470	4,540,736	4,540,736
Debt securities	7.6	4,116,272	2,898,047	2,898,047
Remeasurement adjustment on interest-rate risk hedged portfolios		138	-4,569	-4,569
Current and deferred tax liabilities	7.9	32,286	31,245	31,191
Accrued expenses and other liabilities	7.11	126,297	208,029	208,029
Provisions	7.13	7,518	7,761	7,761
Provisions for off-balance sheet commitments	7.13	1,127	1,108	
Grants	7.14	6,306	9,226	9,226
Subordinated debt	7.7	78,516	48,505	48,505
Total liabilities		**11,845,119**	**10,372,581**	**10,371,418**
Equity				
Net consolidated income – Group share		-17,543	-19,574	-19,574
Share capital and reserves		405,954	330,523	338,001
Sub-total – Group share		**388,411**	**310,949**	318,427
Gains and losses recognised in other comprehensive income		28,140	14,654	15,868
Shareholders' equity – Group share		**416,552**	**325,603**	334,295
Minority interests		26,197	26,557	27,279
Total – minority interests		**26,197**	**26,557**	27,279
Total shareholders' equity		**442,748**	**352,160**	**361,574**
Total liabilities and equity		**12,287,867**	**10,724,741**	**10,732,992**

(1) Opening balance after first-time application of IFRS 9.

Income statement

(in thousands of euros)	Note(s)	December 31, 2018	December 31, 2017
Interest income	8.1	196,910	187,961
Interest expense	8.1	-71,202	-67,664
Commission income	8.2	60,242	63,117
Commission expense	8.2	-38,794	-39,793
Net gain (loss) on financial instruments at fair value through profit or loss	8.3	-19,409	-16,024
Net gain (loss) on available-for-sale financial assets			-630
Net gain (loss) on financial assets at fair value through other comprehensive income	8.4	-224	
Net gain (loss) on derecognised financial assets at amortised cost			
Income from other activities	8.6	616	1,537
Expense on other activities	8.6	-5,405	-5,318
REVENUES		**122,733**	**123,187**
Operating expenses	8.7	-126,987	-123,448
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	8.8	-4,262	-3,857
GROSS OPERATING INCOME		**-8,516**	**-4,118**
Cost of risk	8.9	-7,721	-8,957
OPERATING INCOME		**-16,236**	**-13,076**
Net gain (loss) on non-current assets		97	15
PRE-TAX INCOME		**-16,140**	**-13,061**
Corporate income tax	8.10	39	-4,766
NET INCOME		**-16,101**	**-17,828**
Net income attributable to minority interests		-1,442	-1,747
NET INCOME – GROUP SHARE		**-17,543**	**-19,574**

Pro forma income statement figures for the 2017 financial year are shown in yellow to reflect a change in the presentation of business providers' fees, fractional termination payments on swaps and changes in the fair value of swaps, which does not change revenues in the 2017 financial year but only the allocation between the first five lines of the income statement.

Statement of net income and changes in assets and liabilities recognised in other comprehensive income

(in thousands of euros)	December 31, 2018	December 31, 2017
NET INCOME	**-16,101**	**-17,828**
Items that may be subsequently reclassified to profit or loss (*)	**12,151**	**-14,910**
Remeasurement of available-for-sale financial assets		-16,984
Remeasurement of financial assets at fair value through other comprehensive income	17,139	
Related taxes	-4,989	2,074
Items that may not be subsequently reclassified to profit or loss	**110**	**67**
Actuarial gains and losses on defined benefit plans	127	279
Related taxes	-17	-212
OTHER COMPREHENSIVE INCOME AFTER TAX	**12,261**	**-14,843**
TOTAL COMPREHENSIVE INCOME	**-3,840**	**-32,670**
Group share	-5,270	-34,329
Minority interests	1,430	1,658

(*) o/w impact of first-time application of IFRS 9 - see note 6: "First-time application of IFRS 9". *-1,215*

Consolidated statement of changes in equity

(in thousands of euros)	GROUP SHARE							Attributable to minority interests			
	Share capital (1)	**Consolidated capital in excess of nominal value and retained earnings (2)**	**Consolidated share capital and reserves (1) + (2)**	**Unrealised gains and losses recognised in other comprehensive income (3)**	**Net income – Group share (4)**	**Reserves and net income for the period**	**Total Group share (1) +(2)+(3)+(4)**	**Reserves and net income for the period**	**Unrealised or deferred gains and losses**	**Total attributable to non-controlling interests**	**Total consolidated equity**
EQUITY AT JANUARY 1, 2017	**95,790**	**211,246**	**307,036**	**30,623**	**968**	**0**	**338,626**	**27,763**	**-352**	**27,411**	**366,037**
Change in share capital	4,530		4,530				4,530				4,530
Capital in excess of nominal value		25,468	25,468				25,468				25,468
Dividends paid outside the Group (to minority interests)								-1,791		-1,791	-1,791
Change in gains and losses recognised in other comprehensive income				-14,754			-14,754		-88	-88	-14,843
Dividends											
Appropriation of Y-1 income		968	968		-968						
2017 income					-19,574		-19,574	1,747		1,747	-17,828
EQUITY AT DECEMBER 31, 2017	**100,319**	**237,681**	**338,001**	**15,868**	**-19,574**	**0**	**334,295**	**27,719**	**-440**	**27,279**	**361,574**
Impact of the application of IFRS 9		-7,477	-7,477	-1,215			-8,692	-723		-723	-9,414
EQUITY AT JANUARY 1, 2018	**100,319**	**230,204**	**330,523**	**14,654**	**-19,574**	**0**	**325,603**	**26,997**	**-440**	**26,557**	**352,160**
Change in share capital	21,720		21,720				21,720				21,720
Capital in excess of nominal value		73,284	73,284				73,284				73,284
Dividends paid outside the Group (to minority interests)								-1,791		-1,791	-1,791
Change in gains and losses recognised in other comprehensive income				13,487			13,487		-12	-12	13,475
Dividends											
Appropriation of Y-1 income		-19,574	-19,574		19,574						
2018 income					-17,543		-17,543	1,442		1,442	-16,101
EQUITY AT DECEMBER 31, 2018	**122,039**	**283,914**	**405,954**	**28,141**	**-17,543**	**0**	**416,552**	**26,648**	**-451**	**26,197**	**442,748**

Cash flow statement

(in thousands of euros)	December 31, 2018	December 31, 2017
INCOME BEFORE TAX	**-16,140**	**-13,061**
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets	4,262	3,857
Net addition to provisions	-19,900	-21,362
Net income (expense) from investing activities	12,133	-7,337
Net income (expense) from financing activities	-17,733	629
Other movements	0	0
Total non-monetary items included in income before tax and other adjustments	**-21,238**	**-24,213**
Cash flows related to interbank transactions	7,891	24,656
Cash flows related to customer transactions	-1,768,150	-1,616,109
Cash flows related to other transactions affecting financial assets or liabilities	2,117,555	1,662,441
Cash flows related to transactions affecting non-financial assets or liabilities	7,698	-93,708
Dividends received from equity-accounted companies	0	0
Taxes paid	-1,539	-4,007
Net increase (decrease) in cash related to assets and liabilities generated by operating activities	**363,455**	**-26,726**
TOTAL NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**326,077**	**-64,001**
Cash flows related to property, plant and equipment and intangible assets	**-15,589**	**-2,831**
Cash flows related to liabilities and collateral receivables associated with securities lending and similar transactions	**0**	**0**
TOTAL NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**-15,589**	**-2,831**
Cash flows related to transactions with shareholders	**89,894**	**24,894**
Other net cash flows from financing activities	**30,000**	**0**
TOTAL NET CASH FLOWS FROM FINANCING TRANSACTIONS (C)	**119,894**	**24,894**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (D)	**0**	**0**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**430,381**	**-41,938**
Cash and cash equivalents at beginning of period	**342,179**	**384,117**
Net balance of cash accounts and deposits at central banks (*)	184,539	279,524
Net balance of deposit accounts and demand loans and borrowings with credit institutions (**)	157,640	104,593
Cash and cash equivalents at end of period	**772,560**	**342,179**
Net balance of cash accounts and deposits at central banks (*)	577,923	184,539
Net balance of deposit accounts and demand loans and borrowings with credit institutions (**)	194,637	157,640
CHANGE IN NET CASH AND CASH EQUIVALENTS	**430,381**	**-41,938**

(*) Composed of the net balance of the item "Cash and balances at central banks", excluding accrued interest, as detailed in note 7.1

(**) Composed of the balance of the "Performing deposit account debit amounts", "Performing overnight accounts and loans", "Deposit account credit amounts" and "Overnight accounts and loans" items, as detailed in note 7.6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 | General accounting principles

General principles for the preparation of the consolidated financial statements

Pursuant to European Regulation (EC) No. 1126/2008 of November 3, 2018, the consolidated financial statements have been prepared in accordance with IAS and IFRS and with IFRIC interpretations applicable on December 31, 2018, as adopted by the European Union.

These standards are available on the European Commission's website at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

The standards and interpretations used and described in the annual financial statements for the year ended December 31, 2018 include the standards, amendments and interpretations whose application is mandatory for financial years beginning on or after January 1, 2018.

The most significant change to note as regards the preparation and presentation of the consolidated financial statements is the entry into force of IFRS 9 "Financial Instruments" on January 1, 2018.
This new standard's transitional arrangements allow AXA Banque to continue to recognise hedging transactions in accordance with the provisions of IAS 39, particularly the carve out relating to fair value macro-hedge accounting.

Furthermore, it should be noted that when the early application of standards and interpretations adopted by the European Union is optional for a period, the Group does not apply that option, unless otherwise specified. The provisions applicable to future financial years that have not been applied early have no material impact on its consolidated financial statements.

The standards and interpretations published by the IASB but not yet adopted by the European Union do not apply. They will only become mandatory as from the date stipulated by the European Union and have therefore not been applied by the Group at December 31, 2018.

As the comparative data at December 31, 2017 has not been restated following the implementation of IFRS 9, the applicable accounting principles are those of IAS 39 presented in AXA Banque's 2017 registration document.

New standards applicable from January 1, 2018: IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers", which was adopted by the European Commission on October 29, 2016 (Regulation (EU) No. 2016/1905), was applicable retrospectively from January 1, 2018. It replaces IAS 18 «Revenue» and IAS 11 "Construction Contracts" and the associated interpretations relating to revenue recognition. IFRS 15 lays down a single comprehensive framework that entities must use to recognise revenue from contracts with customers.

Revenue recognition in profit or loss must reflect the rate at which control of the good or service sold is transferred to the customer, at an amount to which the seller expects to be entitled in exchange for the good or service.

To that end, IFRS 15 lays down five successive steps:

1- Identifying the contract

2- Identifying the contract's performance obligations

3- Determining the transaction price

4- Allocating the transaction price

5- Recognising revenue in profit or loss

AXA Banque has identified the following contracts as falling within the scope of IFRS 15: banking services contracts that give rise to the recognition of commission income (bundled services and asset management fees).

The Group's analysis showed that the revenue generated by these contracts had been recognised in accordance with the principles of IFRS 15 in previous financial years.

New standards applicable from January 1, 2018: IFRS 9 "Financial Instruments"

The impacts of the first-time application of IFRS 9 are presented in Note 6 «First-time application of IFRS 9» below.

Standards that will be applied by AXA Banque in the future: IFRS 16 "Leases"

Application of IFRS 16 "Leases", which replaces IAS 17 of the same name, is mandatory from January 1, 2019 although the European Union had already officially adopted it at October 31, 2017. An impact study will be carried out in 2018 to assess the main impacts of this standard's implementation.

IFRS 16 accounting principles

For any lease identified, the right of use of the asset concerned must be recognised as an asset in the balance sheet, and the corresponding lease payments as a liability.

The right of use is amortised over the lease term and the lease liability is recognised at amortised cost.

The lease expense is made up of the amortisation of the right of use, presented in operating income, and the interest expense on the liability, presented in financial income.

Application of IFRS 16 at AXA Banque

AXA Banque records lease expenses mainly in respect of the occupancy of its premises and the use of a vehicle fleet. Lease charges are paid to the AXA France economic interest group, which enters into leases directly with the owners and re-invoices the lease expenses to its members based on the proportion of premises occupied or vehicles used.

Presentation of the consolidated financial statements

The recommendation of the French Accounting Standards Authority (*Autorité des normes comptables* - ANC), adopted by its Board on November 7, 2013, applies to the consolidated financial statements of credit institutions and companies covered by Article L.511-36 of the French Monetary and Financial Code, which, either mandatorily in accordance with European regulations or by election, prepare consolidated financial statements in accordance with IFRS.

IAS 1 (as amended in 2015) requires the preparation of the following summary statements:

- An end-of-period statement of financial position (balance sheet);
- A statement of profit or loss and other comprehensive income for the period (including net income and gains and losses previously presented only in the statement of changes in equity);
- A statement of changes in equity for the period;

- A statement of cash flows for the period.

Closing dates and presentation currency

All of the Group's consolidated companies close their accounts on December 31.
The presentation currency of the consolidated financial statements is the euro and the amounts shown in the financial statements and notes are expressed in millions of euros, unless otherwise stated.

Use of judgments and estimates in the preparation of the financial statements

The preparation of financial statements in accordance with IFRS requires the use of certain estimates and assumptions that contain uncertainties as to their future realisation. These estimates use information available at the end of the reporting period and involve the exercise of judgment by the people that prepare the financial statements.

The main balance sheet items concerned are:

- Financial instruments measured at fair value;
- Pension plans and other future employee benefits;
- Impairment of receivables and securities available for sale;
- Provisions;
- Deferred tax assets.

The principles below specify the methods for valuing these items. If significant and relevant, these items, as well as any key assumptions, are further detailed in the notes on the relevant asset and liability lines.

NOTE 2 | Consolidation principles and methods

Consolidation scope and methods

The companies over which AXA Banque exercises control are called subsidiaries. Control in accordance with the currently applicable definition in IAS 27 is characterised by the ability to govern a company's financial and operating policy in order to obtain profit from its activities. Subsidiaries are fully consolidated from the time that control, as defined by the current IAS 27/SIC 12 model, is exercised by AXA Banque.

Control is presumed to exist if AXA Banque directly or indirectly holds more than 50% of a company's voting rights. The existence and effect of potential voting rights that are exercisable or convertible are also taken into account when determining whether AXA Banque controls another entity.
Companies over which AXA Banque exercises joint control with one or more third parties and those over which AXA Banque has significant influence are accounted for using the equity method. AXA Banque is presumed to exercise significant influence if it directly or indirectly holds 20% or more of a company's voting rights.
At December 31, 2018, the consolidation scope comprised:

	Percentage control	Percentage interest	Consolidation method
AXA Banque	Parent company	Parent company	Parent company
AXA Banque Financement	65%	65%	Full consolidation

Both companies have their registered office at 203-205 rue Carnot in Fontenay-Sous-Bois.

Restatements and eliminations

Intragroup balances arising from transactions between consolidated Group companies, and the transactions themselves (including income, expenses and dividends), are eliminated. Gains and losses arising from intra-Group sales of assets are eliminated, except where there is an indication that the asset sold is permanently impaired. Unrealised gains and losses included in the value of available-for-sale assets are recognised at the Group level.

NOTE 3 | Segment information

As AXA Banque has a homogeneous portfolio of consumer credit and mortgage loan activities, it reports information on only one segment in its financial statements.

NOTE 4 | Accounting treatment of financial instruments

Financial instruments can be defined as financial assets or liabilities that create contractual rights or obligations to receive or pay cash or other financial assets.

In view of AXA Banque's banking activity, this may include loans, portfolio securities (equities, bonds, etc.), deposits, regulated savings accounts, borrowings and derivative instruments (swaps, options, etc.).

Since January 1, 2018, IFRS 9 has governed the classification and method of measurement of financial assets and liabilities in the financial statements based on their contractual characteristics and the business model used to manage these financial instruments.

NOTE 4.1 | Classification and measurement of financial assets and liabilities

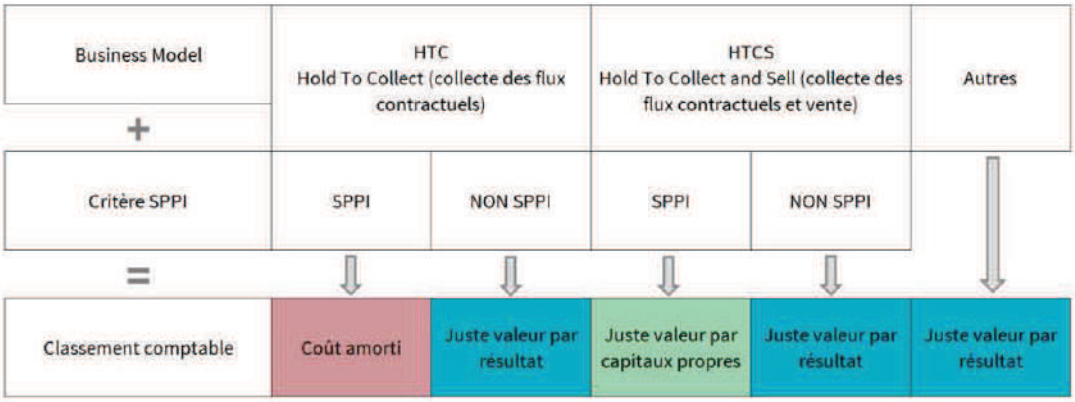
As from January 1, 2018, financial assets and liabilities are recognised and presented in accordance with the definitive provisions of IFRS 9 as adopted by the European Union on November 22, 2016. These new provisions replaced those of IAS 39 on the recognition and measurement of financial instruments.

Application of IFRS 9 results in a change in the classification of financial assets and liabilities determined by the financial flows' payment characteristics and the instrument's business model.

Principles for classifying financial assets and liabilities under IFRS 9

Debt instruments

Debt instruments are classified on initial recognition into three categories (amortised cost, fair value through profit or loss or fair value through other comprehensive income) that determine their accounting treatment and subsequent measurement method. This classification is based on these debt instruments' contractual cash flow characteristics and the business model used to manage them.



SPPI criterion

On initial recognition of a loan or receivable, IFRS 9 requires the entity to apply a cash flow identification ("SPPI") test to each debt instrument within the meaning of IAS 32:

- If the contractual cash flows represent solely the repayment of principal and payment of interest on the principal amount outstanding, the contract is said to be "basic" (SPPI: solely payments of principal and interest). The asset is measured either at amortised cost or at fair value through other comprehensive income, depending on its business model.
- If, on the other hand, cash flows do not represent solely the repayment of principal and payment of interest on the principal amount outstanding, the financial asset, said to be "non-basic", must be recognised at fair value through profit or loss, regardless of the business model in which it is held.

The objective of applying this criterion is to limit the use of the effective interest rate for the recognition of income from financial assets to instruments with equivalent characteristics to basic loans with highly predictable cash flows.

Business model

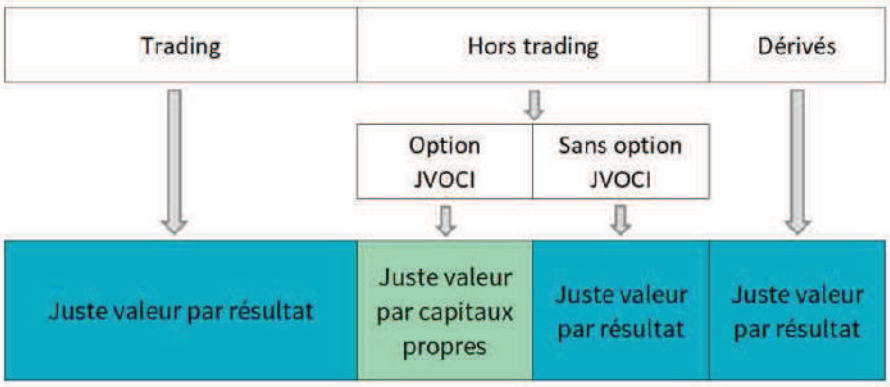
The business model represents how an entity collectively manages groups of financial assets in order to achieve a particular business objective, and is assessed using relevant information and observable facts.

- If the loan or receivable's business model involves the collection of contractual cash flows consisting of solely payments of principal and interest, the asset is carried at amortised cost.
- If the loan's business model involves both the collection of contractual cash flows consisting solely of payments of principal and interest and the resale of the associated asset, said asset is carried at fair value through other comprehensive income.

The following relevant information is used to determine the business model in which a portfolio of financial instruments is categorised:

- How the performance of the business model and financial assets is evaluated and reported to the entity's key management personnel,
- The risks that affect the performance of the model (and the management thereof),
- How managers of the business are compensated.

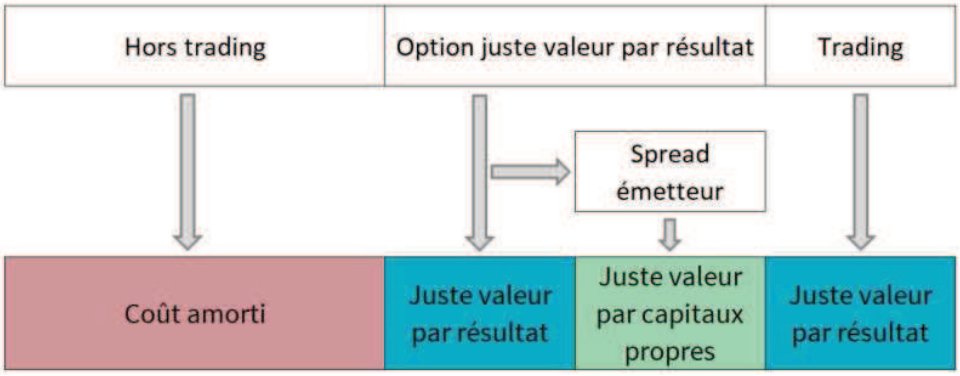
Equity instruments



For equity instruments, by default assets are measured at fair value through profit or loss. For certain unconsolidated shares (not held for trading or available for sale), this valuation seems inappropriate as it creates income volatility that is inconsistent with the investment objective. The company may elect to measure such instruments at fair value through other comprehensive income. Under this option, dividends continue to be recognised in profit or loss, while realised or unrealised gains and losses are recognised in other comprehensive income and are never reclassified into profit or loss.

The option must be chosen on the initial recognition date. This election is irrevocable and therefore does not allow any future reclassification of the asset.

Financial liabilities



A financial liability is a financial instrument with a contractual obligation:

- to deliver cash or another financial asset; or
- to exchange instruments under potentially unfavourable conditions.

Financial liabilities comprise debt instruments and loans issued by the entity and debt securities recorded as liabilities on its balance sheet.

Under IFRS 9, financial liabilities are by default recognised at amortised cost, except for liabilities included in the trading category.

Issued financial instruments are classified as debt instruments if there is a contractual obligation for the issuing company to deliver cash or a financial asset to the instrument's holder. The same applies in cases where the company may be required to exchange financial assets or liabilities with another entity under potentially unfavourable conditions, or to deliver a variable number of its own shares.

Issued debt securities are recognised initially at their issue value including transaction costs and subsequently at amortised cost using the effective interest rate method.

On a financial liability's initial recognition, an entity may use the option to measure that instrument at fair value through profit or loss if:

- It is a «hybrid» instrument containing one or more embedded derivatives,
- This leads to more relevant information due to the elimination or significant reduction of an accounting mismatch, and
- The liability is managed with other financial instruments that are measured and managed at fair value in accordance with an investment or risk management policy and that information is disclosed to key management personnel within the meaning of IAS 24.

For financial liabilities accounted for under the fair value through profit or loss option, IFRS 9 nevertheless requires separate recognition, at fair value through other comprehensive income, of changes in value arising from the issuer's own credit risk. If the financial liability is derecognised, the amounts recognised in other comprehensive income are not reclassified to profit or loss.

Note that if the entity chooses to recognise a liability at fair value through profit or loss, this choice becomes irrevocable. If the entity designates a financial liability as requiring classification in the trading category, it is recognised at fair value through profit or loss from the outset.

Reclassification of financial assets

As regards the reclassification of financial assets, IFRS 9 aims to reduce the reclassifications that were previously possible under IAS 39.

For debt instruments, the standard makes reclassifications conditional on a change in the initially determined business model. Notwithstanding IFRS 9's significant limitation of reclassification possibilities, the standard requires the entity to make the following reclassifications if it changes the asset's business model:

- From the amortised cost category:
  - To the fair value through other comprehensive income category, or
  - To the fair value through profit or loss category.

The asset is then recognised at fair value on the reclassification date and the cumulative gains or losses are recognised either in other comprehensive income if the destination category is fair value through other comprehensive income, or in profit or loss if the destination category is fair value through profit or loss.

- From the fair value through other comprehensive income category:
  - To the amortised cost category, or
  - To the fair value through profit or loss category.

If the asset is reclassified to amortised cost, it is recognised at fair value on the reclassification date and the cumulative gains or losses are removed from other comprehensive income and recognised as an adjustment to the asset's fair value. If the destination category is fair value through profit or loss, again the asset is recorded at fair value on the reclassification date and the cumulative gains or losses are reclassified from other comprehensive income to profit or loss by way of a reclassification adjustment.

- From the fair value through profit or loss category:
  - To the amortised cost category, or

- To the fair value through other comprehensive income category.

If the asset is reclassified to amortised cost, the fair value on the reclassification date becomes the asset's new gross carrying amount and the value of the instrument is adjusted in accordance with the cumulative gains or losses. If the destination category is fair value through other comprehensive income, the asset continues to be recognised at fair value and cumulative gains or losses are subsequently recognised at fair value through other comprehensive income.

At the beginning of the first period of adoption and in accordance with IFRS 9's transitional arrangements, the entity is required to recognise the impact of the standard's first-time application in reserves.

Recognition and measurement of financial assets and liabilities

Amortised cost

AXA Banque has determined that all its contracts for loans and receivables fulfil the SPPI criterion (their contractual cash flows represent basic loan agreements) and belong to the contractual cash collection business model, and therefore classified them in the amortised cost category.

Loans and receivables comprise financial assets with fixed or variable income that are not quoted in an active market.

Under IFRS 9, loans and receivables at amortised cost are recognised initially at their market value, which is generally the net amount disbursed at inception and includes origination costs directly attributable to the transaction and certain income received (participation and commitment fees and administrative fees), treated as an adjustment to the loan's effective yield. On a financial asset's initial recognition, the entity must measure it at its fair value plus transaction costs directly attributable to it.

After initial recognition, it is measured at the effective interest rate and the associated accrued or received income is recognised in the income statement under "Interest income".
The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts over the financial instrument's expected life to the financial asset or liability's net carrying amount.

The EIR is applied to the instrument's amortised cost to determine the income or expense to be recognised in the income statement for the period. Transaction costs, as well as redemption or issue discounts and premiums, are also included in the EIR and thus spread in profit or loss over the instrument's life.

Financial assets measured at amortised cost are also subject to the IFRS 9 credit risk impairment model. Changes in the associated expected credit losses must therefore be recognised in profit or loss under "Cost of risk", with a corresponding impairment adjustment to amortised cost recognised in the balance sheet. The IFRS credit risk impairment model is described in note 4.2 "Impairment of financial assets".

Early repayment occurs if a customer of the entity decides to repay all or part of the principal outstanding before its due date. The customer must accordingly pay an indemnity to the entity to compensate it for the portion of interest not received as a result of the loan agreement's early termination. Under IFRS 9, the entity must ensure that all early repayment clauses meet the SPPI criteria, in particular, that the early repayment indemnities are linked solely to the principal and interest on the principal (and that they are «reasonable» in nature).

Fair value through other comprehensive income

AXA Banque has determined that all debt securities held as assets (i.e. excluding equity instruments) fulfil the SPPI criterion (their contractual cash flows represent basic loan agreements) and belong to the contractual cash collection and resale business model, and therefore classified them in the "fair value through other comprehensive income" category.

Income accrued or received on these debt instruments is recognised in profit or loss using the effective interest rate, under “Interest income”.

At each closing date, these securities are measured at fair value and changes in their fair value, excluding income, are recorded under “Gains and losses recognised in other comprehensive income”.

Financial assets measured at fair value through other comprehensive income are also subject to the IFRS 9 credit risk impairment model. Changes in the associated expected credit losses must therefore be recognised in profit or loss under “Cost of risk”, with a corresponding entry under “Gains and losses recognised in other comprehensive income”. A description of the credit risk impairment model is provided in Note 4.2 “Impairment of financial assets”.

Fair value through profit or loss

At AXA Banque, equity instruments on the asset side of the balance sheet have been measured by default at fair value through profit or loss in accordance with the principles of IFRS 9 (no fair value through other comprehensive income option).

The fair value of these assets is presented in the statement of financial position under “Financial assets at fair value through profit or loss” and changes in their fair value are recorded (excluding interest and dividends) in profit or loss under “Net gain (loss) on financial instruments at fair value through profit or loss”.

Financial liabilities are measured at amortised cost. However, to simplify the accounting treatment of structured BMTNs (medium-term notes) by avoiding separate recognition of embedded derivatives, AXA Banque has elected to value them at fair value through profit or loss.

Securitisation

AXA Banque does not currently securitise the receivables or securities it holds. Nevertheless, this possibility could be envisaged. Securitisation involves an entity assigning receivables to a financial vehicle, usually a securitisation fund, for the purpose of securitising these receivables in various tranches.

NOTE 4.2 | Impairment of financial assets

Context

IFRS 9 "Financial Instruments", published by the International Accounting Standards Board (IASB) in July 2014, replaces IAS 39 "Financial Instruments: Recognition and Measurement". Adopted by the European Union in November 2016, it came into force on January 1, 2018.

IFRS 9 defines new principles covering the classification and the measurement of financial instruments, the credit risk impairment assessment and the general hedge accounting (excluding micro-hedging).

Credit risk impairment assessment

Credit risk is defined as the Bank's potential loss arising from a counterparty inability to honour its commitments.

The IAS impairment principles applied within AXA Banque were based on the recognition of losses through proven indications of the counterparty default risk. Provisioning was then carried out on an individual basis for non-performing loans and on a collective basis for homogeneous risk populations with identified risk deterioration indications.

IFRS 9 defines an impairment model that applies to all assets from the date of their initial recognition. The model is based on the recognition of the expected credit losses, rather than the incurred credit losses as was the case under IAS 39. Assets are divided into three categories, or «stages», based on their credit risk assessment at the reporting date:

- Stage 3 / includes all assets in default at the reporting date. The associated impairment allowance corresponds to the expected credit losses estimated over the financial asset lifetime.
- Stage 2 / includes performing assets for which significant credit risk increase since the initial recognition date was identified, assets with more than 30 days past due and restructured loans that are subject to forbearance. As for stage 3, the associated impairment allowance corresponds to the expected credit losses over the asset lifetime.
- Stage 1 / includes performing assets with no indication of credit risk deterioration. The associated expected credit losses are evaluated over the next 12 months.

Stage 3 assets which become performing afterwards are reclassified into stage 1 or 2 depending on their credit risk assessment.

The lifetime expected credit losses are evaluated based on the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

IFRS 9 recommends calculating the lifetime expected credit losses by taking into account the current economic conditions (Point In Time data) and the forecast of future macroeconomic conditions (Forward Looking data).

AXA Banque uses internal models and business expertise to estimate the various inputs used to calculate the expected credit losses. Models are monitored and reviewed every year to ensure their performance and stability.

As stated in AXA Banque's credit risk policy, there is no specific methodology for estimating the expected credit losses related to the purchased or originated credit impaired (POCI) outstandings.

Scope of application

The IFRS 9 impairment model applies to all retail on- and off-balance sheet commitments at the reporting date.

End-of-management assets for which there is a prospect of recovery, following a return to better fortune, are kept in the balance sheet with an appropriate provisioning level. These assets may be assigned to a third party.

Conversely, end-of-management assets for which there is no prospect of recovery are written off and removed from the balance sheet.

Definition of default

Assets with objective indications of depreciation are considered to be in default. Grounds for classifying an asset in default therefore include the granting of concessions in respect of contractual clauses that would not have been granted in other circumstances due to the customer's financial difficulties, the existence of more than 90 days past due or proven credit risk indications and ongoing litigation or over-indebtedness proceedings.

AXA Banque definition of IFRS 9 default is aligned with the definition of default published by the EBA in 2017[1]. The financial asset is considered to be in default if it matches one of the following situations:

- More than 90 consecutive days past due since the last missed payment, subject to application of an absolute threshold of €100 and a relative threshold of 1% of the principal outstanding for the consumer loans, the mortgage and patrimonial loans
- Unauthorised overdraft during more than 90 consecutive days, subject to application of an absolute threshold of €100 for the deposit accounts
- Downgrading to irrecoverable status (including reorganisation or other court-ordered proceedings)
- Litigation procedures
- Existence of over-indebtedness proceedings reportable to the Banque de France
- Personal recovery proceedings or personal bankruptcy
- Over indebtedness cases subject to Banque de France moratorium
- Calling on collateral or guarantee
- Modification of the contractual cash flow following payment postponement or debt reorganisation due to significant increase of credit risk.
- More than 30 days past due for restructured loans.

Qualitative criteria other than those described above may also be used to classify assets in default.

The Bank applies a three-month probation period before exit from default.

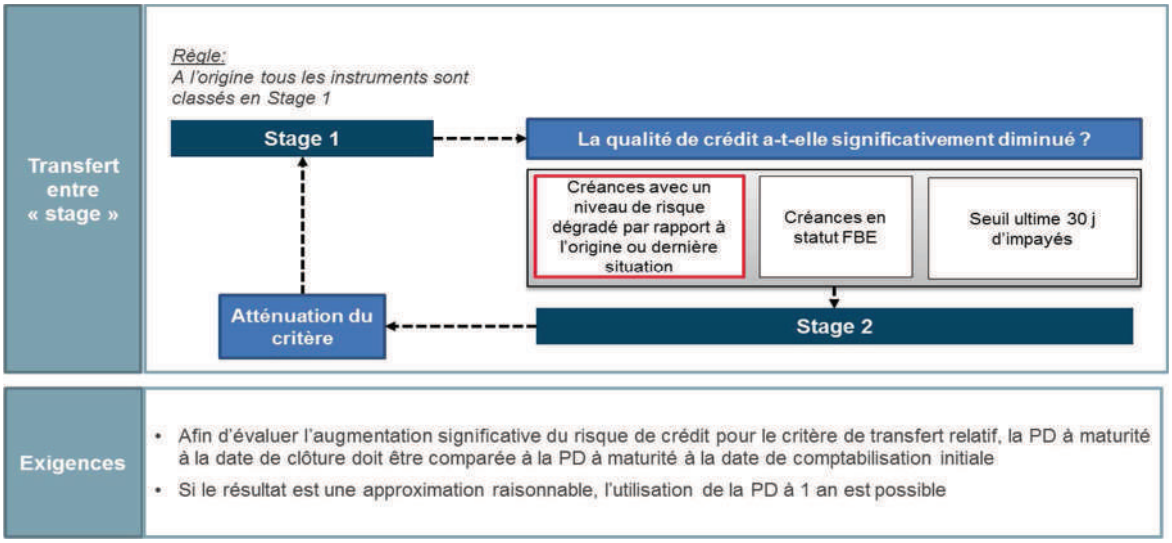
Restructured agreements

Financial assets for which a payment date has been deferred or which have been restructured for a risk-related reason, as well as cases of over-indebtedness subject to recommended or mandatory measures, are considered to be in forbearance.

AXA Banque default probation period for restructured assets is set at 12 months. If no arrears have been observed at the end of that period, the asset is removed from default and considered to be in forbearance for an additional period of 24 months. The asset is only reclassified as performing if no arrears have been recorded at the end of the three-year forbearance period. Restructured performing assets are subject to the same credit risk increase rules as non-restructured performing assets.

1 https://eba.europa.eu/documents/10180/1597103/Final+Report+on+Guidelines+on+default+definition+%28EBA-GL-2016-07%29.pdf

Significant increase of credit risk



Assets are considered to be impaired at the reporting date if arrears or unauthorized overdrafts during more than 30 consecutive days are observed, if they are considered to be in forbearance or if significant increase of the credit risk since the initial recognition date has been noticed. In this case, the asset is classified in stage 2 and the associated expected credit losses are estimated over the asset lifetime with a forward looking approach. To assess the significant increase of the credit risk, AXA Banque uses customer scoring models that involve comparing the probability of default at the reporting date with that at the initial recognition date. This latter matches with the agreement's anniversary date for the deposit accounts, the last three-yearly creditworthiness assessment for the revolving loans and the financing date for the personal, mortgage and patrimonial loans. The Bank uses statistical models and expert appraisals to estimate customers' 12-month probability of default. These models are used to assign to each customer a rating which reflects their credit risk. The corresponding rating scale allows classifying customers (excluding those in default) into three credit risk levels: low, moderate or high.

A significant increase of credit risk since the initial recognition date is deemed to have occurred if a three-notch change is observed at the reporting date for assets with low risk, a two-notch change for assets with moderate risk and a one-notch change for assets with high risk.

Lifetime expected credit losses

The lifetime expected credit losses (ECL) are defined as the weighted and discounted expected credit losses in principal and interest estimated over the asset expected lifetime.

To calculate the ECL, AXA Banque uses internal models that estimate probability of default, loss given default and exposure at default. The Credit Risk team is responsible for the definition as well as the monitoring of the IFRS 9 framework.

Probability of default

Probability of default is estimated, by using internal rating models based on optimum historical data and point in time approach (i.e. taking into account the current economic conditions). The data used draws essentially on customer knowledge, including socio-demographic data, the number and the activity on the customer's accounts, any payment incidents, savings and characteristics of the customer's products held within AXA Banque at the reporting date.

Exposure at default and probability of default

AXA Banque estimates the level of risk at the maturity date by combining the evolution of the probability of default during the asset's residual lifetime with the outflow of the outstanding as modelled by AXA Banque ALM team (taking into account the early payments and the external acquisition assumptions).

The methodology differs for the deposit accounts, for which the effective maturity is assumed to be equal to 12 months. The Bank uses statistical models to estimate the exposure at default at 12 months on such accounts based on their status (positive balance, authorised overdraft or unauthorised overdraft).

Loss given default

The LGD estimation is based on the asset prospect of recovery as well as the quality of the guarantee.

For unsecured assets (mainly deposit accounts and consumer loans), recovery prospects correspond to the expected inflows over the asset's residual life, which are projected to the maturity date using the chain ladder actuarial method. All statistical assumptions enabling its application are tested.

For secured assets (mortgage and patrimonial loans), the loss given default corresponds to the residual outstanding amount after activation of the guarantees. Guarantees mainly rely on sureties issued by an individual or a financial institution third-party, collateralized commitments (contractual mortgage or lender's priority lien) or financial sureties (mostly AXA life insurance policies).

The Bank uses an annually revised flat rate to estimate the loss given default for loans secured by financial guarantees or sureties. Regarding mortgage collateralized assets, the loss given default is estimated based on the residual outstanding amount after the deduction of the net future income resulting from the sale of the collateral, which is estimated based on the mortgage's valuation and the prospects of recovery (return to performing status, out-of-court sale or court-ordered sale).

Note that 95% of the Bank's mortgage loan outstandings are guaranteed by financial institutions.

Forward looking data

IFRS 9 requires the use of forward looking data when estimating the expected credit losses in order to integrate the impact of the future favourable or unfavourable changes in the macroeconomic environment.

Forward looking models have been implemented for scopes with proven sensitivity to macroeconomic factors. The information used comes from the economic forecasts sourced from national and international organisations.3 macroeconomic scenarios are used to assess the lifetime expected credit losses: core, adverse and positive. The scenario's weights are reviewed each year according to the latest macroeconomic evolutions.

The forward looking projections are based on a three-year horizon with convergence towards the core scenario at the end of the three years.

Overall, forward looking models have a limited impact on the expected credit losses estimation (less than 1%), probably due to the fact that AXA Banque portfolio is not sensitive to the macroeconomic developments.

AXA Banque has implemented governance and monitoring frameworks that enables, among other things, the yearly review and calibration of the models and various inputs used to calculate the expected credit losses. The decisions taken following the review of the IFRS 9 framework are validated by the Credit Risk Committee.

Movements of the ECL impairment allowance during 2018

Deposit accounts

On-balance sheet

	Stage 1	Stage 2	Stage 3	POCI	Total
IFRS 9 balance sheet provisions at January 1, 2018	**€0.23m**	**€0.83m**	**€7.74m**	**€0.00m**	**€8.80m**
1/ Update of inputs calibrated at December 31, 2018	€0.01m	€-0.02m	€0.18m	€0.00m	€0.17m
2/ New financial assets (creation or acquisition)	€0.02m	€0.18m	€0.73m	€0.00m	€0.94m
3/ Financial assets derecognised during the period	€-0.03m	€-0.16m	€-2.50m	€0.00m	€-2.69m
- of which written-off					€-1.25m
4/ Change in rating models or calibration methodology	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
5/ Transfers between stages					€1.23m
6/ Change in ECL without change of stage					€-0.71m
IFRS 9 balance sheet provisions at December 31, 2018	**€0.22m**	**€0.70m**	**€6.82m**	**€0.00m**	**€7.74m**

Off-balance sheet

	Stage 1	Stage 2	Stage 3	POCI	Total
IFRS 9 off-balance sheet provisions at January 1, 2018	**€0.71m**	**€0.42m**	**€0.00m**	**€0.00m**	**€1.13m**
1/ Update of inputs calibrated at December 31, 2018	€0.04m	€-0.03m	€0.00m	€0.00m	€0.00m
2/ New financial assets (creation or acquisition)	€0.13m	€0.17m	€0.00m	€0.00m	€0.30m
3/ Financial assets derecognised during the period	€-0.10m	€-0.08m	€0.00m	€0.00m	€-0.19m
4/ Change in rating models or calibration methodology	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
5/ Transfers between stages					€-0.09m
6/ Change in ECL without change of stage					€-0.06m
IFRS 9 off-balance sheet provisions at December 31, 2018	**€0.75m**	**€0.35m**	**€0.00m**	**€0.00m**	**€1.09m**

The lifetime expected credit losses on the deposit accounts have decreased by 12%, which is consistent with the outstanding fall due to sales of receivables carried out during 2018.

Consumer loans

On-balance sheet

	Stage 1	Stage 2	Stage 3	POCI	Total
IFRS 9 balance sheet provisions at January 1, 2018	**€1.06m**	**€13.82m**	**€66.15m**	**€0.00m**	**€81.03m**
1/ Update of inputs calibrated at December 31, 2018	€-0.04m	€-0.05m	€-0.29m	€0.00m	€-0.39m
2/ New financial assets (creation or acquisition)	€0.52m	€2.08m	€0.78m	€0.00m	€3.38m
3/ Financial assets derecognised during the period	€-0.15m	€-1.28m	€-21.60m	€0.00m	€-23.03m
- of which written-off					€-19.85m
4/ Transferred to stage 3 due to restructuring	€0.73m	€0.21m	€-0.01m	€0.00m	€0.92m
5/ Change in rating models or calibration methodology	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
6/ Transfers between stages					€1.40m
7/ Change in ECL without change of stage					€-1.01m
IFRS 9 balance sheet provisions at December 31, 2018	**€1.04m**	**€13.49m**	**€47.76m**	**€0.00m**	**€62.30m**

Off-balance sheet

	Stage 1	Stage 2	Stage 3	POCI	Total
IFRS 9 off-balance sheet provisions at January 1, 2018	**€0.02m**	**€0.02m**	**€0.01m**	**€0.00m**	**€0.04m**
1/ Update of inputs calibrated at December 31, 2018	€0.00m	€0.00m	€0.00m	€0.00m	€-0.01m
2/ New financial assets (creation or acquisition)	€0.00m	€0.00m	€0.00m	€0.00m	€0.01m
3/ Financial assets derecognised during the period	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
4/ Transferred to stage 3 due to restructuring	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
5/ Change in rating models or calibration methodology	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
6/ Transfers between stages					€0.00m
7/ Change in ECL without change of stage					€-0.01m
IFRS 9 off-balance sheet provisions at December 31, 2018	**€0.02m**	**€0.01m**	**€0.01m**	**€0.00m**	**€0.04m**

The lifetime expected credit losses on consumer loans have decreased by 23%, which is consistent with the outstanding fall due to sales of receivables carried out during 2018.

Mortgage loans

On-balance sheet

	Stage 1	Stage 2	Stage 3	POCI	Total
IFRS 9 balance sheet provisions at January 1, 2018	**€0.30m**	**€0.62m**	**€3.72m**	**€0.00m**	**€4.64m**
1/ Update of inputs calibrated at December 31, 2018	€-0.05m	€-0.13m	€-0.08m	€0.00m	€-0.26m
2/ New financial assets (creation or acquisition)	€0.14m	€0.26m	€0.15m	€0.00m	€0.54m
3/ Financial assets derecognised during the period	€-0.02m	€-0.02m	€-0.11m	€0.00m	€-0.15m
- of which written-off					€0.04m
4/ Change in rating models or calibration methodology	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
5/ Transfers between stages					€0.70m
6/ Change in ECL without change of stage					€0.53m
IFRS 9 balance sheet provisions at December 31, 2018	**€0.27m**	**€0.56m**	**€5.18m**	**€0.00m**	**€6.00m**

Off-balance sheet

	Stage 1	Stage 2	Stage 3	POCI	Total
IFRS 9 off-balance sheet provisions at January 1, 2018	**€0.01m**	**€0.01m**	**€0.00m**	**€0.00m**	**€0.03m**
1/ Update of inputs calibrated at December 31, 2018	€0.00m	€0.00m	€0.00m	€0.00m	€-0.01m
2/ New financial assets (creation or acquisition)	€0.02m	€0.00m	€0.00m	€0.00m	€0.02m
3/ Financial assets derecognised during the period	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
4/ Change in rating models or calibration methodology	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
5/ Transfers between stages					€-0.01m
6/ Change in ECL without change of stage					€-0.01m
IFRS 9 off-balance sheet provisions at December 31, 2018	**€0.02m**	**€0.00m**	**€0.00m**	**€0.00m**	**€0.02m**

The lifetime expected credit losses on mortgage loans have increased by 29% which correspond to €1.4 million. This resulted from the increase of financed loans during 2018 as well as the increase of the impairment allowance for on-going mortgage loans.

Patrimonial loans

On-balance sheet

	Stage 1	Stage 2	Stage 3	POCI	Total
IFRS 9 balance sheet provisions at January 1, 2018	**€0.38m**	**€0.16m**	**€0.58m**	**€0.00m**	**€1.12m**
1/ Update of inputs calibrated at December 31, 2018	€0.00m	€0.05m	€0.00m	€0.00m	€0.05m
2/ New financial assets (creation or acquisition)	€0.19m	€0.01m	€0.00m	€0.00m	€0.20m
3/ Financial assets derecognised during the period	€-0.09m	€0.00m	€-0.02m	€0.00m	€-0.12m
- of which written-off					€0.00m
4/ Change in rating models or calibration methodology	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
5/ Transfers between stages					€-0.07m
6/ Change in ECL without change of stage					€-0.04m
IFRS 9 balance sheet provisions at December 31, 2018	**€0.47m**	**€0.16m**	**€0.51m**	**€0.00m**	**€1.14m**

Off-balance sheet

	Stage 1	Stage 2	Stage 3	POCI	Total
IFRS 9 off-balance sheet provisions at January 1, 2018	**€0.03m**	**€0.00m**	**€0.00m**	**€0.00m**	**€0.03m**
1/ Update of inputs calibrated at December 31, 2018	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
2/ New financial assets (creation or acquisition)	€0.07m	€0.00m	€0.00m	€0.00m	€0.07m
3/ Financial assets derecognised during the period	€-0.03m	€0.00m	€0.00m	€0.00m	€-0.03m
4/ Change in rating models or calibration methodology	€0.00m	€0.00m	€0.00m	€0.00m	€0.00m
5/ Transfers between stages					€0.00m
6/ Change in ECL without change of stage					€0.00m
IFRS 9 off-balance sheet provisions at December 31, 2018	**€0.07m**	**€0.00m**	**€0.00m**	**€0.00m**	**€0.07m**

The lifetime expected credit losses on patrimonial loans remained broadly stable in 2018 despite the significant increase of financed loans during the year.

Distribution of the coverage ratio by credit risk level

At December 31, 2018

Coverage ratio by credit risk level		Balance sheet	Off-balance sheet
Stage 1	PD < 0.0434%	0.00%	0.02%
	0.0434% ≤ PD < 0.0867%	0.00%	0.03%
	0.0867% ≤ PD < 0.1733%	0.00%	0.03%
	0.1733% ≤ PD < 0.3460%	0.01%	0.10%
	0.3460% ≤ PD < 0.6897%	0.01%	0.16%
	0.6897% ≤ PD < 1.3699%	0.04%	0.52%
	1.3699% ≤ PD < 3.7799%	0.05%	0.04%
	3.7799%≤ PD < 10.000%	0.08%	1.49%
	10.000%≤ PD < 100.000%	1.72%	11.81%
	Default		
	Total	**0.02%**	**0.09%**
Stage 2	PD < 0.0434%	0.00%	0.00%
	0.0434% ≤ PD < 0.0867%	0.00%	0.04%
	0.0867% ≤ PD < 0.1733%	0.14%	0.11%
	0.1733% ≤ PD < 0.3460%	0.03%	0.16%
	0.3460% ≤ PD < 0.6897%	0.07%	0.36%
	0.6897% ≤ PD < 1.3699%	0.17%	0.19%
	1.3699% ≤ PD < 3.7799%	0.55%	1.88%
	3.7799%≤ PD < 10.000%	1.14%	3.08%
	10.000%≤ PD < 100.000%	4.26%	12.45%
	Default	74.69%	
	Total	**4.60%**	**2.58%**
Stage 3		**33.71%**	**3.12%**
TOTAL		**0.78%**	**0.12%**

The coverage ratio increases with the level of risk. It averaged at 0.02% for stage 1, 4.60% for stage 2 and 33.71% for stage 3 on the balance sheet outstandings.

NOTE 4.3 | Derivatives and hedge accounting

Under IAS 39 and IFRS 9, a derivative is a financial instrument with three characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;
- It requires no net initial investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- It is settled at a future date.

An embedded derivative is a component of a hybrid (compound) instrument that includes a non-derivative host contract, with the effect that some of the compound instrument's cash flows vary in a way similar to that of a stand-alone derivative.
An embedded derivative must be separated from the host and accounted for as a derivative, if and only if:

- The embedded derivative's economic characteristics and risks are not closely related to those of the host;
- A separate instrument with the same conditions as the embedded derivative would meet the definition of a derivative; and
- The hybrid (compound) instrument is not measured at fair value with changes in its fair value recognised through profit or loss.

Recognition of derivatives

Derivatives are initially recognised at their fair value on the acquisition date and then remeasured, again at fair value. Unrealised gains and losses are recognised in the income statement unless the derivatives are part of a designated cash flow hedging relationship, as described below.

AXA Banque applies IAS 39 hedge accounting rules as adopted by the European Union. The Group designates certain derivatives as: (i) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges); or (ii) hedges of highly probable future transactions (cash flow hedges).
At the inception of the hedging relationship, the Group prepares formal documentation describing the instrument's designation, the portion of the instrument or risk being hedged, the strategy and nature of the hedged risk, the hedging instrument's designation and the procedures for measuring the hedging relationship's effectiveness.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss". The financial assets and liabilities thus hedged are also remeasured at their fair value in respect of the risk being hedged, with a corresponding entry to profit or loss. As a result, any movement in the ineffective portion of the hedging relationship is recognised directly in the income statement for the period.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging derivatives are transferred to the trading portfolio and accounted for using the treatment applicable to that category. The hedged item ceases to be remeasured and resumes being valued using the method corresponding to its accounting classification. The adjustment to the carrying amount of interest rate instruments arising from the application of hedge accounting rules is amortised through profit or loss using the effective interest rate method. If the hedged item is derecognised, the adjustment is recognised immediately in profit or loss for the period.

AXA Banque has not recognised any cash flow hedges for the financial years presented herein.

NOTE 4.4 | Financial assets transferred, other financial assets pledged as guarantee and assets received as guarantee that the entity may sell

General principles

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss incurred as a result of the failure of a specified debtor to make a payment when due in accordance with the debt instrument's original or amended terms and conditions.

Financial guarantee contracts are measured initially at fair value and subsequently at the higher of:

- the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- the amount initially recognised less any amortisation recognised in accordance with IAS 18 "Revenue".

A financial asset (or group of financial assets) is derecognised in full or in part:

- When the contractual rights to the related cash flows expire, or
- When the contractual rights to the related cash flows are transferred and
  - Substantially all of the risks and rewards associated with this financial asset are transferred,
  - Or when substantially all of the risks and rewards are neither transferred nor retained but control of the asset is transferred.

A financial liability is derecognised in full or in part only when the liability is extinguished or when its contractual terms are substantially amended.

Repurchase agreements and securities lending and borrowing

The Group carries out repurchase agreements and securities lending and borrowing transactions. These include sales (or loans) of financial assets to a counterparty with a simultaneous commitment to repurchase (or take back) these financial assets at an agreed date and price.
Insofar as substantially all of the risks and rewards associated with the financial assets sold or lent are retained by the Group for the entire duration of the transaction, the Group does not derecognise these financial assets. The consideration received for the disposal is recognised separately as a liability on the balance sheet. Interest income and expense on repurchase agreements and securities lending transactions are recognised over the agreements' term.

NOTE 4.5 | Offsetting of financial assets and liabilities

In accordance with IAS 32, the AXA Banque Group offsets financial assets and liabilities and presents a net balance if and only if it has a legally enforceable right at any time to offset the amounts recorded and intends to settle on a net basis or to realise said assets and liabilities simultaneously.

NOTE 4.6 | Determination of the fair value of financial instruments

IFRS 13 defines fair value as a market-based measure and not an entity-specific measure. Observable market transactions or market information exist for certain assets and liabilities but not for others. However, fair value measurement has the same objective in both cases: to estimate the price at which an "orderly transaction" to sell an asset or transfer a liability would take place between "market participants" at the measurement date under current market conditions (i.e. an exit value at the measurement date from the perspective of a market participant that owns the asset or owes the liability).

In the absence of an observable price for an identical asset or liability, the entity determines fair value using another valuation technique that maximises the use of relevant observable inputs and minimises that of unobservable inputs. Because fair value is a market-based measure, it is determined using assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. An entity's intention to hold an asset, settle a liability or howsoever realise either is not therefore taken into account in the fair value measurement.

The risk assumptions include, for derivatives, an assessment of counterparty risk (credit valuation adjustment, or CVA) and non-execution risk (debit valuation adjustment, or DVA, being the risk that the Bank itself defaults on a derivative transaction). This assessment is based on historical data.

Insofar as AXA Banque has netting and/or collateral agreements in place, CVA impacts are calculated neither transaction by transaction nor by accounting classification, but on an overall counterparty basis.

- The Bank accounts for CVA impacts as a deduction from asset derivatives and DVA impacts as a deduction from liability derivatives, with an offsetting entry to the income statement derivatives accounts,
- under either fair value through profit or loss or fair value hedges.
- These impacts are recorded under current assets and liabilities.

AXA Banque bases its accounting approach on both banking regulations, which provide methodological information, and its knowledge of market practices.

At December 31, 2018, the CVA impact was €14 thousand and the DVA impact €0.

For the majority of transactions that the Group enters into, the transaction price (i.e. the value of the consideration paid or received) constitutes the best assessment of the transaction's fair value on its initial recognition date.

Level 1 fair value and concept of active market

For financial instruments, prices quoted on an active market are the most reliable indication of fair value (level 1 fair value). Insofar as such prices exist, they must be used, unadjusted, to measure fair value.
An active market is a market in which transactions in the asset or liability take place with sufficient frequency and in sufficient volume, and in which prices are continuously available.

A decline in the level of activity in the market may be indicated by, *inter alia*:

- A significant decline in the primary market for the financial asset or liability concerned (or for similar instruments);
- A significant decrease in transaction volumes;
- Infrequent price updating;
- A high dispersion of available prices over time between the various market participants;
- A loss of correlation with indices that previously had a high correlation with the asset or liability's fair value;
- A significant increase in implied prices or liquidity risk premiums, yields or performance indicators (such as implied PDs or expected losses) relative to the Group's estimated expected cash flows, taking into account all available market data for credit risk or non-execution risk related to the asset or liability;
- Excessively wide bid-ask spreads.

Instruments valued using (unadjusted) quoted prices in an active market (level 1):

Mainly equities, bonds issued by governments or large companies and certain derivatives traded on organised markets (standard options on the CAC 40 or Euro Stoxx indices, for example).
The fair value of mutual funds is also considered level 1 if they are valued daily and orders can be placed at the net asset value in question.

Level 2 fair value

If an instrument is not quoted on an active market, its fair value may be determined using an appropriate method consistent with the valuation methods commonly accepted in the financial markets, prioritising valuation techniques of which the significant inputs are directly or indirectly observable in the markets ("level 2 fair value"). These techniques must be regularly calibrated and the inputs corroborated by data from active markets.

If the asset or liability has a specified (contractual) maturity, a level 2 input must be observable for substantially the asset or liability's full duration. Level 2 inputs include:

- Prices observable in active or inactive markets for similar assets or liabilities;
- Inputs other than observable market prices, such as observable, standard interval interest rates and yield curves, implied volatilities and credit spreads;
- Inputs corroborated by the market, that is, obtained principally from observable market data or corroborated by such data, by correlation or otherwise.

Instruments valued using recognised models and directly or indirectly observable inputs (level 2): Derivatives:

This category includes, in particular, standard interest rate swaps or CMS, forward rate agreements (FRA) and forward liquid currency purchases and sales.

The valuation of these instruments is based on observable inputs and on models recognised as market standards (discounted cash flow method, interpolation technique, etc.).

Instruments valued using recognised models and directly or indirectly observable inputs (level 2): Non-derivative instruments:

Certain complex and/or long-dated financial instruments are valued using a recognised model and market inputs calibrated on the basis of observable data (such as yield curves and implied volatility levels of options) subject to market consensus or obtained from active over-the-counter markets.

The inputs' observable nature has been demonstrated for all these instruments. In terms of methodology, the inputs' observability is based on four indissociable conditions:

- The input comes from external sources (via a recognised contributor if possible);
- The input is regularly updated;
- The input is representative of recent transactions;
- The input's characteristics are identical to those of the transaction.

The margin generated on trading these financial instruments is recognised immediately in profit or loss.

Level 2 notably includes:

- Securities not listed on an active market of which the fair value is determined on the basis of observable market data (such as data from comparable listed companies or produced by the earnings multiple method);
- Units in mutual funds of which the net asset value is not calculated and communicated on a daily basis, but is published regularly, or for which recent transactions may be observed;

Debt issues measured at fair value by election, which concern structured BMTNs. AXA Banque measures the associated issuer risk by updating its credit spread and then calculating the impact on the debt's value by discounting the difference between the credit spread's value at issue and on the closing date.

Level 3 fair value

Level 3 fair values are determined using valuation techniques for which significant inputs are unobservable or cannot be corroborated by observable market data, due to the instrument's illiquidity or significant model risk, for example. An unobservable input is an input for which no market data is available. It is therefore derived from internal assumptions about the data that would be used by other market participants. Judgment is required to assess whether an instrument's market is illiquid or to identify model risk.

Over-the-counter instruments valued using models that are not widely available or are based on a significant proportion of unobservable inputs (level 3):

If the valuations obtained are not based on observable inputs or models recognised as market standards, the Bank considers the valuation obtained unobservable.

Breakdown by valuation method of financial instruments recognised at fair value

(in thousands of euros)	**December 31, 2018**	Fair value **Level 1**	Fair value **Level 2**	Fair value **Level 3**	January 1, 2018	December 31, 2017
Financial assets available for sale						**1,382,579**
Financial assets at fair value through other comprehensive income	**897,495**	**894,311**	**3,185**		**1,380,479**	
Government securities and similar instruments	*215,961*	*215,961*			*221,730*	*221,730*
Bonds and other fixed-income instruments	*678,350*	*678,350*			*1,156,274*	*1,156,274*
Equities and other variable-income securities	*3,185*		*3,185*		*2,475*	*4,575*
Derivatives used for hedging purposes	**53,163**		**53,163**		**147,086**	**147,086**
Financial assets at fair value through profit or loss	**8,805**	**8,216**	**589**		**28,986**	**26,886**
Total financial assets measured at fair value	**959,463**	**902,527**	**56,936**		**1,556,551**	**1,556,551**
Financial liabilities at fair value through profit or loss	**935,194**		**935,194**		**1,365,364**	**1,365,364**
Of which structured BMTNs	*914,424*		*914,424*		*1,360,951*	*1,360,951*
Derivatives used for hedging purposes	**120,416**		**120,416**		**98,960**	**98,960**
Total financial liabilities measured at fair value	**1,055,610**		**1,055,610**		**1,464,324**	**1,464,324**

NOTE 5 | Accounting treatment of other line items

NOTE 5.1 | Cash and balances at central banks

The cash and cash equivalents line includes cash in hand and demand deposits as well as short-term (less than three-month), highly liquid investments that are readily convertible to a known amount of cash and subject to negligible risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments.

They consist of demand accounts, overnight borrowings and loans, cash accounts and amounts held at central banks or in post office accounts.

NOTE 5.2 | Non-current assets

Buildings and equipment are stated in the balance sheet at their acquisition cost plus any associated implementation costs.

Property, plant and equipment are depreciated based on their likely useful life on a straight-line or, for certain IT equipment, reducing balance basis.

Software acquired or created is recognised as an intangible asset and amortised on a straight-line basis over its likely useful life.
In the software production phase, design and programming expenses, installation (delivery) expenses and acceptance (test set) expenses can be recorded as non-current assets. In the delivery phase, only expenses related to improvements (new functionalities) can be added as non-current assets during the software's life.

AXA Banque applies the following depreciation and amortisation periods:

- Software: 1 to 5 years,
- Buildings: 25 to 55 years,
- Office furniture, fixtures and fittings: 4 to 10 years,
- Computer hardware: 4 years.

Non-current assets are tested for impairment on evidence at the closing date that they may be impaired. If such evidence materialises, the asset's new recoverable amount is compared with its net carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the income statement.
This impairment loss is reversed in the event of a change in the recoverable amount or if there is no longer an indication of impairment.

NOTE 5.3 | Current and deferred taxes

The tax charge payable on profit is determined on the basis of the rules and rates in force for the period to which that profit relates.

Deferred taxes are recognised if temporary differences arise between the carrying amounts of assets and liabilities and their tax base values.

Deferred tax assets are recognised for all deductible temporary differences and tax loss carryforwards to the extent that it is probable that the entity in question will generate future taxable profits against which these temporary differences and tax losses can be offset.

Deferred tax assets and liabilities are measured using the liability method at the tax rate expected to apply to the period in which the asset is realised or the liability settled, based on the tax rates and laws that have been or will be adopted by the period's closing date. They are not discounted.

Deferred tax assets and liabilities are offset when they arise within the same tax entity and fall within the remit of the same tax authority, and the entity has a legal right to offset them.

Current and deferred taxes are recognised as tax income or expense in the income statement, except for those relating to unrealised gains and losses on available-for-sale assets and to changes in the value of derivative instruments designated as cash flow hedges, in respect of which deferred taxes are recognised in other comprehensive income.

When tax credits on income from receivables and securities are used to settle corporate income tax payable for the period, they are recognised under the same heading as the income to which they relate. The corresponding tax charge continues to be recognised in the income statement under "Corporate income tax".

AXA Banque is part of the tax consolidation group of its parent company AXA.

NOTE 5.4 | Employee benefits

The AXA Banque Group grants its employees various types of benefits classified into four categories in accordance with IAS 19:

Short-term benefits

Short-term benefits mainly comprise salaries, annual leave, incentive bonuses, profit-sharing and bonuses relating to the period and paid within 12 months of the year-end.

They are recognised as expenses for the year, including amounts outstanding at the end of the reporting period.

Long-term benefits

Long-term benefits are benefits generally linked to length of service that are paid to active employees at least 12 months after the end of the period under review. They notably comprise long-service award bonuses.

These commitments are subject to a provision corresponding to their value at the closing date. They are valued using the same actuarial method as that applied to post-employment benefits.

Termination benefits

Termination benefits correspond to the compensation paid to employees on termination of their employment contract prior to retirement, whether in the case of dismissal or under a voluntary redundancy plan. A provision is set aside for termination benefits. Amounts paid more than 12 months after the closing date are discounted.

Post-employment benefits

Post-employment benefits include amounts that will be paid to employees after their retirement date (severance pay, supplementary pensions and/or medical assistance).

These benefits can be divided into two categories: defined contribution plans (not representing a commitment for which the company must record a provision) and defined benefit plans (representing a commitment for the company that it must value and for which it must record a provision).

Defined contribution plans and defined benefit plans

Under defined contribution plans, the Group makes payments to a third party such as a pension fund that release it from any subsequent obligation and confer on said third party the responsibility for paying its employees the benefits owed to them. Accordingly, once the contributions have been paid, no liabilities are shown in the Group's financial statements except for any contributions still to be paid.

Defined benefit plans are characterised by the actuarial valuation of commitments on the basis of each plan's internal regulations. The present value of the employer's future benefits, or defined benefit obligation (DBO), is calculated each year using long-term projections of salary growth rates, inflation rates, mortality rates, staff turnover, remaining working life and annuity increases. The value recognised in the statement of financial position in respect of retirement benefit obligations corresponds to the difference between the DBO and the assets invested to cover the retirement benefits, plan by plan. The DBO is recognised as a liability and the assets are recognised at market value. Actuarial gains and losses arising from estimation differences and changes in actuarial assumptions are recognised in full in other comprehensive income in the period in which they occur.

The impact on profit or loss primarily relates to the current service cost (representing the increase in the actuarial liability for each additional year of service) and to the interest on the actuarial liability (representing the discounting cost over one year), less the expected return on plan assets (calculated using the discount rate). In accordance with the revised IAS 19, any costs related to changes in plans (such as liquidation or reduction of rights) or regulatory changes are taken directly to profit or loss in the year in which the changes occur.

Change in defined benefit obligation	2018	2017
DEFINED BENEFIT OBLIGATION AT DECEMBER 31, Y-1	**4,955**	**4,518**
Foreign exchange differences		
Current service cost	395	399
Financial cost	54	42
Contributions paid by employees		
Plan amendments and liquidations		
Change in scope		
Benefits paid (mandatory)	-68	-22
Actuarial gains/(losses)	-218	19
DEFINED BENEFIT OBLIGATION AT DECEMBER 31, Y	**5,118**	**4,955**

Expense recognised in profit or loss		
Current service cost	395	399
Financial cost	54	42
Expected return on assets	-42	-30
Amortisation of past service cost		
Net actuarial gains/(losses)	-11	-48
Amortisation of gains/(losses) arising from plan changes, reductions and liquidations		
Gains/(losses) due to change in asset limitation		
NET EXPENSE RECOGNISED IN THE INCOME STATEMENT	**396**	**362**

Change in the fair value of assets and repayment rights

FAIR VALUE OF ASSETS AND REPAYMENT RIGHTS AT DECEMBER 31, Y-1	**3,996**	**3,797**
Foreign exchange differences		
Expected return on assets	42	30
Actuarial gains/(losses)	72	169
Contributions paid by employer	163	
Contributions paid by employees		
Plan changes, reductions and liquidations		
Change in scope		
Benefits paid by the fund	-64	
FAIR VALUE OF ASSETS AND REPAYMENT RIGHTS AT DECEMBER 31, Y	**4,208**	**3,996**

Net position

Defined benefit obligation at the end of the period	5,118	4,955
Past service cost (plan changes) not recognised		
Impact of asset limitation		
Fair value of assets at end of period		
NET POSITION (LIABILITY)/ASSET AT END OF YEAR	**5,118**	**4,955**

Items recognised immediately in SoRIE and recorded in other comprehensive income

Actuarial gains and losses generated by post-employment benefit plans	-279	-123
Adjustments to the asset ceiling (including the impacts of IFRIC 14)		
TOTAL ITEMS IMMEDIATELY RECOGNISED IN SoRIE FOR THE YEAR	**-279**	**-123**
EXISTING ACTUARIAL GAINS AND LOSSES IN SoRIE AT THE END OF THE YEAR		

SoRIE = statement of recognised income and expense.

Information on plan assets	2018	2017
Composition of assets		
% bonds	73.72%	78.18%
% shares	10.13%	18.00%
% other assets	16.15%	3.83%

Defined benefit plans: main actuarial assumptions	2018	2017
Discount rate	1.30%-1.65%	1.05%-1.50%
Expected rate of return on plan assets and repayment rights	0.70%-1.10%	0.80%-1.10%
Actual rate of return on plan assets and repayment rights	2.25%-5.41%	3% - 9%
Expected rate of salary increases	2.50%	2.50%
Rate of change in medical costs		

NOTE 5.5 | Share-based compensation plans

AXA Banque has not implemented a stock option or free share plan on its own shares for the benefit of its employees.

AXA Banque has put in place a performance shares incentive plan.

NOTE 5.6 | Other provisions

The Group must record a provision if it has a current legal or constructive obligation resulting from a past event, it is probable that an outflow of resources will be required to settle said obligation and the obligation's amount can be reliably estimated.

Provisions are determined on the basis of the best estimate, at the closing date, of the expenditure required to settle the current obligation, discounted at the risk-free rate for long-term provisions if the impact is material.

The provisioning level for related suspense accounts stood at €471 thousand at December 31, 2018 and €682 thousand at December 31, 2017.

NOTE 5.7 | Interest income and expense

The "Interest income" and "Interest expense" accounts record interest on fixed-income securities classified as "Financial assets at fair value through other comprehensive income" and on loans, borrowings, receivables and payables with credit institutions and customers, at amortised cost.

They also record interest on hedging derivatives.

Income and expenses relating to financial instruments measured at amortised cost and fixed-income assets are recognised in the income statement using the effective interest rate method.

NOTE 5.8 | Commissions

The procedures for recognising commissions received relating to services or financial instruments depend on the purpose of the services provided and the method of accounting for the financial instruments to which they relate.

Commissions remunerating an immediate service are recognised as income upon the service's completion.

Commissions received in connection with the provision of ongoing services, such as guarantee fees and management fees, are spread *pro rata temporis* over the service's duration.

If deemed material, commissions that are an integral part of an instrument's effective yield, such as fees on financing commitments given or loan set-up fees, are recognised and amortised as an adjustment to the effective yield on the commitment or loan over its estimated life.

These commissions are therefore recorded under "Interest income" rather than "Commission income".

NOTE 5.9 | Net gain (loss) on financial instruments at fair value through profit or loss

This item records gains and losses on assets and liabilities at fair value through profit or loss, whether they qualify as transactions or by the fair value option. It therefore mainly includes changes in the fair value of derivatives not recognised as hedging instruments (excluding interest).

With the implementation of IFRS 9, this item also includes net gains and losses on financial instruments recognised at fair value through profit or loss due to their non-SPPI nature,

as well as changes in the fair value of derivatives recognised as fair value hedges, excluding interest.

NOTE 5.10 | Net gain (loss) on financial assets at fair value through other comprehensive income

The net gain or loss on financial assets at fair value through other comprehensive income mainly include gains and losses on the disposal of securities and impairment losses on variable-income securities. Impairment losses on fixed-income securities are recorded under the cost of risk.

NOTE 5.11 | Salary and employee benefit expenses

Salary and employee benefit expenses include salaries and wages as well as employee benefits.

(in thousands of euros)	**December 31, 2018**	December 31, 2017
Salaries and wages	26,237	24,577
Social security contributions	16,755	16,412
Incentive bonuses and profit-sharing	2,448	2,969
Taxes and duties on employee compensation	7,364	4,533
Total	**52,804**	**48,491**
Average number of employees - France	702	660

NOTE 5.12 | Cost of risk

Cost of risk comprises the recognition of credit risk as defined by IFRS 9, i.e. net additions to or reversals of provisions for the impairment of financial assets at amortised cost, financial assets at fair value through other comprehensive income and financing and guarantee commitments reported off-balance sheet in accordance with IFRS 9 provisioning criteria.

It also contains unhedged losses on irrecoverable loans net of recoveries thereon.

NOTE 5.13 | Cash flow statement

Cash and cash equivalents comprise the net balance of cash accounts and accounts with central banks, as well as the net balance of interbank demand loans and borrowings.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Group's operations, including cash flows related to investment property, held-to-maturity financial assets and negotiable debt securities.

Changes in cash and cash equivalents related to investing activities reflect cash flows related to acquisitions and disposals of subsidiaries, associates, consolidated joint ventures and fixed assets.

Changes in cash and cash equivalents related to financing activities reflect cash receipts and disbursements resulting from transactions with shareholders and cash flows related to subordinated debt, bonds and debt securities (excluding negotiable debt securities).

NOTE 6 | First-time application of IFRS 9

Effective January 1, 2018, IFRS 9 as adopted by the European Union on November 22, 2016 replaced IAS 39. In particular, it introduced:

- For financial assets, a new classification and measurement model based on the nature of the instrument and the business model that the entity follows;

- For financial liabilities designated at fair value through profit or loss, the obligation to record changes in the fair value of own credit risk under other comprehensive income;
- A single forward-looking impairment model for financial assets based on expected credit losses; and the provisioning of financing and guarantee commitments;
- A hedge accounting model that is more in line with risk management activities.

IFRS 9 accounting principles

Classification and measurement of financial assets and liabilities

IFRS 9 distinguishes between three categories of classification and measurement of financial instruments:

- Assets or liabilities measured at amortised cost;
- Financial assets and liabilities measured at fair value through profit or loss;
- Financial assets measured at fair value through other comprehensive income (OCI).

The classification of financial instruments in the various categories is based on the establishment of new classification criteria focusing on the characteristics of the instruments' contractual cash flows (SPPI) and the business model to which they belong.

The solely payments of principal and interest criterion assesses the characteristics of contractual cash flows corresponding solely to principal repayments and interest payments on the principal amount outstanding.

The business model represents how an entity collectively manages groups of financial assets in order to achieve a particular business objective, and is assessed using relevant information and observable facts.

Credit risk

The purpose of the new impairment model introduced by IFRS 9 is to replace IAS 39's incurred loss model with a single impairment model based on expected credit losses and to monitore the deterioration of the credit risk on eligible instruments since initial recognition.

This second phase of IFRS 9 is structured around three pillars:

- Extended scope / The scope of impairment applies to assets at amortised cost, assets measured at fair value through other comprehensive income and off-balance sheet financing commitments and financial guarantees,
- Expected losses / Provisions are calculated based on expected losses and no longer on incurred losses, leading to the recognition of impairment losses on performing loans from origination date,
- Provisioning stage / The monitoring of the relative deterioration in credit quality is based on a stage-by-stage approach (performing, significantly deteriorated, credit-impaired).

Hedging

IFRS 9 introduces a significantly reformed model for hedge accounting that requires additional information on risk management and brings the accounting treatment into alignment with this activity.

It represents four main areas for improvement:

- Widening of the eligibility rules for hedged instruments
- Widening of the eligibility rules for hedging instruments
- Loosening of the effectiveness criteria
- Strengthening of the level of information to be provided.

IFRS 9 does not deal with macro-hedging.

Transitional arrangements

The first-time application of IFRS 9 at January 1, 2018 is retrospective for the "classification and measurement" and "impairment" components.

Restatement of comparative financial years is optional when first applying the provisions relating to phases 1 and 2 of IFRS 9. The Group has accordingly chosen not to restate comparative data from previous years, recognising the impacts of first-time application either in reserves at the beginning of the first financial year of adoption or in other comprehensive income.

As a reminder, AXA Banque opted for early application, at January 1, 2017, of the provisions relating to the recognition of solely the impacts of own credit risk under other comprehensive income for financial liabilities accounted for using the fair value through profit or loss option, i.e. its structured BMTNs.

Lastly, as the application of phase 3 "Hedging" is still optional, AXA Banque continued to apply IAS 39 in 2018, providing information on hedging in the notes.

Impacts on impairment and provisions

The extension of the scope of assets subject to impairment and the expected loss model implemented by IFRS 9 led to the recognition of additional impairment provisions compared with the IAS 39 provisions,

with an increase from €83 million to €97 million.

	IAS 39	IFRS 9
Deposit account sight deposits	7,994	8,876
Consumer loans	71,043	81,070
Mortgage loans	3,381	4,654
Lombard loans	432	1,123
Off-balance sheet commitments		1,108
Total	**82,849**	**96,831**

Impact on the balance sheet

Reconciliation of the IAS 39 and IFRS 9 balance sheets

		Reclassifications	Restatements			
Assets at December 31, 2017 (in thousands of euros)	**IAS 39 net carrying amount**	**Reclassifications - gross amounts**	**Restatements relating to reclassifications**	**Restatements relating to impairment**	**IFRS 9 net carrying amount**	**Assets at January 1, 2018 (in thousands of euros)**
Cash and balances at central banks	184,539				184,539	Cash and balances at central banks
Financial assets at fair value through profit or loss	26,886	2,100			28,986	Financial assets at fair value through profit or loss
Derivatives used for hedging purposes	147,086				147,086	Derivatives used for hedging purposes
Financial assets available for sale	1,382,579	-1,382,579				
		1,380,479			1,380,479	Financial assets at fair value through other comprehensive income
Loans and advances to credit institutions	616,368				616,368	Loans and advances to credit institutions, at amortised cost
Loans and advances to customers	8,174,550			-12,873	8,161,677	Loans and advances to customers, at amortised cost
Remeasurement adjustment on interest-rate risk hedged portfolios	82,403				82,403	Remeasurement adjustment on interest-rate risk hedged portfolios
Current and deferred tax assets	21,161			3,718	24,879	Current and deferred tax assets
Accrued income and other assets	80,552			904	81,456	Accrued income and other assets
Property, plant and equipment	790				790	Property, plant and equipment
Intangible assets	16,080				16,080	Intangible assets
Total assets	**10,732,992**	**0**	**0**	**-8,251**	**10,724,741**	**Total assets**

		Reclassifications	Restatements			
Liabilities at December 31, 2017 (in thousands of euros)	**IAS 39 net carrying amount**	**Reclassifications - gross amounts**	**Restatements - gross amounts**	**Restatements relating to impairment**	**IFRS 9 net carrying amount**	**Liabilities at January 1, 2018 (in thousands of euros)**
Financial liabilities at fair value through profit or loss	1,365,364				1,365,364	Financial liabilities at fair value through profit or loss
Derivatives used for hedging purposes	98,960				98,960	Derivatives used for hedging purposes
Deposits from credit institutions	1,168,169				1,168,169	Financial liabilities at amortised cost - from credit institutions
Deposits from customers	4,540,736				4,540,736	Financial liabilities at amortised cost - from customers
Debt securities	2,898,047				2,898,047	Financial liabilities at amortised cost - debt securities
Remeasurement adjustment on interest-rate risk hedged portfolios	-4,569				-4,569	Remeasurement adjustment on interest-rate risk hedged portfolios
Current and deferred tax liabilities	31,191			55	31,245	Current and deferred tax liabilities
Accrued expenses and other liabilities	208,029				208,029	Accrued expenses and other liabilities
Provisions	7,761				7,761	Provisions
				1,108	1,108	Provisions for off-balance sheet commitments
Grants	9,226				9,226	Grants
Subordinated debt	48,505				48,505	Subordinated debt
Total liabilities	**10,371,418**	**0**	**0**	**1,163**	**10,372,581**	**Total liabilities**
Equity						**Equity**
Net income for the year – Group share	-19,574				-19,574	Net consolidated income – Group share
Share capital and reserves	353,869				345,177	Share capital and reserves
- of which available-for-sale reserve	*16,176*	*-1,361*		*146*	*14,962*	*- of which other comprehensive income reserve*
- of which retained earnings	*16,976*	*1,361*		*-8,838*	*8,776*	*- of which retained earnings*
Total Group share	**334,295**	**0**		**-8,692**	**325,603**	**Total – Group share**
Minority interests	27,279			-723	26,557	Minority interests
Total minority interests	**27,279**			**-723**	**26,557**	**Total – minority interests**
Total consolidated equity	**361,574**	**0**	**0**	**-9,414**	**352,160**	**Total consolidated equity**
Total liabilities and equity	**10,732,992**	**0**	**0**	**-8,251**	**10,724,741**	**Total liabilities and equity**

Reclassifications

The application of IFRS 9 results in the disappearance of the "Available-for-sale financial assets" (AFS) and "Held-to-maturity financial assets" categories.

AXA Banque did not hold any financial instruments classified as "Held-to-maturity financial assets".

Securities that were previously classified as AFS have been reclassified to the new IFRS 9 categories based on the characteristics of their contractual cash flows (SPPI or not) and their business model (HTC, HTCS or other).

At December 31, 2017, these AFS instruments comprised debt securities of €1,381 million and equity securities of €2 million.

- The portfolio of debt securities acquired by AXA Banque is made up of standard, publicly available bonds with a minimum rating, issued by governments, public and similar bodies, and private companies, all of which comply with the SPPI criterion. The main purpose of holding these bonds is to ensure AXA Banque's operational liquidity and compliance with the related regulatory ratios. The Bank's objective in holding these securities is therefore not necessarily to hold them until maturity, but to ensure that it has a large enough portfolio to meet its prudential requirements and internal operational liquidity needs, which may lead to the sale of bonds before their contractual maturity.
- AXA Banque has reclassified its equity portfolio (€2 million) by default at fair value through profit or loss. It eschewed the option of measuring equities at fair value through other comprehensive income without subsequent reclassification to profit or loss.

The portfolio of financial assets measured at amortised cost under IFRS 9 is made up of loans and advances to credit institutions and customers. None of these loans or advances were reclassified at fair value through profit or loss due to the non-SPPI nature of their contractual cash flows.

On the liability side, AXA Banque's entire portfolio continues to be valued at amortised cost as it was under IAS 39, the only exception being structured BMTNs, which are measured at fair value through profit or loss by election. Own issuer risk is included in gains and losses recognised in other comprehensive income, without subsequent reclassification to profit or loss. This provision was applied early at January 1, 2017, with a positive cumulative difference of €3.3 million at December 31, 2017.

Value adjustments

The reclassifications described above did not result in value adjustments.

However, the new impairment model adjusted the net amount of financial assets by increasing provisions by €12,873 million, and also adjusted the amount of deferred tax assets and liabilities.

NOTE 7 | Notes to the balance sheet

NOTE 7.1 | Cash and balances at central banks

	December 31, 2018		January 1, 2018	
(in thousands of euros)	**ASSETS**	**LIABILITIES**	ASSETS	LIABILITIES
Cash	2,391		3,132	
Balances at central banks	575,532		181,407	
Total	**577,923**		**184,539**	

NOTE 7.2 | Financial assets and liabilities measured at fair value through profit or loss

	December 31, 2018		January 1, 2018	
(in thousands of euros)	**ASSETS**	**LIABILITIES**	ASSETS	LIABILITIES
Financial instruments held for trading	6,350	20,770	26,886	4,413
Financial instruments measured at fair value through profit or loss by requirement	2,455		2,100	
Financial instruments measured at fair value through profit or loss by election		914,424		1,360,951
Total	**8,805**	**935,194**	**28,986**	**1,365,364**

7.2.1 | Financial assets at fair value through profit or loss

(in thousands of euros)	**December 31, 2018**	January 1, 2018
Financial instruments held for trading	6,350	26,886
Financial instruments measured at fair value through profit or loss by election		
Financial instruments measured at fair value through profit or loss by requirement	2,455	2,100
- Equity securities	*2,455*	2,100
Total	**8,805**	**28,986**

7.2.2 | Financial liabilities at fair value through profit or loss

(in thousands of euros)	**December 31, 2018**	January 1, 2018
Financial instruments held for trading	20,770	4,413
Financial instruments measured at fair value through profit or loss by election	914,424	1,360,951
- Structured BMTNs	*914,424*	1,360,951
Total	**935,194**	**1,365,364**

7.2.3 | Financial liabilities at fair value through profit or loss by election (data at December 31, 2018)

(in thousands of euros)	Carrying amount	Unrealised gains and losses under the fair value option	Market value	Difference due to credit risk
Structured BMTNs	914,424	22,033	-1,926	-23,959

NOTE 7.3 | Financial assets and liabilities measured at fair value through other comprehensive income (FVOCI)

	December 31, 2018		January 1, 2018	
(in thousands of euros)	Carrying amount	Of which net gain (loss) recognised in other comprehensive income	Carrying amount	Of which net gains and losses recognised in other comprehensive income
Financial assets measured at FVOCI that may be subsequently reclassified	897,495	15,061	1,380,479	24,756
Government securities and similar instruments	215,961	9,920	221,730	12,722
Bonds and other fixed-income securities	678,350	5,140	1,156,274	12,034
Equities and other variable-income securities	3,185		2,475	
Of which credit institutions	*2*		*2*	
Of which non-financial companies	*94*		*16*	
Of which government bodies	*327*		*327*	
Financial assets measured at FVOCI that may not be subsequently reclassified				
Total assets at FVOCI	**897,495**	**15,061**	**1,380,479**	**24,756**
Gains and losses on financial assets at FVOCI recognised in other comprehensive income (net of corporate income tax)		**10,968**		**17,471**

NOTE 7.4 | Loans and receivables at amortised cost

Note 7.4.1 | Loans and advances to credit institutions and similar

(in thousands of euros)	December 31, 2018	January 1, 2018
Accounts and loans	681,790	601,201
Of which deposit accounts	*204,028*	*147,383*
Of which term accounts and loans	*477,763*	*453,818*
Investments in non-consolidated companies		
Securities received under repurchase agreements		
Subordinated loans	11,678	11,678
Securities not listed on an active market		
Other loans and receivables		
Accrued interest	3,637	3,489
Gross value	**697,105**	**616,368**
Impairment		
Net value of loans and advances to credit institutions and similar	**697,105**	**616,368**

Note 7.4.2 | Loans and advances to customers

(in thousands of euros)	Performing loans	Gross non-performing loans	Gross loans and advances December 31, 2018	Impairment	Net loans and advances December 31, 2018
Deposit account debit amounts	20,276	9,011	29,287	16,140	13,147
Other customer loans	9,613,897	118,504	9,732,401	61,434	9,670,967
Of which restructured loans	26,642	9,227	35,869	249	35,620
Unallocated assets	22,145		22,145		22,145
Accrued interest	15,872	19	15,891		15,891
Total loans and advances	**9,672,190**	**127,534**	**9,799,725**	**77,573**	**9,722,151**

(in thousands of euros)	Performing loans	Gross non-performing loans	Gross loans and advances January 1, 2018	Impairment	Net loans and advances January 1, 2018
Deposit account debit amounts	22,322	9,900	32,222	8,917	23,305
Other customer loans	8,048,355	134,334	8,182,689	87,083	8,095,606
Of which restructured loans					
Unallocated assets	29,951		29,951		29,951
Accrued interest	12,788	20	12,808		12,808
Total loans and advances	**8,113,416**	**144,254**	**8,257,670**	**96,000**	**8,161,670**

NOTE 7.5 | Impairment provisions on financial assets

(in thousands of euros)	December 31, 2017	January 1, 2018	Additions	Reversals	Other	December 31, 2018
Loans and advances to customers, at amortised cost	83,120	95,993	3,420	21,840		77,573
Other customer loans	74,867	86,857	2,274	19,646		69,485
Deposit account debit amounts	8,034	8,917	1,083	2,160		7,840
Restructured loans (CRC 2002-03)	220	220	64	34		249
Financial assets measured at fair value through other comprehensive income						
Total	**83,120**	**95,993**	**3,420**	**21,840**		77,573

NOTE 7.6 | Financial liabilities at amortised cost

(in thousands of euros)		December 31, 2018	January 1, 2018
Deposits from credit institutions	7.6.1	1,196,577	1,168,169
Deposits from customers	7.6.2	5,224,470	4,540,736
Debt securities	7.6.3	4,116,272	2,898,047
Carrying amount		**10,537,319**	**8,606,952**

7.6.1 | Deposits from credit institutions

(in thousands of euros)	December 31, 2018	January 1, 2018
Accounts and borrowings	775,080	1,176,838
- of which demand loans	3,765	115,714
- of which term loans	771,315	1,061,124
Securities sold under repurchase agreements	431,404	
Accrued interest	-9,907	-8,670
Total	**1,196,577**	**1,168,169**

7.6.2 | Deposits from customers

(in thousands of euros)	December 31, 2018	January 1, 2018
Deposit account credit amounts	1,272,406	1,129,030
Regulated accounts (1)	2,261,842	2,178,055
Term deposits from customers	1,654,662	1,189,368
Other deposits from customers	767	765
Unallocated assets and other amounts due	24,767	35,169
Accrued interest	10,026	8,349
Total	**5,224,470**	**4,540,736**

(1) Savings accounts and regulated accounts

(in thousands of euros)	December 31, 2018	January 1, 2018
Passbook deposit accounts	1,562,711	1,518,807
Passbook accounts for young people	8,057	7,818
LDD	139,768	130,350
Livret A	364,398	329,735
Home savings accounts (CEL)	16,090	15,589
Home savings plans (PEL)	140,634	133,061
PEA cash accounts	30,184	42,695
Accrued interest	312	311
Total	**2,262,154**	**2,178,365**

7.6.3 | Debt securities

(in thousands of euros)	December 31, 2018	January 1, 2018
Certificates of deposit		
Interbank market securities	500,000	970,000
Negotiable debt securities	3,612,900	1,920,200
Bonds		
Other debt securities		
Accrued interest	3,372	7,847
Total	**4,116,272**	**2,898,047**

NOTE 7.7 | Subordinated debt

(in thousands of euros)	December 31, 2018	January 1, 2018
Fixed-term subordinated debt	30,000	
Undated subordinated debt	48,500	48,500
Mutual guarantee deposits		
Participating securities and loans		
Accrued interest	16	5
Total	**78,516**	**48,505**

NOTE 7.8 | Transactions with subsidiaries and associates

(in thousands of euros)	Transactions with subsidiaries and associates	Other transactions	December 31, 2018
RECEIVABLES			
Deposits from credit institutions		697,105	697,105
Demand		*204,051*	*204,051*
Term		*481,320*	*481,320*
Subordinated loans		*11,734*	*11,734*
Customer loans and advances		9,722,151	9,722,151
Bonds and other securities	4,881	892,615	897,495
Total uses of funds	**4,881**	**12,008 976**	**12,013,857**
PAYABLES			
Amounts owed to credit institutions		1,196,577	1,196,577
Demand		*3,765*	*3,765*
Term		*1,192,812*	*1,192,812*
Amounts owed to customers		5,224,470	5,224,470
Debt securities	753,560	3,362,712	4,116,272
Subordinated debt	78,516		78,516
Total sources of funds	**832,076**	**10,980,336**	**11,812,411**

(in thousands of euros)	Transactions with subsidiaries and associates	Other transactions	January 1, 2018
RECEIVABLES			
Deposits from credit institutions		616,368	616,368
Demand		*147,285*	*147,285*
Term		*457,400*	*457,400*
Subordinated loans		*11,682*	*11,682*
Customer loans and advances		8,161,677	8,161,677
Bonds and other securities	900,015	480,464	1,380 479
Total uses of funds	**900,015**	**9,258,509**	**10,158,524**
PAYABLES			
Amounts owed to credit institutions		1,168,169	1,168,169
Demand		*698*	*698*
Term		*1,161,471*	*1,161,471*
Amounts owed to customers		4,540,736	4,540,736
Debt securities	1,054,539	1,843,508	2,898,047
Subordinated debt	48,505		48,505
Total sources of funds	**1,103,044**	**7,552,413**	**8,655,457**

NOTE 7.9 | Current and deferred tax assets and liabilities

	December 31, 2018		January 1, 2018	
(in thousands of euros)	**ASSETS**	**LIABILITIES**	ASSETS	LIABILITIES
Current taxes				
Deferred taxes recoverable in more or less than one year	21,919	32,286	*24,879*	*3,145*
Of which through profit or loss	*21,735*	*21,496*	*24,678*	*2,589*
Of which through OCI	*184*	*10,790*	*201*	*5,856*
Total	**21,919**	**32,286**	**24,879**	**31,245**

NOTE 7.10 | Accrued income and other assets

(in thousands of euros)	December 31, 2018	January 1, 2018
Other assets	**162,091**	**63,253**
Guarantee deposits paid	149,606	50,826
Tax and social security receivables	3,505	2,228
Customer loans and advances	2,900	4,377
PEL home savings plan premiums to be received	687	729
Other miscellaneous debtors	1,186	1,098
Employee benefits – separated assets	4,208	3,996
Accrued income and prepaid expenses	**16,448**	**18,203**
Accrued income	14,878	15,634
Prepaid expenses	30	823
Other accruals	1,452	1,635
Of which cash and cheques pending collection	*181*	*255*
Of which credit to be allocated		
Capital in excess of nominal value	88	112
Total	**178,539**	**81,456**

NOTE 7.11 | Accrued expenses and other liabilities

(in thousands of euros)	December 31, 2018	January 1, 2018
Other liabilities	**47,775**	**128,974**
Guarantee deposits received	15,065	105,049
Trade payables	12,952	7,441
Tax and social security liabilities	6,841	5,991
Insurance premiums collected	3,137	2,435
Deposits from customers		
Securities settlement accounts	5,980	5,980
Other miscellaneous creditors	3,801	2,078
Accrued expenses and deferred income	**78,523**	**79,055**
Accrued expenses	73,533	77,018
Deferred income	2,454	1,278
Other accruals	2,535	759
Of which cheques and bills received for payment		
Total	**126,297**	**208,029**

NOTE 7.12 | Non-current assets

(in thousands of euros)	Gross value December 31, 2017	Acquisitions	Disposals	Transfers	Gross value December 31, 2018	Depreciation, amortisation, and impairment	Net value December 31, 2018	Net value December 31, 2017
Intangible assets	**47,936**	**6,325**			**54,262**	**35,463**	**18,799**	**16,080**
Of which assets under construction	*9,789*	*6,009*		*-12,985*	*2,813*		*2,813*	
Property, plant and equipment	**14,425**	**2,288**			**16,714**	**14,292**	**2,422**	**790**
Of which assets under construction								
Total non-current assets	**62,362**	**8,614**			**70,975**	**49,754**	**21,221**	**16,869**

NOTE 7.13 | Provisions for risks and charges

(in thousands of euros)	December 31, 2017	January 1, 2018	Scope changes	Additions	Reversals	Translation adjustments	Other movements	December 31, 2018
Customer risk	2,005	2,005		135	504			1,636
Deferred taxes								
Operational risks	801	801		578	766			613
Employee benefit obligations (pensions) and similar	4,955	4,955		376	6		-55	5,270
Miscellaneous disputes								
Other risks								
Provisions for off-balance sheet commitments		1,108		45	26			1,127
TOTAL	**7,761**	**8,869**		**1,133**	**1,301**		**-55**	**8,646**

NOTE 7.14 | Grants

(in thousands of euros)	December 31, 2017	Increase	Decrease	Other movements	December 31, 2018
Grants*	9,226		2,920		6,306
TOTAL	9,226		**2,920**		6,306

(*) Expected interest rate differential on the TLTRO II programme (-0.40% expected versus 0.00% at inception) to be spread from January 1, 2018 to December 31, 2021

NOTE 7.15 | Forward financial instruments

NOTE 7.15.1 | Forward financial instruments – forward transactions

	OECD credit institutions			
	Over-the-counter notional amount		Fair value	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Macro-hedging interest rate swaps	4,845,000	4,130,000	-104,258	-63,376
Total return swaps	916,350	1,222,850		
Total forward transactions	**5,761,350**	**5,352,850**	**-104,258**	**-63,376**

	Over-the-counter notional amount by residual term		
	< 1 year	1 to 5 years	More than 5 years
Macro-hedging interest rate swaps	20,000	1,450,000	3,375,000
Total return swaps		226,250	690,100
Total forward transactions	**20,000**	**1,676,250**	**4,065,100**

Note 7.15.2 | Forward financial instruments – options

	OECD credit institutions			
	Over-the-counter notional amount		Fair value	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Swaptions	700,000	200,000	-810	33
Total options transactions	**700,000**	**200,000**	**-810**	**33**

	Over-the-counter notional amount by residual term		
	< 1 year	1 to 5 years	More than 5 years
Swaptions	600,000	100,000	
Total options transactions	**600,000**	**100,000**	

NOTE 8 | Notes to the income statement

NOTE 8.1 | Interest income and expense (interest margin)

(in thousands of euros)	December 31, 2018 INCOME	December 31, 2018 EXPENSE	December 31, 2017 INCOME	December 31, 2017 EXPENSE
Financial assets and liabilities at amortised cost				
Transactions with credit institutions	7,829	761	7,488	1,411
Transactions with customers	168,676	13,524	158,811	12,604
Subordinated debt		664		385
Debt securities	759	10,781		
Financial assets available for sale			13,930	17,370
Financial assets at fair value through other comprehensive income	33,925	1,309		
Financial assets and liabilities at fair value through profit or loss	-14,278	44,163		
Other interest and similar income and expenses			7,732	35,894
Total	**196,910**	**71,202**	**187,961**	**67,664**

Pro forma 2017 data is shown in yellow to reflect a change in the presentation of business providers' fees, fractional termination payments on swaps and fair value changes (ex coupon), which does not impact revenues for the financial year but does change the allocation between interest margin and commissions.

NOTE 8.2 | Commissions

(in thousands of euros)	December 31, 2018 INCOME	December 31, 2018 EXPENSE	December 31, 2018 NET	December 31, 2017 INCOME	December 31, 2017 EXPENSE	December 31, 2017 NET
On transactions with credit institutions	530	830	-300		772	-772
On transactions with customers	17,106	7,999	9,107	20,397	5,690	14,707
On transactions in derivatives and other securities	0	8,706	-8,706		6,942	-6,942
On means of payment and other banking and financial services	42,606	21,259	21,348	42,719	26,389	16,330
Net commission income	**60,242**	**38,794**	**21,448**	**63,117**	**39,793**	**23,324**
Of which financial instruments not measured at fair value through profit or loss	*60,242*	*30,144*	*30,098*			

Pro forma 2017 data is shown in yellow to reflect a change in the presentation of business providers' fees, fractional termination payments on swaps and fair value changes (ex coupon), which does not impact revenues for the financial year but does change the allocation between interest margin and commissions.

NOTE 8.3 | Net gain (loss) on financial instruments at fair value through profit or loss

(in thousands of euros)	December 31, 2018			December 31, 2017		
	Unrealised gains or losses	**Gains or losses on disposals**	**TOTAL**	Unrealised gains or losses	Gains or losses on disposals	TOTAL
Income (loss) from foreign exchange transactions	114		114	123		123
Financial liabilities at fair value through profit or loss by requirement	**-123,896**	**-8,009**	**-131,905**	**17,391**	**-21,783**	**-4,392**
Derivatives held for trading						
Derivatives used for hedging purposes	-124,251	-8,009	-132,260	17,391	-21,783	-4,392
Equity instruments	355		355			
Financial liabilities at fair value through profit or loss by election*	**111,400**	**982**	**112,382**	**-9,828**	**-1,927**	**-11,755**
Structured BMTNs	111,400	982	112,382	-9,828	-1,927	-11,755
Total income (loss) on financial instruments at fair value through profit or loss	**-12,382**	**-7,027**	**-19,409**	**7,686**	**-23,710**	**-16,024**
**Of which own credit risk in OCI reserve*	28,627			0		

NOTE 8.4 | Net gain (loss) on financial assets at fair value through other comprehensive income

(in thousands of euros)	December 31, 2018		December 31, 2017
	Net gain (loss) recognised in OCI reserve	**Net gain (loss) recognised in P&L reserve**	Net gain (loss) recognised in P&L reserve
Dividends received	8	0	16
Unrealised gains or losses on financial assets at fair value through other comprehensive income	-232		
Gains or losses realised on disposals of financial assets at fair value through other comprehensive income			
Gains and losses realised on disposals of available-for-sale financial assets			-646
Gains or losses on financial assets at fair value through other comprehensive income	**-224**	**0**	**-630**

NOTE 8.5 | Breakdown of fair value of hedging derivatives

	December 31, 2018			December 31, 2017		
(in thousands of euros)	**Gains**	**Losses**	**Net**	Gains	Losses	Net
Changes in underlying of hedging derivatives	35,125	4,729	30,396	3,399	53,220	-49,821
Changes in fair value of hedging derivatives	2,028	35,792	-33,764	59,350	4,218	55,132
Of which ineffectiveness	*303*		*303*	*4,464*	*3,866*	*598*
Of which time effect		*3,065*	*-3,065*	*314*	*3,782*	*-3,468*
Result of hedge accounting	**37,153**	**40,521**	**-3,368**	**62,749**	**57,438**	**5,312**

NOTE 8.6 | Result of other activities

	December 31, 2018		December 31, 2017	
(in thousands of euros)	**Income**	**Expense**	Income	Expense
Share of profits or losses from joint ventures	-1,351	1,826		2,807
Grants				
Ancillary activities				
Spreading of business providers' fees				
Contributions to the deposit guarantee fund		1,752		815
Miscellaneous banking operations	1,967	1,828	1,537	1,695
Total	**616**	**5,405**	**1,537**	**5,318**

NOTE 8.7 | Operating expenses

(in thousands of euros)	**December 31, 2018**	December 31, 2017
Staff expenses	52,804	48,491
Taxes and duties	-51	306
External services and other operating expenses	74,234	74,650
Total	**126,987**	**123,448**

(in thousands of euros)	**December 31, 2018**	December 31, 2017
Salaries and wages	26,237	24,577
Social security contributions	16,755	16,412
Incentive bonuses and profit-sharing	2,448	2,969
Taxes and duties on employee compensation	7,364	4,533
Total	**52,804**	**48,491**
Average number of employees - France	*702*	*660*

NOTE 8.8 | Depreciation, amortisation, and impairments on non-current assets

(in thousands of euros)	December 31, 2018	December 31, 2017
Property, plant and equipment	657	805
Intangible assets	3,605	3,052
Total	**4,262**	**3,857**

NOTE 8.9 | Cost of risk

(in thousands of euros)	Additions	Reversals	Losses on provisioned receivables	Losses on unprovisioned receivables	Recovery of written-off receivables	December 31, 2018
Financial assets at amortised cost	-7,289	25,674	-28,377	-1,403	3,378	-8,017
Financial assets at fair value through other comprehensive income	-964	1,281				317
Financing and guarantee commitments		-20				-20
Total	**-8,253**	**26,935**	**-28,377**	**-1,403**	**3,378**	**-7,721**

(in thousands of euros)	Additions	Reversals	Losses on provisioned receivables	Losses on unprovisioned receivables	Recovery of written-off receivables	December 31, 2017
Transactions with customers	-4,425	3,796	-7,762	-903	481	-8,814
Transactions related to risks and charges	-1,560	1,416				-144
Total	**-5,985**	**5,212**	**-7,762**	**-903**	**481**	**-8,957**

NOTE 8.10 | Tax

(in thousands of euros)	December 31, 2018	December 31, 2017
Current tax charge	-1,441	-2,491
Deferred tax charge	1,480	-2,276
Tax charge for the period	**39**	**-4,766**

NOTE 8.11 | Reconciliation of the theoretical tax rate with the effective tax rate

(in thousands of euros)	December 31, 2018			December 31, 2017		
	Base	Tax rate	Tax	Base	Tax rate	Tax
Income before tax, goodwill impairment and income (loss) of associates	-16,140	34.43%	5,557	-13,061	34.43%	4,497
Impact of permanent differences		-4.05%	-653		-1.15%	-150
Impact of share-based compensation		0.13%	21		0.84%	109
Impact of losses for the year, use of tax loss carryforwards and temporary differences		-52.08%	-8,406		-101.62%	-13,273
Tax credits		2.17%	351		3.42%	447
Non-taxable financial income		-0.01%	-1		-1.61%	-210
Impact of other items		19.64%	3,170		29.20%	3,814
Effective tax rate and charge			**39**			**-4,766**

NOTE 8.12 | Commitments given and received

Commitments given (in thousands of euros)	December 31, 2018	December 31, 2017
Commitments given by the banking business line		
Financing commitments	1,377,318	757,158
Of which impaired financing commitments	42	52
Guarantee commitments	130,973	135,383
Commitments on securities		
Commitments given by the insurance business line		
Other commitments given		

Commitments received (in thousands of euros)	December 31, 2018	December 31, 2017
Commitments received by the banking business line		
Financing commitments *(1)*	50,813	355,695
Guarantee commitments *(2)*	4,022,451	4,555,335
Commitments on securities		
Commitments received by the insurance business line		
Other commitments received		

Commitments on forward financial instruments (in thousands of euros)	December 31, 2018	December 31, 2017
Commitments on forward financial instruments		
Transactions on interest rate instruments	5,545 000	4,130 000
Transactions on foreign exchange rate instruments		
Transactions on other instruments	916,350	1,122 850

AXA Banque

Rapport des commissaires aux comptes sur les comptes consolidés

Exercice clos le 31 décembre 2018

PricewaterhouseCoopers Audit
63 rue de Villiers
92200 Neuilly-Sur-Seine

MAZARS
61 rue Henri Regnault
92075 Paris-La-Defense Cedex

Rapport des commissaires aux comptes sur les comptes consolidés

Exercice clos le 31 décembre 2018

A l'assemblée générale de la société
AXA Banque
203-205 rue Carnot
94138 Fontenay Sous Bois Cedex

Opinion

En exécution de la mission qui nous a été confiée par votre assemblée générale, nous avons effectué l'audit des comptes consolidés de la société AXA Banque relatifs à l'exercice clos le 31 décembre 2018, tels qu'ils sont joints au présent rapport.

Nous certifions que les comptes consolidés sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine, à la fin de l'exercice, de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

L'opinion formulée ci-dessus est cohérente avec le contenu de notre rapport au comité des comptes.

Fondement de l'opinion

Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des commissaires aux comptes relatives à l'audit des comptes consolidés » du présent rapport.

Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance qui nous sont applicables, sur la période du 1er janvier 2018 à la date d'émission de notre rapport, et notamment nous n'avons pas fourni de services interdits par l'article 5, paragraphe 1, du règlement (UE) n° 537/2014 ou par le Code de déontologie de la profession de commissaire aux comptes.

Par ailleurs, les services autres que la certification des comptes que nous avons fournis au cours de l'exercice à votre société et aux entités qu'elle contrôle sont les suivants :

- intervention dans le cadre des vérifications de la première application de la norme comptable internationale IFRS 9 - Instruments financiers.

Observation

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur les changements de méthode comptable relatifs à la première application des normes IFRS 9 sur les instruments financiers, exposés dans les notes 1, 4 et 6 de l'annexe aux comptes consolidés.

Justification des appréciations - Points clés de l'audit

En application des dispositions des articles L.823-9 et R.823-7 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les points clés de l'audit relatifs aux risques d'anomalies significatives qui, selon notre jugement professionnel, ont été les plus importants pour l'audit des comptes consolidés de l'exercice, ainsi que les réponses que nous avons apportées face à ces risques.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes consolidés pris dans leur ensemble et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes consolidés pris isolément.

Première application de la norme IFRS 9 sur les instruments financiers

Risque identifié

Au 1er janvier 2018, le groupe AXA Banque a appliqué la norme IFRS 9 (phase 1 et 2) en remplacement de la norme IAS 39 relative aux instruments financiers dans ses comptes consolidés.
Cette norme introduit des modifications significatives dans les règles de classement et d'évaluation (phase 1) ainsi que de dépréciation des actifs financiers (phase 2).

Les impacts de la première application de ce changement de norme ont été enregistrés au niveau des capitaux propres consolidés d'ouverture du groupe et s'élèvent à 14 M€ en brut (9,6 M€ net d'impôts différés), tels qu'indiqués dans les notes 1, 4 et 6, de l'annexe aux comptes consolidés.

Nous avons considéré que ce changement de norme constitue un risque significatif s'agissant du premier exercice d'application d'IFRS 9, au vu de l'importance de l'information financière publiée et des estimations nécessitant l'exercice du jugement de la Direction dans les hypothèses retenues.

Notre approche d'audit

Dans le cadre de la mise en place de la norme IFRS 9 au sein du Groupe AXA Banque, nous avons :

- examiné et apprécié la gouvernance du projet IFRS 9 ;

Phase 1 – Classement et Evaluation

- apprécié le dispositif de contrôle mis en place au sein du groupe AXA Banque ;
- examiné les analyses réalisées et les principes comptables définis par le Groupe et leur déclinaison au niveau des principaux métiers ;
- vérifié, sur base d'échantillons de contrats, l'analyse des flux de trésorerie contractuels qui conditionne le classement des actifs financiers titres de dette ;
- apprécié les modèles de gestion des actifs financiers.

Phase 2 – Dépréciation des actifs financiers

- apprécié et revu les principes méthodologiques sur la dépréciations des actifs du Groupe AXA Banque ;

- apprécié et testé la pertinence des hypothèses des modèles de dépréciation, les options normatives retenues et les traitements spécifiques sur certaines expositions, en particulier sur :
  - la définition et mesure de la dégradation significative du risque de crédit et au classement des encours en strates 1,2 et 3,
  - le calibrage des paramètres clés dans le calcul des pertes attendues à 12 mois et à maturité (Probabilité de défaut, perte en cas de défaut, exposition en date de défaut),
  - les paramètres retenus dans la prise en compte de scenarii prospectifs ;
- pris connaissance du processus d'évaluation de ces dépréciations et du dispositif de contrôle interne l'encadrant et revu l'implémentation du moteur de calcul des provisions IFRS 9.

Nous avons par ailleurs apprécié le caractère approprié des informations publiées en annexe relatives aux impacts de première application d'IFRS 9.

Risque de crédit – dépréciation sur encours de crédit

Risque identifié : Risque de crédit –dépréciation individuelle et collective

Dans le cadre de ses activités de prêts à la clientèle, AXA Banque estime, à chaque clôture, les risques de pertes sur son portefeuille et comptabilise, le cas échéant, des dépréciations à ce titre, comme indiqué dans les notes 4, 6, 7.4, 7.5, 7.13 et 8.9 des annexes aux comptes consolidés.

Ces dépréciations peuvent être déterminées sur base collective (strate 1 et 2) ou individuelle (strate 3) et constituent une estimation significative pour l'établissement des comptes et font appel au jugement de la direction.

Depuis le 1er janvier 2018, la détermination des dépréciations sur base collective repose désormais sur la base d'un modèle en pertes attendues sur l'encours et les engagements sains signés via des facteurs de conversion. Cette méthode repose sur une classification des actifs en catégories distinctes (ou « strates ») selon l'évolution, dès l'origine, du risque de crédit attaché à l'actif :

- Strate 1 : regroupe les actifs « sains » et n'ayant pas subi de dégradation du risque de contrepartie depuis leur mise en place. Le mode de calcul de la dépréciation est basé sur les pertes attendues sur un horizon de 12 mois ;
- Strate 2 : regroupe les actifs sains pour lesquels une augmentation significative du risque de crédit a été observée depuis la comptabilisation initiale. Le mode de calcul de la dépréciation est basé statistiquement sur les pertes attendues sur un horizon à maturité ;
- Le strate 3 regroupe les dépréciations pour pertes avérées calculées sur base individuelle ou statistique.

La note 7.4 fait état d'un total de dépréciations au titre du risque de crédit de 77,6 M€.

Nous avons considéré la détermination des dépréciations des encours de crédit comme un point clé de l'audit en raison :

- du risque d'incidence matérielle sur les résultats de la banque,
- de la complexité de l'estimation des hypothèses des modèles de dépréciation retenus, y compris la valeur des garanties associées,
- de la sensibilité des paramètres de calcul aux hypothèses retenues par la Direction.

Notre approche d'audit

Dans le cadre de notre appréciation des estimations significatives retenues pour l'arrêté des comptes, nous avons en examiné le dispositif de contrôle relatif au suivi des risques de non recouvrement.

Nous avons testé la conception et l'efficacité opérationnelle des contrôles clés relatifs à ce dispositif.

Nous avons réalisé des entretiens avec la Direction des Risques et le Contrôle Comptable et avons procédé à des revues analytiques (notamment du coût du risque).

Pour les dépréciations des encours sains et dégradés, et les dépréciations des encours douteux nous avons effectué une revue critique de la documentation mise à disposition pour justifier la méthodologie utilisée, apprécié le caractère raisonnable des principaux paramètres retenus et nous nous sommes assurés du correct déversement des dépréciations dans le système d'information comptable.

Pour les dépréciations des encours douteux, nous avons revu les décisions prises en comités contentieux et avons procédé à une revue ciblée de dossiers de crédit contentieux et revu la valorisation des garanties éventuelles. Nous nous sommes assurés, au moyen de sondages sur des dossiers de crédit, de l'adéquation de la dépréciation comptabilisée eu égard aux prévisions de flux de trésorerie futurs estimés par la banque.

Nous avons apprécié le caractère raisonnable des estimations réalisées et rapproché les données de la Direction des risques avec les données de gestion et les données comptables.

Nous avons enfin apprécié le caractère approprié des informations publiées en annexe.

Vérifications spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, à la vérification spécifique prévue par la loi des informations relatives au groupe, données dans le rapport de gestion du directoire.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

Informations résultant d'autres obligations légales et réglementaires

Désignation des commissaires aux comptes

Nos deux cabinets, PricewaterhouseCoopers Audit et Mazars ont été nommés commissaires aux comptes de la société AXA Banque par l'Assemblée Générale du 15 mai 2007.

Au 31 décembre 2018, les deux cabinets étaient dans leur 12ème année de mission sans interruption.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes consolidés

Il appartient à la direction d'établir des comptes consolidés présentant une image fidèle conformément au référentiel IFRS tel qu'adopté dans l'Union européenne ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes consolidés ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes consolidés, il incombe à la direction d'évaluer la capacité de la société à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider la société ou de cesser son activité.

Il incombe au comité des comptes de suivre le processus d'élaboration de l'information financière et de suivre l'efficacité des systèmes de contrôle interne et de gestion des risques, ainsi que le cas échéant de l'audit interne, en ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Les comptes consolidés ont été arrêtés par le directoire.

Responsabilités des commissaires aux comptes relatives à l'audit des comptes consolidés

Objectif et démarche d'audit

Il nous appartient d'établir un rapport sur les comptes consolidés. Notre objectif est d'obtenir l'assurance raisonnable que les comptes consolidés pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L.823-10-1 du Code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion de votre société.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit.

En outre :

- il identifie et évalue les risques que les comptes consolidés comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;

- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;

- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes consolidés ;

- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de la société à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes consolidés au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;

- il apprécie la présentation d'ensemble des comptes consolidés et évalue si les comptes consolidés reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle ;

- concernant l'information financière des personnes ou entités comprises dans le périmètre de consolidation, il collecte des éléments qu'il estime suffisants et appropriés pour exprimer une opinion sur les comptes consolidés. Il est responsable de la direction, de la supervision et de la réalisation de l'audit des comptes consolidés ainsi que de l'opinion exprimée sur ces comptes.

Rapport au comité des comptes

Nous remettons un rapport au comité des comptes qui présente notamment l'étendue des travaux d'audit et le programme de travail mis en œuvre, ainsi que les conclusions découlant de nos travaux. Nous portons également à sa connaissance, le cas échéant, les faiblesses significatives du contrôle interne que nous avons identifiées pour ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Parmi les éléments communiqués dans le rapport au comité des comptes, figurent les risques d'anomalies significatives que nous jugeons avoir été les plus importants pour l'audit des comptes consolidés de l'exercice et qui constituent de ce fait les points clés de l'audit. Ces points sont décrits dans le présent rapport.

Nous fournissons également au comité des comptes la déclaration prévue par l'article 6 du règlement (UE) n° 537-2014 confirmant notre indépendance, au sens des règles applicables en France telles qu'elles sont fixées notamment par les articles L.822-10 à L.822-14 du Code de commerce et dans le Code de déontologie de la profession de commissaire aux comptes. Le cas échéant, nous nous entretenons avec le comité des comptes des risques pesant sur notre indépendance et des mesures de sauvegarde appliquées.

Fait à Neuilly-Sur-Seine et Paris, le 9 mai 2019

Les commissaires aux comptes

PricewaterhouseCoopers Audit	MAZARS
Frank Vanhal	Pierre Masieri

4

FINANCIAL MANAGEMENT, RISK EXPOSURE AND HEDGING POLICIES

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FINANCIAL MANAGEMENT, RISK EXPOSURE AND HEDGING POLICIES

General principles

Credit risk is incurred when a counterparty is unable to meet its obligations and these obligations have a positive inventory value in the bank's books. Credit risk is monitored for each asset class, each of which is subject to a commitment policy, delegations of commitment authority, a margin policy, a credit risk measurement and monitoring system, operational management processes and provisioning for impaired assets.

The risk policy is defined by the Risk, Control & Compliance Department, which is also responsible for level II control. The Business Divisions are responsible for implementing this policy, in terms of both commitment and level I control. Lastly, the multi-year audit plan of the Internal Audit Department, which is responsible for periodic control and reports directly to the chairman of AXA Banque's Management Board, ensures the consistency and effectiveness of the system.

Transaction selection process

The review of applications and the approval decision are the sole responsibility of the Bank. They are based on the commitment policies for each product and defined according to the following criteria: product characteristics (purpose, borrower, amount, term, pricing, early repayment terms, release of funds, monthly instalments, guarantees, insurance, etc.), acceptance criteria, preparation of the application presented for review, accepted supporting documents, operating procedures and handling of anomalies.

Acceptance criteria include the following: characteristics of the loan (purpose, amount and term of financing), mandatory querying of Banque de France files, potential use of scoring (depending on the products and customer profile), characteristics of the borrower, financial situation and creditworthiness, whether or not income and/or assets are deposited at AXA Bank, the customer's overall situation at the bank, quality and weighting of security interests, insurance.
The grant procedures include all the following phases: set-up of the application, data entry, review/analysis, decision by the bank, set-up of security interests for certain types of commitments, release of funds for loans, collection of funds for deposit accounts.
AXA Banque has a tool that allows it to view all the day-to-day banking, savings and loan products of each customer. A decision-schema is implemented in this tool , for applications on deposit accounts, personal loans and revolving loans. It relies on answer from Banque de France, filters, and the result of a potential scoring (depending on the product and customer profile). An aggregated advice is given with three colors: green (favourable opinion), orange (further study needed), red (defavourable opinion).

The commitment decision is based on the following: aggregate approval opinion, compliance with acceptance criteria, completeness of the application and compliance with limits and delegations.

After receiving training in AXA Banque’s processes (including risks and compliance awareness), authorised business introducers who are Intermediaries in Banking Transactions and Payment Services have, in their data entry tool, the decision-schema described above in order to improve the setup of customer applications and give them the ability to submit to the Bank, in real time, acceptance of requests to apply for deposit accounts, personal loans and revolving loans. This ability to send a request for acceptance to the Bank, via the data entry tool, is based on the profiles of the business introducer and the customer, the product, the aggregate approval opinion and the total outstanding amount of the customer's loans.

With regard to real estate and lombard loans, the decision is taken by experts at the bank based on the data entered, the supporting documents received and other information collected (e.g. files), in accordance with the Bank's approval rules and delegations of commitment authority.

Lastly, the internal delegation process is based on the principle of segregation of duties and on compliance with the organisation in place and established limits. This separation of powers is reflected in separate hierarchical lines. Each delegation indicates the activity concerned, the function and level of responsibility, the limits of delegated powers for each transaction category and the types of signatures required. The delegation book is reviewed annually and approved by the executive body before being distributed to the various departments.

Risk measurement and monitoring processes

Limits have been set for commitments relating to authorised overdrafts, consumer loans, real estate loans and lombard loans, within the framework of the binding limits set by the decision-making bodies of AXA Banque SA and AXA Banque Financement SA. They take into account, in particular, the amount of the transaction or the total funds committed to each recipient and any security interests provided; they also set the signature rule (single or double) and determine whether a prior opinion or approval – or, for the largest commitments, a decision regarding the information to be provided – needs to be obtained from one of the two dedicated commitments committees–.

Decisions regarding the investment of AXA Banque's cash surpluses with banking, corporate or sovereign counterparties are governed by an investment policy based on principles of diversification of risks, countries, business sectors and rating constraints. The transaction selection process is reviewed and updated regularly and key decisions are submitted to the members of the executive body for approval.

Breaches and associated procedures

The aim of the permanent control system is to check compliance with the decentralised approval rules and work levels given to the network using samples of applications. Level I controls have been reinforced by incorporating applications subject to specific procedures or pilots into the monthly control plan.

The results of the controls are reported to the managers of the operational teams and to the Risk, Control & Compliance Department.

The business managers are responsible for taking the necessary operational measures based on the nature, volume and consequences of any anomalies detected. Breaches of limits and/or credit risk sensitive exposures are reported to the Head of Risk, Control & Compliance and the Head of Finance & Legal Affairs and, if necessary, to the Management Committee and the Management Board. The reporting includes recommendations aimed at strengthening risk control.

Analysis of the quality of commitments

The quality of commitments, as well as changes in the prospect of recovery and risk levels, are analysed monthly based on quantitative indicators set throughout the processing chain. These indicators are used to monitor both production quality (early risk indicators and rejection rate, in particular) and changes in the portfolio (monthly assessment of the portfolio of accounts and loans with daily downgrading/reclassifications in case of new or resolved incidents, monitoring of the coverage level, breakdown of overdue flows, monitoring of the performance of out-of-court and litigation recovery processes, etc.). In addition, changes are analysed and discussed at the various committee meetings and, more specifically, at each quarterly Credit Risk Committee meeting.

In financial activities, changes in the external ratings of issuers of securities in the portfolio or counterparties of hedging derivatives are monitored daily through electronic alerts received from a financial information provider based on the counterparties reported by AXA Banque. Financial Management transactions are monitored on a weekly basis and summary reports are produced on a monthly basis.

For commercial activities, the quality of commitments is measured by early risk indicators (proportion of rapidly deteriorating loans) broken down by purpose, type of customer, distribution network and business introducers. These trends are confirmed at 12 months by risk at maturity indicators (cost of risk at maturity on financed amount). In parallel to this, the decentralised commitment control and agent production monitoring reports have been expanded.

In this same area, regular monthly meetings attended by certain operational teams of the Bank (including the commitment and collection functions) as well as the teams in charge of "Risks" and "Controls" are also held to review rapidly deteriorating loans that have become overdue (non-technical) within the six months following financing and, where applicable, to analyse instances of fraud.

More generally, outstanding loans and counterparties are monitored via the monthly Credit & Financial Risk Management Report, a monthly summary prepared for the executive body, quarterly presentations to the ALM Committee and the Credit Risk Committee and regular presentations to the decision-making bodies of both entities.

From an operational standpoint, monthly business committee meetings dedicated to each product area, in which the support and cross-company functions also participate, are an opportunity to monitor business, regulatory and IT projects, thereby ensuring information sharing and collaborative decision-making. Lastly, the performance of litigation recovery activities on current accounts and consumer credit areas is also the subject of quarterly committee meetings with the partners to which the management of bad and doubtful debts has been outsourced.

Breakdown of commitments by risk level

Under the IFRS 9 provisioning rules, AXA Banque classifies its customers by risk level determined on the basis of a 12-month probability of default derived from internal models. The notion of modelled default corresponds to standard default, which takes into account the latest Basel Committee guidelines on the definition of default applicable in 2021.

The rating system involves a scale of risk classes from one to eight for non-defaulting customers, whereby efforts are made to achieve the best possible homogeneity within a class and the best possible discrimination between classes, with class 4 having an average probability close to the overall default rate (“PD”) of the portfolio.

	December 31, 2018			December 31, 2017		
Class	NUMBER	SHARE	AVERAGE PD	NUMBER	SHARE	AVERAGE PD
1	152,520	35%	0.1%	147,874	33%	0.1%
2	109,791	25%	0.3%	116,922	26%	0.3%
3	57,420	13%	0.7%	55,316	12%	0.7%
4	30,924	7%	1.2%	35,605	8%	1.3%
5	37,661	9%	2.7%	39,098	9%	2.7%
6	12,140	3%	4.7%	13,972	3%	4.7%
7	11,612	3%	10.2%	12,999	3%	10.5%
8	7,015	2%	25.1%	8,126	2%	25.6%
DEFAULT	18,785	4%	100.0%	22,735	5%	100.0%
TOTAL	**437,868**	**100%**	**1.3%**	**452,647**	**100%**	**1.4%**

The quality of the customer portfolio was stable between the two reporting dates (December 31, 2018 vs. December 31, 2017):

- The overall probability of default of the portfolio is 1.3%;
- The probabilities of default within the homogeneous risk classes are comparable;
- The volume of customers by risk class is similar, with a significant decrease in the number of customers in default (-4,000) following the assignment of receivables in 2018 of some bad and doubtful consumer loans (resulting in derecognition of the receivables).

The estimated probability at customer level is reflected in each of the contracts held, which enables outstanding loans to be classified by product line:

	CURRENT ACCOUNTS		
Class	NUMBER	OUTSTANDINGS	SHARE
1	117,451	€746m	62%
2	68,568	€250m	21%
3	40,788	€90m	8%
4	19,891	€26m	2%
5	27,946	€45m	4%
6	9,563	€1m	2%
7	7,369	€1m	0%
8	3,778	-€1m	0%
DEFAULT	5,720	-€8m	1%
TOTAL	**301,074**	**€1,150m**	**100%**

Deposit account outstandings are mainly classified in the best risk levels: more than 80% are in the best risk classes (1 and 2). Outstanding in default represented only 1% of total outstanding. The average probability of default of the portfolio is 1.3%, comparable to the average for the customer portfolio.

	REAL ESTATE LOANS		
Class	NUMBER	OUTSTANDINGS	SHARE
1	15,864	€2,445m	41%
2	10,537	€1,680m	28%
3	5,161	€767m	13%
4	2,274	€373m	6%
5	3,306	€539m	9%
6	482	€79m	1%
7	267	€42m	1%
8	77	€13m	0%
DEFAULT	230	€32m	1%
TOTAL	**38,198**	**€5,969m**	**100%**

	LOMBARD LOANS		
Class	NUMBER	OUTSTANDINGS	SHARE
1	1,185	€1,047m	34%
2	356	€718m	23%
3	227	€34m	1%
4	59	€43m	1%
5	576	€1,187m	38%
6	17	€21m	1%
7	27	€51m	2%
8	-	€0m	0%
DEFAULT	-	€0m	0%
TOTAL	**2,447**	**€3,102m**	**100%**

Both real estate and lombard loans follow the same trend, with outstandings concentrated in the best risk classes (69% and 57% respectively) and few defaults (1% and 0% respectively). The average probabilities are 0.7% for real estate loans and 1.4% for lombard loans.

	REVOLVING CREDIT		
Class	NUMBER	OUTSTANDINGS	SHARE
1	1,241	€1m	2%
2	7,734	€4m	7%
3	2,471	€7m	13%
4	1,504	€3m	5%
5	3,340	€13m	24%
6	640	€2m	3%
7	1,478	€3m	6%
8	1,989	€6m	11%
DEFAULT	3,670	€16m	29%
TOTAL	**24,067**	**€54m**	**100%**

	PERSONAL LOANS		
Class	NUMBER	OUTSTANDINGS	SHARE
1	24,960	€197m	26%
2	19,746	€163m	22%
3	12,186	€104m	14%
4	9,092	€78m	10%
5	7,715	€66m	9%
6	3,123	€24m	3%
7	3,489	€22m	3%
8	2,989	€20m	3%
DEFAULT	9,008	€72m	10%
TOTAL	**92,308**	**€746m**	**100%**

Within consumer credit, a distinction is made between personal loans, which make up the bulk of outstandings (93%), and revolving credit (7%). For revolving credit, the share of outstandings in the best risk classes is 9% (and 29% in default) compared with 48% in the best classes for personal loans (and 10% in default). The average probabilities are 2.2% for revolving credit and 1.6% for personal loans.

Capital management and capital requirement

The amendment to IAS 1 adopted by the European Union on 11 January 2006 provides for disclosures on capital and capital management.

The purpose of the amendment is to provide the reader with information about the issuer's capital management objectives, policies and procedures. In this regard, qualitative and quantitative information is required in the notes, particularly: summary quantitative data on items managed as capital, a description of any externally imposed capital requirements to which the company is subject (for example, due to regulatory obligations), an indication of whether or not it complies with the regulatory requirements and, in case of non-compliance, an indication of the resulting consequences.

In accordance with the prudential banking regulations that transpose the European directive on the "capital adequacy of investment firms and credit institutions" and financial conglomerates into French law, AXA Banque is subject to compliance with the solvency ratio and the ratios relating to liquidity, risk diversification and balance sheet equilibrium.

The group's capital is managed in such a way as to comply with the prudential capital levels prescribed by the regulations in force and required by the ACPR (French Prudential Supervisory and Resolution Authority) in order to cover weighted risks in respect of credit risk, operational risk and market risk.

The decree of 26 June 2013 transposes the European Capital Requirements Directive (CRD IV) into French law. The text defines the new "capital requirements applicable to credit institutions and investment firms" and the methods for calculating the solvency ratio.

In accordance with these provisions, AXA Banque has incorporated the impacts of the transition to CRD IV into the management of its capital and risk.

Capital is divided into two categories:

- Core capital (Tier 1) determined on the basis of the group's equity and restated for intangible assets and the impacts of changes in own credit risk (OCR);
- Additional capital (Tier 2), consisting mainly of subordinated debt.

ICAAP / Internal capital for credit and concentration risks

Under Pillar 2, a calculation of the economic capital requirement for credit/counterparty risk, for commercial and financial activities, was performed based on an (unapproved) methodology that incorporates the main regulatory provisions of the Basel III Advanced Approach. The estimated internal capital is ultimately lower than the regulatory capital reported under Pillar 1, which is calculated using the more conservative standardised approach and does not take all collateral into account.

Concentration risk was estimated for financial activities and for lombard loans granted to customers. It was quantified using a methodology based on a portfolio concentration indicator and the average probability of default of these two portfolios. Overall, the estimated internal capital at December 31, 2018 under the ICAAP process for AXA Banque on a consolidated basis (including interest-rate, liquidity, operational, residual and compliance risk) is lower than the €320 million regulatory capital requirement reported via COREP (reported CET1 ratio of 9.62% under Pillar 1 and reported Tier 1 ratio of 9.70%; reported Tier 1 + Tier 2 ratio of 11.62%). As AXA Banque has €501 million in capital (under IFRS, including €415 million in Tier 1 – CET1), it appears to be sufficiently capitalised with respect to the various risks generated by its activities.

Level of prudential capital calculated in accordance with regulations

(in € millions)	**December 31, 2018**	December 31, 2017
Common Equity Tier 1 (CET 1) capital	415	361
Tier 1 capital	418	361
Total regulatory capital (Tier 1 + Tier 2)	**501**	**412**

Solvency ratio

Regulation (EU) No. 575/2013 sets a minimum capital ratio of 8%, including a CET1 ratio of 4.5% and a conservation buffer of 1.88%. The latter was impacted by additional capital requirements, made up of a "capital buffer", which changed the CET1 to 6.38% and the overall ratio to 9.88% at December 31, 2018.

The numerator consists of prudential capital. The denominator of the solvency ratio is the sum of credit risk, counterparty risk and operational risk, expressed in terms of weighted exposures for credit risk.

(in € millions)	**December 31, 2018**	December 31, 2017
Prudential capital	**501**	**412**
Of which CET1	415	361
Of which AT1	3	
Of which Tier 2 - subordinated debt	79	49
Weighted risks	**4,310**	**4,004**
Credit and counterparty risk	4,071	3,747
Operational risk	239	257

Overall ratio	**11.62%**	**10.32%**
Of which Core Equity Tier 1 ratio	**9.62%**	**9.05%**

Leverage

The Basel III framework introduced a non-risk based leverage ratio that is calibrated to supplement the risk-based capital requirements. This ratio is equal to the capital measure (the numerator) divided by the exposure measure (the denominator) and is expressed as a percentage. A bank's total exposure is the sum of its on-balance sheet exposures, derivative exposures, exposures on temporary disposals of securities and off-balance sheet exposures.

(in € millions)	**December 31, 2018**	December 31, 2017
CET 1 capital	415	362
Leverage ratio exposures	13,972	11,340
Leverage ratio	**2.99%**	**3.19%**

Concentration risk

At December 31, 2018, AXA Banque reported 6 major risks for large counterparties, with a main gross exposure of €488 million to the AXA group, and 12 major risks for lombard loans, the main gross exposure of which amounted to €116 million (compliance with regulatory limit of 25% of capital).

The total outstanding from the 12 recipients reported as major risks for lombard loans was €813 million (€604 million for the 11 recipients reported in 2017).

In terms of concentration for large counterparties, financial transactions are carried out with counterparties based in the main countries of the European Economic Area (96%), the United States (1.5%) and Canada (1.6%). The three main sectors are: national or supranational entities (35%), bonds (20%) (indirect exposure to the real estate market since all investments made concern securities backed by real estate underlyings) and the banking sector (13%). All these counterparties have good credit quality and are rated A+ on average and BBB at a minimum. They therefore rank as investment grade. In addition, the bank mainly focuses its investments on securities accepted as collateral by the European Central Bank, particularly for refinancing purposes.

Outstanding consumer loans consist of a large number of loans in a small unit amount (<1% of loans with total exposure greater than €40,000) with similar characteristics. Concentration of the activity is monitored monthly via a density indicator. It remains relatively low, with 10% of customers carrying the main commitments representing 35% of balance sheet outstandings at 31/12/2018 (-1 point compared with 2017). All financing requests in an amount of more than €75,000 require approval by the Commitments Committee.

With regard to the real estate loan activity, concentration is relatively low, with 10% of customers carrying the main commitments representing 27% of balance sheet outstandings at 31/12/2018 (stable relative to 2017). The outstanding amount owed by the top 20 recipients is €31 million (i.e. 0.5% of outstanding loans), with the top recipient's exposure at €2.3 million.

With regard to the lombard loan activity, the procedure for periodically monitoring concentration risk was reinforced, based on an analysis of the structure of the loans and on the commitments consolidated by group of recipients. The Herfindhal-Hirschmann concentration index (which is based on the number of counterparties in the portfolio and individual exposure) is used to monitor the concentration of the portfolio on a quarterly basis, and shows stability over the past year (lombard portfolio "equivalent" to 99 counterparties at end-2018 versus 102 in 2017, 95 in 2016, 92 in 2015 and 72 in 2014).

Credit and counterparty risk

Use of credit risk mitigation techniques

AXA Banque uses traditional techniques for credit risk mitigation, including personal guarantees and collateral.

Business in secured personal loans and revolving loans backed by life insurance policies is being managed on a run-off basis within AXA Banque Financement; at December 31, 2018, secured loans totalled less than €1 million.

More than 90% of the real estate loan portfolio is secured by Crédit Logement ("Aa3" Moody's ratings at December 31, 2018, with a stable outlook). A first mortgage, a lender's lien (PPD) and, in some cases, life insurance policies are routinely required for loans not secured by Crédit Logement.

The majority of lombard loans are backed by AXA life insurance policies: 16% of loans are fully collateralised by AXA life insurance and 58% have a combined guarantee that includes an AXA life insurance policy. An over-collateralisation mechanism, which varies according to the risk profile of the underlying asset (unit-linked products, UCITS, listed or unlisted securities, REIT units, etc.), is used to absorb any market fluctuations. Mortgages on loans with underlying real estate assets, pledges of securities and guarantees provided by legal or natural persons may also be used as security in addition to life insurance policies. In addition, certain bank or fiscal guarantees may also be covered by a pledge of French treasury bonds (OAT) or by a bank deposit.

The volume of loans with under-coverage remains marginal: 12 recipients at December 31, 2018, with outstandings of €21 million and total insufficient coverage of €0.2 million. Similarly, updated monitoring by type of security reveals comfortable coverage rates (median rate of 164%) between the updated amount of the security interests (i.e. €4.8 billion) and outstanding loans (i.e. €2.9 billion), making it possible to absorb any decreases in value on the financial and real estate markets.

Cost of credit risk 2018

The cost of credit risk, which negatively impacted AXA Banque's income, amounted to -€8.7 million in 2018, stable compared with 2017 (-€8.8 million). The consumer credit business is still predominant in the cost of risk (63% in 2018).

The cost of risk on deposit accounts was -€2.2 million, stable relative to 2017 (-€2.1 million). Against a backdrop of strong Account activity (12% increase in account openings) and with new business in 2018 focused on acquiring new customers (60% of openings), operational defaults involving the issuance of formal notice to the account holder trended upwards (+14%). Operational performance remained stable, with 35% of outstandings not recovered at the end of two months of management (i.e. 90 days over the authorised limit). The action plans implemented in 2018 helped to significantly reduce exposure to default: the average amount transferred to bad and doubtful debts was €1,000 (-23% vs. 2017), thereby offsetting the increase in the volume of new defaults (+20% vs. 2017). Exposure to external fraud at the time of new client take-on represented nearly 20% of the cost of risk (€0.4 million), i.e. a level comparable to 2017. Lastly, the updating of provisioning

rates was somewhat unfavourable (€0.2 million increase in the cost of risk) due to less favourable reports on collections via legal recovery, while the assignment of receivables completed in 2018 had a positive impact of €0.7 million on the cost of risk.

The cost of risk on consumer credit was -€6.4 million, down 14% compared with 2017. The cost of risk rate on outstanding loans (12 consecutive months), excluding one-off items, was 0.76% for personal loans (82% of the cost of risk) and 2.35% for revolving credit (18%). Loan production quality improved, with early risk (6 months after approval) down 19% compared with 2017; the production mix remained focused on AXA policyholders, who accounted for 79% of loans approved in 2018. Operational default on "loans with two overdue payments" was down 16% compared with 2017, but transfers to bad and doubtful debts increased (+11%), reflecting operational difficulties. Loans eligible for excessive debt relief continued to decline (-13% compared with 2017) and the new legislative provisions had no impact on the volumes of deposits or trends towards the Personal Recovery Procedure. The level of external fraud remained limited (13 loans, €0.3 million), i.e. 0.1% of new business. Lastly, the impact of updating the provisioning rates was neutral (< €0.1 million).

The Cost of Risk on Real Estate Loans was €1 million, down 16% compared with 2017. The risk rate on outstanding loans (12 consecutive months) remained stable at around 0.02%, stood at 0.2% for loans with mortgage guarantees and less than 0.01% for secured loans. The share of outstanding loans managed through an out-of-court recovery process was 0.4% (156 loans), stable compared with 2017 (0.4%, 119 loans). The share of outstanding loans managed through a litigation recovery process was 0.2% (45 loans), stable compared with 2017 (0.1%, 46 loans). The number of loans transferred to bad and doubtful debts declined over the year, with 18 new loans (versus 26 in 2017).

The cost of risk on lombard loans was null (< €0.1 million) given that these loans are routinely backed by financial and real estate assets and personal guarantees. The share of outstanding loans managed through an out-of-court recovery process was 5%, i.e. €137 million, of which €122 million related to loans with only one overdue payment (bullet loans due at December 31). The share of outstanding loans managed through a litigation recovery process was 1%, i.e. €46 million, with no additions in 2018.

The cost of credit risk therefore remained under control and has been on a downward trend for six years. The strong growth in real estate and lombard loans was accompanied by an improvement in guarantees with a very low cost of risk. The enhanced monitoring of coverage of lombard and real estate loans and the results of the stress tests conducted point to a satisfactory margin. Consumer credit risk is moderate given that it is mainly distributed among AXA customers, with a stable share of prospective customers (around 10%). Management of overdrawn deposit accounts continued in 2018 in order to support the Bank's development while controlling risks. Finally, the fraud prevention system remains effective and helps to limit the impact of fraud on the cost of risk.

Tables of figures

Maximum exposure to credit risk

(in thousands of euros)	**December 31, 2018**	December 31, 2017

Cash and balances at central banks	577,923	184,539
Financial assets at fair value through profit or loss	8,761	26,886
Hedging derivatives	53,163	147,086
Financial assets at fair value through equity	897,539	
Available-for-sale financial assets		1,382,579
Loans and advances to credit institutions and similar at amortised cost	697,105	616,368
Loans and advances to customers and similar at amortised cost	9,722,151	8,174,550
Remeasurement adjustment on interest-rate risk hedged portfolios	109,544	82,403
Accrued income and other assets	178,539	80,552
Exposure of balance sheet commitments (net of impairment)	**12,244,726**	**10,694,962**
Financing commitments given (excluding bad debt)	1,377,276	757,105
Financial guarantee commitments given (excluding bad debt)	130,973	135,383
Financial instruments - nominal value of swaps	0	0
Off-balance sheet commitments	**1,508,249**	**892,489**
Total exposures	**13,752,975**	**11,587,451**

Amounts due to customers by economic agent

	December 31, 2018	December 31, 2017
Central banks		
Central governments		2
Credit institutions		
Financial and non-financial companies	1,827,869	1,336,624
Large enterprises		
Retail customers	3,887,063	3,227,825
Total	**5,714,932**	**4,564,449**

Concentration of credit activity by geographic region

Most transactions were carried out with counterparties residing in mainland France (99%) and in other Eurozone countries.

Derivatives transactions – Counterparty risk

(in thousands of euros)	December 31, 2018	December 31, 2017

	Market value	Potential credit risk	Total counterparty risk	Market value	Potential credit risk	Total counterparty risk
Risks on OECD governments and central banks and similar entities						
Risks on OECD financial institutions and similar entities	44,144	79,906	124,050	68,943	94,071	163,014
Risks on other counterparties						
Total	**44,144**	**79,906**	**124,050**	**68,943**	**94,071**	**163,014**
Risks on:						
- Interest rate, exchange rate and commodities contracts	26,908	24,925	51,833	39,547	20,700	60,247
- Equity and index derivatives	19,836	54,981	74,817	46,440	73,371	119,811
- Credit derivatives						
Total	**46,744**	**79,906**	**126,650**	**85,987**	**94,071**	**180,058**
Impact of netting and collateralisation agreements	37,801	43,792	81,592	55,148	52,323	107,471
Total after effects of netting and collateralisation agreements	**6,344**	**36,114**	**42,458**	**13,795**	**41,748**	**55,543**

Market risk

AXA Banque does not have a trading book and is therefore not subject to market risk in this respect.

Interest rate risk

Interest rate risk is managed by the ALM department, which reports to the Finance Department, and is subject to a measurement and monitoring system. The various indicators are calculated by the Finance Department, which provides a report on this monitoring to the ALM Committee every two months. They are then checked by the Risk, Control & Compliance Department.

The following indicators are used:

- Static and dynamic fixed interest rate gap for AXA Bank
- Measurement of the sensitivity of the balance sheet value and the net interest margin according to the eight Basel scenarios, in accordance with the recommendations of the regulator. The sensitivity of the balance sheet value and the net interest margin is measured using standardised scenarios to reproduce both extreme and realistic shifts in the yield curve.

For each ALM Committee meeting, the ALM department ensures that the interest rate risk on the balance sheet value to which AXA Bank is exposed remains below the limit specified by the Supervisory Board, i.e. 20% of its Tier 1 + Tier 2 regulatory capital. Alert thresholds have also been set up for the ALM Committee and the Supervisory Board (15% of Tier 1 capital).

The main risk factor to which AXA Bank is subject is repricing risk on its liabilities (volume and maturity discrepancy between fixed-rate sources and uses). Basis risk is considered immaterial while option risk via early repayments and renegotiations was considered significant given the low interest rate environment that continued throughout 2017.

AXA Banque's consolidated limits and uses at the end of 2018 are shown below.

Sensitivity of the balance sheet value (NPV) and net interest margin to the regulatory stress scenarios:

	Limite (M€)
Outlier Réglementaire (15% FP T1)	11
Limite Interne (20% des FP T1 + T2)	14,4
Seuil d'alerte CS (15% FP T1)	11

As at 31/12/2017
Post-shock

	Parallel Down	Parallel Up	Short rate Down	Short rate Up	Long rate Down	Long rate Up	Rotation 1	Rotation 2
Risque de Taux Global (m€)	+ 5,7	- 5,1	+ 2,3	- 2,2	+ 1,8	- 1,8	- 0,1	- 0,7
dt Court Terme :]jj-2y]	-0,1	0,1	-0,2	0,2	0,0	0,0	-0,2	0,2
dt Moyen Terme :]2y-7y]	5,4	-4,9	2,5	-2,4	1,5	-1,6	0,2	-1,0
dt Long Terme :]7y-20y]	0,4	-0,4	0,1	-0,1	0,2	-0,2	-0,1	0,0
dt Long Terme : >20y	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
% des FP Tier1	+ 7,9%	- 7,1%	+ 3,2%	- 3,1%	+ 2,5%	- 2,4%	- 0,2%	- 1,0%
Impact en MNI (à 1an)	+ 1,6	- 1,6	+ 1,7	- 1,7	+ 0,1	- 0,1	+ 1,0	- 1,3
% des FP Tier1	+ 2,3%	- 2,3%	+ 2,4%	- 2,4%	+ 0,2%	- 0,2%	+ 1,4%	- 1,8%

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INDIVIDUAL FINANCIAL STATEMENTS

Balance sheet – Assets

(in thousands of euros)	Note	December 31, 2018	December 31, 2017
Cash and balances at central banks		577,923	184,539
Government securities and similar instruments	8	1,226,488	199,996
Loans and advances to credit institutions	3	1,299,327	1,137,860
Customer transactions	3	8,984,803	7,385,607
Bonds and other fixed-income securities	8	688,174	1,643,286
Equities and other variable-income securities	8	183	183
Investments in affiliates	8	44,168	44,167
Equity interests and other long-term investments	8	3,211	2,501
Finance leases and leasing with purchase option			
Operating leases			
Intangible assets	9	18,799	16,080
Property, plant and equipment	9	2,422	790
Subscribed capital unpaid	15		
Treasury shares			
Trading and settlement accounts			
Other assets	10	156,397	58,128
Accrued income and other assets	11	20,010	21,981
Contingent instruments	16	318	310
Total assets		**13,022,224**	**10,695,427**

Balance sheet – Liabilities

(in thousands of euros)	Note	December 31, 2018	December 31, 2017
Due to central banks			
Amounts due to credit institutions	3	1,209,505	4,548,717
Amounts due to customers	3	5,238,551	4,548,717
Debt securities	3	5,997,056	4,411,618
Other liabilities	10	45,197	126,722
Accrued income and other assets	11	97,845	92,310
Provisions	6	2,870	3,327
Subordinated debt	12	78,516	48,505
Fund for general banking risks (FGBR)			
Shareholders' equity (excluding FGBR)	14	352,684	270,666
Subscribed capital		122,039	100,319
Capital in excess of nominal value		363,084	289,804
Remeasurement adjustments			
Reserves		16,707	16,707
Regulated provisions and investment subsidies			
Balance brought forward		-136,164	-109,340
Profit/loss for the year		-12,981	-26,824
Total liabilities		**13,022,224**	**10,695,427**

Off-balance sheet items

Commitments given (in thousands of euros)	Note	December 31, 2018	December 31, 2017
Financing commitments	**6.2**	**1,343,908**	**720,920**
To credit institutions	**6.2**		
To customers	**6.2**	1,343,908	720,901
Doubtful financing commitments	**6.2**		19
Guarantee commitments	**6.2**	**130,973**	**135,383**
To credit institutions	**6.2**	16,136	17,295
To customers	**6.2**	114,837	118,089
Other commitments	**6.2**	**1,652,449**	**3,134,482**
Securities commitments	**6.2**		
Total commitments given		**3,127,330**	**3,990,785**

Commitments received (in thousands of euros)		December 31, 2018	December 31, 2017
Financing commitments	**6.2**	**50,813**	**355,695**
From credit institutions	**6.2**	50,813	355,695
From customers	**6.2**		
Guarantee commitments	**6.2**	**11,499,407**	**9,615,743**
From credit institutions	**6.2**	4,022,451	4,555,335
From customers	**6.2**	7,476,956	5,060,409
Securities commitments	**6.2**		
Total commitments received		**11,550,220**	**9,971,438**

Commitments on financial futures (in thousands of euros)		December 31, 2018	December 31, 2017
Transactions on interest rate instruments	**6.2**	5,545,000	4,130,000
Transactions on exchange rate instruments	**6.2**		
Transactions on other instruments	**6.2**	916,350	1,222,850
Total commitments on financial futures		**6,461,350**	**5,352,850**

Profit and loss account

(in thousands of euros)	Note	December 31, 2018	December 31, 2017
Interest and similar income	17	237,228	169,529
Interest and similar expense	17	-141,260	-106,122
Income from leasing and similar transactions			
Expenses on leasing and similar transactions			
Income from operating leases			
Expenses on operating leases			
Income from variable-income securities	18	4,531	3,336
Fee and commission income	19	55,380	57,860
Fees and commission expense	19	-32,468	-26,964
Gains (losses) on trading book transactions	20	114	123
Gains (losses) on investment portfolio and similar transactions	21	-1,847	-233
Other banking operating income	22	18,384	20,848
Other banking operating expense	22	-3,472	-2,413
NET BANKING INCOME		**136,589**	**115,964**
General operating expenses	24	-142,845	-134,986
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	9.2	-4,262	-3,857
GROSS OPERATING INCOME		**-10,519**	**-22,879**
Cost of risk	26	-2,673	-3,177
OPERATING INCOME		**-13,191**	**-26,056**
Gains (losses) on capital assets	27		-684
PRE-TAX INCOME ON ORDINARY ACTIVITIES		**-13,191**	**-26,741**
Exceptional income and expenses	28	115	-204
Income tax	29	96	120
Additions to/reversals from FGBR and regulated provisions			
NET INCOME		**-12,981**	**-26,824**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

NOTE 1 | Accounting principles and presentation of AXA Banque's financial statements

AXA Banque's company financial statements have been prepared in accordance with the general accounting principles applicable in France to credit institutions and with Regulation 2014-07 of the French Accounting Standards Authority (Autorité des Normes Comptables - ANC) of 26 November 2014 on financial statements of banking sector companies.

Note 1.1 | Information on comparability

The regulations and notices of the French National Accounting Council (Conseil National de la Comptabilité) that came into force in 2014 did not have a direct material impact on the financial statements or on the comparability of the financial statements.

Since 2010, AXA Bank has implemented CRC Regulation 2009-03 of 3 December 2009 repealed by Regulation 2014-07 of 26 November 2014 on the spreading of commissions received and paid and incremental transaction costs incurred when issuing or acquiring a loan, based on the effective term of the loan and the actuarial method.

“Incremental transaction costs” are costs that would not have been incurred if the credit institution had not granted or acquired the loan. These costs include specific remuneration paid to employees acting as sales agents, fees and commissions paid to business introducers when they refer a customer to the credit institution in question to obtain a loan, and consultancy fees.

The actuarial method entails spreading the commissions received and the incremental transaction costs at the effective interest rate over the effective term of the loan.

The effective interest rate is the discount rate that equates the sum of the cash flows paid and received to issue or acquire a loan and the present value of the contractual cash flows to be received from the counterparty over the effective term of the loan.

Note 1.2 | Loans and advances to credit institutions and customers

Loans and advances to credit institutions include all claims, including subordinated claims, held against credit institutions in connection with banking transactions, with the exception of those represented by a security. They are broken down into loans repayable on demand and loans with an agreed maturity date.

Loans and advances to customers include loans distributed to economic agents other than credit or similar institutions, with the exception of those represented by a security, securities received under repurchase agreements, regardless of the type of assets concerned, and receivables corresponding to securities sold under repurchase agreements. They are broken down into commercial loans, deposit account advances and other loans.

Loans and advances to credit institutions and customers are recognised in the balance sheet at their nominal value plus accrued interest not yet due.

Loans restructured on non-market terms are identified in performing loans in a specific sub-category until their final maturity. Any write-off of principal or interest, due or accrued, is recognised as a loss at the time of restructuring.

Any future interest rate differential, by reference to market conditions on the day of the restructuring if they are lower than the initial conditions, and by reference to the initial conditions otherwise, results in the

recognition of a discount under cost of risk, which is then added back into the interest margin over the term of the loan.

Loans are transferred to non-performing loans as soon as they present a risk of non-recovery and, in any event, when they have payment arrears of more than three months (more than six months for real estate loans).

The principal and interest on these loans are written off, after taking account of any security interests.

If a loan is classified as non-performing, all other loans and commitments relating to the debtor in question will also be classified as non-performing. However, the principle of contagion is not applied systematically to deposit accounts due to issues related to means of payment.

Non-performing loans are transferred to irrecoverable non-performing loans when an event of default is declared and, in any event, when they have been classified as non-performing loans for more than one year.

When all amicable and/or legal remedies have been exhausted, thereby confirming the irrecoverable nature of a debt, the debt is recognised as a loss.

Accrued interest is recognised periodically for performing loans, including restructured loans and non-performing loans that are not irrecoverable. Interest on irrecoverable non-performing loans is recognised in the income statement only when received.

Security interests received in respect of loans issued are recognised and measured in the accounting system on the date of recognition of the loan agreement. Operationally, the valuation of these security interests is monitored quarterly for the main recipients, in order to monitor the coverage level, and also for loans that show a risk of non-recovery. The receipt of a security interest at the time of issuance includes a margin of conservatism given the potential volatility of the value of the underlying financial or real estate assets. AXA Banque uses external ratings, combined with other quantitative and qualitative criteria, to define the commitment limits for its financial transactions.

Accounts of individuals are segmented based on a behaviour score, after six months as customers, which breaks the portfolio down into three main risk levels (and eight sub-categories), according to the customer's financial behaviour (debit balance, limit breach, depositing of regular income) and his/her credit and savings products. A specific segmentation is assigned to accounts of new customers during the six months after the account is opened and to employees' accounts.

This assignment of risk levels is reviewed monthly, with daily downgrades if operating incidents are detected on the account.

The approval decision involves various decision-making procedures depending on the products, the customer's profile and the channel through which the loan is taken out.

For intermediated customers, the use of a "pre-qualification" score allows customers to be segmented, prior to analysis of the application and based on knowledge of the insurance relationship, into four risk levels (pre-qualified customer, new customer, prospect and excluded customer). Knowledge of the insurance relationship may be supplemented by any knowledge of banking relationships along with, among other criteria, the customer's account behaviour. Finally, specific scores for issuing personal loans, revolving credit or accounts may be used for certain types of customers (particularly for prospects).

AXA Banque adopted the method of spreading commissions received (application fees) or paid (introductory commissions based on production) at the time loans are set up over the average loan term (i.e. by incorporating early repayment assumptions into the selected term). This spreading is based on the way in which interest is charged. Commissions paid on loans are recognised as an expense in the year in which they are paid.

AXA Banque applies a limitation rule on cheques issued by the bank and not cashed by recipients, which results in these unpresented liabilities being reversed through operating income.

AXA Banque is the manager of two undeclared partnerships that handle consumer loans and real estate loans. These three partnerships no longer generate new business.

AXA Banque carries all outstanding loans in its balance sheet, and the income and risk of these partnerships are shared between AXA Banque and the partners at a rate of 34% and 50% (in favour of the partner).

AXA Banque is also a 65% partner in the undeclared partnership (managed by its AXA Banque Financement subsidiary) that is involved in the production and management of consumer credit activities.

Note 1.3 | Methodology for provisioning customer loans

Impairment is recorded for receivables recognised as "Loans and advances" when one or more loss events occur after they are issued. These receivables are impaired on an individual basis (or on a collective basis for loans and advances to customers).

Receivables are impaired when, after the loan is issued, there are one or more objective indicators of impairment for which the impact on future cash flows can be reliably measured.

Past due loans are loans for which payment arrears have been recorded but which do not result in impairment on an individual basis (sensitive loans subject to monitoring). These loans are impaired collectively.

With regard to overdrawn deposit accounts, impairment concerns receivables subject to out-of-court or litigation recovery, based on two distinct statistical models:

- Receivables subject to out-of-court recovery are impaired based on their age, the historical performance of out-of-court procedures and the eventual impairment rate (following litigation).
- Receivables subject to litigation recovery are estimated based on the rate of expected loss at maturity, in view of future collections estimated using generational collection reports, and applied to the amount assigned by generation.
- Loans from customers officially declared as over-indebted are impaired based on the status of the procedure. Impairment depends on the characteristics of the Banque de France measures and the rate of expected loss at maturity, as based on future collections estimated using generational collection reports and applied to the amount assigned by generation.

Lombard loans are impaired individually based on decisions taken at the quarterly Litigation Committee meeting. The decisions taken by this committee are published in the form of a report drafted by the legal department, which then forwards it to the accounting department for action.

Lastly, real estate loans are impaired on an individual basis for any amount more than 180 days past due, litigation recovery, excessive debt, bankruptcy proceedings or following a refusal by the guarantor. Impairment is based on the potential loss basis, i.e. the difference between the principal balance and the future value of the mortgaged asset after application of a discount.

Note 1.4 | Securities

The term "securities" includes interbank market securities, Treasury bills and other negotiable debt securities, bonds and other fixed-income securities (i.e. securities with a non-random yield, whether based on fixed rates or variable rates), equities and other variable-income securities.

According to ANC Regulation 2014-07, securities fall under the following categories: trading securities, marketable securities, portfolio securities, investment securities, other long-term securities, equity shares and investments in affiliates.

Lastly, in the case of trading, marketable, investment and portfolio securities, the verified risk of counterparty default for which the impacts can be isolated is then subject to impairment and movements are recognised in cost of risk.

Trading securities

Securities held as part of a rapid trading activity and negotiable in an active market are recognised under "Trading securities" at cost, including accrued interest but excluding acquisition costs, and are measured individually at their market price.

Changes in value contribute to the profit or loss of this portfolio.

Marketable securities

Securities that are neither trading securities nor investment securities are recognised as marketable securities.

Government securities, bonds and other fixed-income securities are measured at cost, excluding accrued interest not yet due, which is recognised separately, excluding all acquisition costs.

Accrued interest is recognised in the income statement under "Interest and similar income on bonds and other fixed-income securities."

Any difference between the acquisition price in the secondary market and the redemption price of fixed-income marketable securities is charged on a pro rata basis to the income statement. This difference is amortised over the residual maturity of the security using the actuarial method. On the balance sheet, the carrying amount of the securities is then gradually adjusted to the redemption value.

At each balance sheet date, the unrealised losses resulting from the difference between the carrying amount, adjusted for the amortisation and difference reversals mentioned in the above paragraph, and the market price of the securities are subject to impairment, which can be measured by homogeneous groups of securities, without offsetting against the gains recognised in the other categories of securities. Gains arising from hedges, within the meaning of Article 2514-1 of ANC Regulation 2014-07, in the form of purchases or sales of financial futures are taken into account when calculating impairment. Unrealised capital gains are not recognised.

Shares are measured at the lower of cost and the probable trading value. This value is generally determined by reference to the stock market price for listed shares and by reference to the share of net assets held by AXA Banque, calculated based on the most recent information available for unlisted shares.

Dividends received are recognised in the income statement when received under "Income from variable-income securities".

Gains and losses on disposals are recognised under "Net gains on investment portfolio and similar transactions" in the income statement, as are provisions for impairment of securities set up or reversed.

Portfolio securities

Portfolio securities include investments made on a regular basis for the sole purpose of deriving a medium-term capital gain without the intention to invest over the long term in the development of the issuer's business.

Portfolio securities are recognised individually at the lower of their historical cost or value in use.

Investment securities

Fixed-income securities (including bonds, interbank market securities, treasury bills and other negotiable debt securities) are recognised in "Investment securities" when there is the intention to keep them for the long term, in principle until maturity. Bonds in this category are used for asset-backed financing or interest rate hedging over their residual maturity.

Any difference between the acquisition cost and the redemption price of investment securities is charged to the income statement using the actuarial method over the residual maturity of the securities. On the balance sheet, the carrying amount of the securities is then gradually adjusted to the redemption value.

Interest on the securities is recognised in the income statement under "Interest and similar income on bonds and other fixed-income securities."

A provision is set up if deterioration in the issuers' creditworthiness could potentially jeopardise the redemption of the securities at maturity.

Other long-term securities

"Other long-term securities" are shares and similar instruments that AXA Banque intends to hold on a long-term basis in order to derive a satisfactory return over time, without intervening in the management of the investee companies.

Long-term securities are recognised individually at the lower of their acquisition cost or value in use.

Value in use is determined by reference to a multi-criteria measurement method based on available information such as discounting of future cash flows, the sum of the parts, revalued net assets, stock market prices and reports commonly used to assess the profitability and sale outlook for each holding.

Gains and losses on disposals and changes in impairment are recognised in the income statement under "Net gains on non-current assets".

Dividends received are recognised in the income statement when received under "Income from variable-income securities".

Equity shares and investments in affiliates

Equity shares consist of equity interests in which AXA Banque has significant influence over the administrative bodies of the issuing companies and equity interests that are strategic for the development of AXA Banque's activities.

Equity shares are recognised individually at the lower of their acquisition cost or value in use. Value in use is determined by reference to a multi-criteria measurement method based on available information such as discounting of future cash flows, the sum of the parts, revalued net assets, shareholders' equity, stock market prices and reports commonly used to assess the profitability and sale outlook for each holding.

Gains and losses on disposals and changes in impairment are recognised in the income statement under "Net gains on capital assets".

Dividends received are recognised in the income statement when received under "Income from variable-income securities".

Repurchase agreements, securities lending and borrowing

Securities sold temporarily under repurchase agreements are recognised on AXA Banque's balance sheet in the securities portfolio under "Securities sold under repurchase agreements".

The corresponding liability is recognised under the appropriate "Liabilities" line item.

Securities acquired temporarily under reverse repurchase agreements are not recognised on AXA Banque's balance sheet. The corresponding receivable is recognised under “Securities received under repurchase agreements”.

Note 1.5 | Capital assets

Buildings and equipment are shown on the balance sheet at their acquisition cost plus any associated implementation costs.

Property, plant and equipment are depreciated based on their probable useful life using the straight-line or diminishing balance method (for certain computer equipment).

Software acquired or created is recognised as an intangible asset and amortised on a straight-line basis over its probable useful life.

In the software production phase, design and programming expenses, installation (delivery) expenses and acceptance (test set) expenses can be recorded as non-current assets. In the delivery phase, only expenses related to improvements (new functionalities) can be added as non-current assets during the software's life.

The following depreciation and amortisation periods have been used:

- Software: 1 to 5 years,
- Buildings: 25 to 55 years,
- Fixtures and fittings, office furniture and equipment: 4 to 10 years,
- Computer hardware: 4 years.

Capital assets are tested for impairment on evidence at the closing date that they may be impaired. If such evidence materialises, the asset's new recoverable amount is compared with its net carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the income statement.
This impairment loss is reversed in the event of a change in the recoverable amount or if there is no longer an indication of impairment.

Note 1.6 | Amounts due to credit institutions and customers

Amounts due to credit institutions and customers are presented according to their initial term or type: amounts repayable on demand or in the future for credit institutions, regulated savings accounts (including Livret A savings accounts) and other deposits for customers.

Accrued interest on these debts is recognised in the balance sheet under related debt.

The costs associated with obtaining loans from credit institutions are spread on a straight-line basis over the term of these loans.

Note 1.7 | Regulated home savings contracts and loans

Home savings accounts (Comptes Épargne Logement - CEL) and home savings plans (Plans d’Épargne Logement - PEL) are government-regulated savings products. They combine a savings phase and a loan phase which are inseparable.

These products include two types of obligations for AXA Banque, which markets them:

- an obligation to pay interest on the savings for an indefinite period, at a rate set by the government at the start of the contract for PEL products or at an indexed rate (reviewed every six months based on a formula established by decree) for CEL accounts; and
- an obligation to lend to the customer, at the customer's request, an amount contingent upon the rights acquired during the savings phase, at a rate set at the start of the contract for PEL products or at a rate contingent upon the savings phase for CEL products.

AXA Banque's future obligations with respect to each generation (for PEL products, a generation is a group of products with the same contractual savings and credit terms; for CEL products, all such products constitute a single generation) are measured by discounting potential future earnings associated with at-risk outstandings for the generation in question, with no possible offset between generations.

At-risk outstandings are estimated on the basis of a historical analysis of customer behaviour (probability of use of the loan for the loan phase, probability of savings inflows above the minimum expected for a term deposit for the savings phase).

Earnings for future periods from the savings phase are estimated as the difference between the reinvestment rate and the fixed savings interest rate on at-risk savings balances for the period in question. Earnings for future periods from the loan phase are estimated as the difference between the market rate and the fixed loan interest rate on at-risk loans outstanding for the period in question.

The negative earnings generated by the phases are added up to obtain the amount of the provision to be recognised for the commitments made by AXA Banque in respect of these regulated savings products.

This obligation is remeasured on a quarterly basis and changes (additions/reversals) are recognised as net interest income.

Note 1.8 | Debt securities

Debt securities are presented according to the type of security in question: certificates of deposit, interbank market securities, negotiable debt securities, bonds and similar securities, except for subordinated debt securities classified as subordinated debt.

Accrued interest not yet due on these securities is recorded in a related debt account with a corresponding entry to profit and loss.

Note 1.9 | Exceptional income and expenses

These items include income generated and expenses incurred on an exceptional basis and which are not part of AXA Banque's ordinary business.

Note 1.10 | Provisions

AXA Banque sets up provisions not related to banking transactions to cover risks and charges that are clearly identified but the amount or timing of which cannot be precisely determined. In accordance with CRC Regulation No. 00-06, the creation of such provisions is subject to the existence of an obligation to a third party at year-end and the absence of an equivalent consideration expected from the third party.

Note 1.11 | Interest rate financial futures

Obligations relating to interest rate financial futures are recognised off-balance sheet at their notional value and presented as such in the notes.

Income and expenses relating to financial futures used for hedging, initially allocated to an item or to a homogeneous group of identified items, are recognised in income on a symmetrical basis with the income and expenses on the hedged items.

Note 1.12 | Corporate tax

In France, the normal corporate tax rate is 28% for the portion of earnings up to €500,000, with the standard rate of 33 1/3% applied to earnings in excess of that amount; long-term capital gains (excluding capital gains on companies engaged primarily in real estate) have been taxed at 0% since 1 January 2007. Gains and losses on portfolio securities are subject to the standard tax scheme, i.e. 33 1/3%, except for those on equity shares which benefit from the long-term capital gains scheme.

A 3.3% tax on earnings was introduced for financial years beginning on or after 1 January 2000. The bank took these taxes into account to determine the current tax due for each of these periods.

Income tax represents an expense for the period to which the income and expenses relate, regardless of the date of its actual payment.

AXA Banque has been a member of the tax group formed by AXA in France since 1991.

Additions to or reversals from provisions for deferred taxes shown in the company financial statements are recognised through the tax expense account.

Note 1.13 | Employee commitments

AXA Banque has made commitments to its employees, pursuant to various agreements, to pay retirement bonuses, pensions under retirement plans and long-service awards.

These commitments are estimated each year and a provision is set up for commitments not covered by insurance policies. The provision is adjusted to reflect changes in the net present value of the commitments.

Starting on 1 January 2015, the individual right to training (DIF) was replaced by the Personal Training Account (CPF).

The hours accrued up to 31 December 2014 under the DIF (i.e. 45,430 hours) were transferred to the CPF and can be used until 31 December 2020.

Note 1.14 | Stock options and similar

AXA Banque does not offer a stock option plan to employees in relation to its own shares.

Note 1.15 | Employee profit-sharing and incentive schemes

In accordance with French regulations, AXA Banque recognises the amount of profit-sharing in the income statement in the year in which the employees' rights vest. The allocation is recognised under "Employee expenses".

AXA Banque is a member of the group profit-sharing scheme established by the AXA Group in France in 1998.

To supplement this scheme, an incentive scheme specific to AXA Banque was introduced on that same date and has been renegotiated several times, most recently in 2018.

The incentive scheme is recognised in the income statement for the relevant year and is also shown under "Employee expenses".

Note 1.16 | Foreign exchange transactions

Foreign exchange positions are generally measured at the official year-end exchange rates. Foreign exchange gains and losses on ordinary transactions in foreign currencies are recognised in the income statement. Foreign currencies are recognised in the income statement.

Note 1.17 | Off-balance sheet transactions

All commitments given and received by AXA Banque are recognised off-balance sheet in accordance with regulations as soon as they can be accurately quantified. If commitments cannot be quantified, they are mentioned in the notes to the financial statements or in the management report. Guarantee commitments granted to AXA Group UCITS are thus measured on the basis of maximum possible risk.

In 2006, AXA Banque received a guarantee from CFP Management (formerly Compagnie Financière de Paris) with no amount of time limit regarding the outcome of a dispute involving Banque de l'Union Occidentale (former subsidiary of Banque Worms) to which AXA Banque has acquired the rights.

This guarantee was given to AXA Banque in connection with the run-off management of Banque Worms' risks by CFP Management.

Note 1.18 | Significant events

Two capital increases were carried out in 2018:

- On June 7, 2018: €6,816,256 share capital increase from €100,319,088 to €107,135,344 by issuing 426,016 new shares in cash with a par value of €16 each.
- On September 21, 2018: €14,903,984 share capital increase from €107,135,344 to €122,039,328 by issuing 931,499 new shares in cash with a par value of €16 each.

NOTE 2 | Government securities and similar instruments

(in thousands of euros)	**December 31, 2018**	December 31, 2017
Government securities and similar instruments	1,223,261	196,774
Of which securities sold under repurchase agreements		
Related receivables	3,227	3,222
Total	**1,226,488**	**199,996**

NOTE 3 | Transactions with customers and credit institutions

NOTE 3.1 | Amounts due from customers and credit institutions

	Receivables December 31, 2018		Receivables December 31, 2017	
(in thousands of euros)	**Interbank**	**Customers**	Interbank	Customers
Eligible for Banque de France refinancing				**1,380,695**
Not eligible for Banque de France refinancing	**1,868,673**	**8,970,990**	**1,316,930**	**5,994,466**
Demand *(1)*	779,967	42,421	329,089	22,322
Term	1,077,028	8,928,569	976,163	5,972,143
Subordinated loans *(2)*	11,678		11,678	
Related receivables	**8,577**	**13,813**	**5,469**	**10,446**
Demand		143	446	148
Term	8,521	13,670	5,019	10,298
Subordinated loans	56		4	
Total	**1,877,250**	**8,984,803**	**1,322,399**	**7,385,607**

(1) Of which Cash and balances at central banks for in 2018

(2) Perpetual

NOTE 3.2 | Amounts due to customers and credit institutions

	Payables December 31, 2018		Payables December 31, 2017	
(in thousands of euros)	**Interbank**	**Customers**	Interbank	Customers
Amounts due to customers and credit institutions	**1,209,484**	**5,313,408**	**1,193,006**	**4,545,564**
Demand	6,765	3,557,539	16,866	3,323,968
Term	1,202,719	1,677,368	1,176,140	1,221,596
Subordinated loans *(1)*		78,500		
Related debt	**22**	**3,659**	**556**	**3,153**
Demand		312		313
Term	22	3,331	556	2,840
Subordinated loans		16		5
Total	**1,209,505**	**5,317,067**	**1,193,562**	**4,548,717**

(1) Of which €48,500,000 perpetual in 2018

NOTE 3.3 | Breakdown of receivables and transactions with customers and credit institutions

(in thousands of euros)	Items not broken down *(1)*	Due in < 3 months	Due in 3 months to 1 year	Due in 1 to 5 years	Due in more than 5 years	Related receivables and payables	December 31, 2018	December 31, 2017
Receivables:	**911,278**	**724,344**	**616,025**	**2,958,294**	**5,629,722**	**22,390**	**10,862,053**	**8,719,688**
Cash, central banks and similar	577,923						577,923	184,539
Loans and advances to credit institutions	211,309	539,763	188,000	340,000		8,521	1,287,593	1,137,860
Amounts due from customers *(2)*	122,046	184,581	428,025	2,618,294	5,618,044	13,813	8,984,803	7,385,607
Subordinated loans					11,678	56	11,734	11,682
Payables:	**4,516,356**	**1,490,020**	**2,417,620**	**2,278,748**	**1,093,847**	**7,037**	**11,803,628**	**9,177,403**
Due to credit institutions *(3)*	30,394	111,119	336,292	720,000	11,678	22	1,209,505	1,193,562
Due to customers *(4)*	3,439,611	83,401	328,828	1,379,498	3,569	3,644	5,238,551	4,548,718
Debt securities *(5)*	1,046,350	1,295,500	1,752,500	899,250	1,000,100	3,356	5,997,056	4,411,618
Subordinated debt					78,500	16	78,516	48,505

(1) "Items not broken down" consist mainly of non-performing loans net of impairment, overdue amounts due from customers, demand deposits for loans and advances to credit institutions and ordinary demand accounts in credit.

(2) Loans granted in the form of "available" or "permanent" accounts are broken down based on the theoretical amortisation term of the principal balance.

(3) Of which €431,404,000 in securities sold under repurchase agreements. Including other amounts due.

(4) Including other amounts due.

(5) This item corresponds to negotiable debt securities

NOTE 3.4 | Breakdown of transactions with customers (gross amounts)

(in thousands of euros)	Assets *(1)*	Liabilities (3)
Other customer loans *(1)(2)*	8,931,354	
Ordinary accounts	29,281	1,295,697
Regulated savings accounts		2,261,842
Term accounts		1,654,662
Unallocated amounts and other amounts due	22,145	22,706
Related receivables and payables	13,813	3,644
Total	**8,996,593**	**5,238,551**

(1) Including gross non-performing loans (€67,255,000)
(2) Of which restructured loans (€8,331,000)
(3) Excluding subordinated debt

NOTE 4 | Impairment and non-performing loans from transactions with customers

NOTE 4.1 | Impairment of transactions with customers

(in thousands of euros)	Performing loans	Gross non-performing loans	December 31, 2018 (Gross amount)	December 31, 2017
Ordinary accounts	20,276	9,005	29,281	32,222
Other customer loans	8,873,104	58,250	8,931,354	7,324,835
Unallocated amounts	22,145		22,145	29,951
Related receivables	13,801	12	13,813	10,446
Total loans	**8,929,327**	**67,267**	**8,996,593**	**7,397,454**

NOTE 4.2 | Non-performing loans

(in thousands of euros)	Gross non-performing loans	Impairment	Impairment rate	Net non-performing loans
Ordinary accounts *(1)(2)*	9,005	7,201	80%	1,803
Of which irrecoverable non-performing loans	*7,380*	*7,115*	*96%*	*264*
Other customer loans *(1)(2)*	58,250	4,589	8%	53,662
Of which irrecoverable non-performing loans	*31,627*	*4,337*	*14%*	*27,290*
Total	**67,255**	**11,790**	**18%**	**55,465**

(1) Excludes related receivables
(2) In accordance with CRC Regulation 2002-03, impairment provisions are discounted, taking into account forecast future cash flows from the recovery of non-performing loans and available guarantees

NOTE 5 | Transactions with affiliates

NOTE 5.1 | Balance sheet

(in thousands of euros)	Transactions with affiliates	Other transactions	December 31, 2018
RECEIVABLES			
Government securities and similar instruments	1,029,484	197,004	1,226,488
Loans and advances to credit institutions *(1)*	600,582	1,276,668	1,877,250
Demand		*782,887*	*782,887*
Term	*600,582*	*493,781*	*1,094,363*
Amounts due from customers		8,984,803	8,984,803
Bonds and other credit instruments	21,752	669,816	691,568
Total uses	**1,651,818**	**11,128,291**	**12,780,110**
PAYABLES			
Amounts due to credit institutions	5,350	1,204,156	1,209,505
Demand	*5,350*	*1,415*	*6,765*
Term		*1,202,741*	*1,202,741*
Amounts due to customers		5,238,551	5,238,551
Debt securities	2,694,366	3,302,690	5,997,056
Subordinated debt	78,516		78,516
Total sources	**2,778,231**	**9,745,397**	**12,523,628**

(1) of which €577,923,000 in cash accounts and amounts due from central banks

There are no related-party transactions that are not carried out under normal market conditions.

NOTE 5.2 | Off-balance sheet

(in thousands of euros)	Transactions with affiliates	Other transactions	December 31, 2018
Financing commitments		**1,343,908**	**1,343,908**
To credit institutions			
To customers		*1,343,908*	*1,343,908*
Doubtful			
Guarantee commitments	**96,704**	**34,269**	**130,973**
To credit institutions		*16,136*	*16,136*
To customers	*96,704*	*18,133*	*114,837*
Securities commitments			
Total commitments given	**96,704**	**1,378,177**	**1,474,881**
Financing commitments		**50,813**	**50,813**
Received from credit institutions		*50,813*	*50,813*
Received from customers			
Guarantee commitments	**1,102,012**	**10,397,395**	**11,499,407**
Received from credit institutions		*4,022,451*	*4,022,451*
Received from customers	*1,102,012*	*6,374,944*	*7,476,956*
Securities commitments			
Total commitments received	**1,102,012**	**11,550,220**	**11,550,220**
Transactions on interest rate instruments	5,235,000	310,000	*5,545,000*
Transactions on exchange rate instruments			
Transactions on other instruments		916,350	*916,350*
Total commitments on financial futures	**5,235,000**	**1,226,350**	**6,461,350**

NOTE 6 | Impairment and provisions

(in thousands of euros)	January 1, 2018	Additions	Reversals	December 31, 2018
Asset impairment				
Loans and advances to credit institutions:				
- Demand				
- Term				
Amounts due from customers:	11,847	2,374	2,431	11,790
- Other customer loans	3,813	1,192	330	4,675 *(1)*
- Ordinary accounts in debit	8,034	1,182	2,101	7,115 *(2)*
- Restructured loans (CRC 2002-03)				
Investment securities				
Marketable securities	287	4,334	2,718	1,902
Equity shares and portfolio activity				
Total asset impairment	**12,134**	**6,708**	**5,150**	**13,692**
Provisions recorded under liabilities				
Customer risk	575	135	504	206
Risks for litigation				
Operational risk	2,223	555	766	2,012
Deferred taxes				
Provisions for employee commitments	529	257	135	652
Total provisions recorded under liabilities	**3,327**	**947**	**1,404**	**2,870**

(1) Of which €0 in collective provisions - performing loans and €4,675,000 in individual provisions - non-performing loans

(2) Of which €310,000 in collective provisions - performing loans and €6,805,000 in individual provisions - non-performing loans

NOTE 7 | Home savings accounts and plans

	Home savings plans		Home savings accounts	
(in thousands of euros)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Deposits collected:	**137,934**	**133,061**	**16,025**	**15,589**
0 to 4 years	*83,131*	92,015		
4 to 10 years	*30,363*	14,644		
More than 10 years	*24,439*	26,402		

(in thousands of euros)	December 31, 2017	Additions	Reversals	December 31, 2018
Provisions ***(1)***	**5,781**		**-916**	**4,865**
0 to 4 years	*3,295*		*-564*	*2,731*
4 to 10 years	*544*		*-73*	*471*
More than 10 years	*1,942*		*-279*	*1,663*

(1) "At-risk" deposits as required by applicable accounting regulations; the guaranteed PEL interest rate leads to longer holding periods and higher payments.

In 2018, outstandings of more than 10 years accounted for 34% of the provision.

NOTE 8 | Securities portfolio

NOTE 8.1 | Breakdown by category of securities

(in thousands of euros)	Trading securities	Marketable securities	Investment securities	Equity shares and portfolio activity	December 31, 2018	December 31, 2017
Government securities and similar instruments		1,049,309	173,952		1,223,261	196,774
Related receivables		39	3,188		3,227	3,222
Impairment						
Net carrying amount		**1,049,348**	**177,140**		**1,226,488**	**199,996**
Bonds and other fixed-income securities		241,094	443,841		684,934	1,604,970
Issued by public bodies						
Other issuers		*241,094*	*443,841*		*684,934*	*1,604,970*
Related receivables		1,313	3,828		5,141	7,350
Impairment		-1,901			-1,901	-286
Net carrying amount		**240,505**	**447,669**		**688,174**	**1,612,034**
Equities and other variable-income securities		183			183	183
Related receivables						
Impairment						
Net carrying amount		**183**			**183**	**183**
Investments in affiliates				44,168	44,168	44,167
Equity interests and other long-term investments				3,211	3,211	2,501
Total		**1,290,037**	**624,809**	**47,379**	**1,962,224**	**1,859,168**

NOTE 8.2 | Breakdown of listed and unlisted fixed-income or variable-income securities

(in thousands of euros)	Government securities and similar instruments	Bonds and other fixed-income securities	Equities and other variable-income securities
Fixed- or variable-income securities	1,223,261	684,934	183
Of which listed securities	*1,223,261*	*684,934*	*166*
Of which unlisted securities			17
Related receivables	*3,227*	*5,141*	
Impairment		*-1,901*	
Net carrying amount	**1,226,488**	**688,174**	**183**

NOTE 8.3 | Breakdown by maturity of government securities and bonds and other fixed-income securities

(in thousands of euros)	Maturing in < 3 months	Maturing in 3 months to 1 year	Maturing in 1 to 5 years	Maturing in more than 5 years	Related receivables and payables	December 31, 2018	December 31, 2017
Government securities and similar instruments							
Gross amount		30,462	491,561	701,239	3,227	1,226,488	199,996
Impairment							
Net carrying amount						**1,226,488**	**199,996**
Bonds and other fixed-income securities							
Gross amount	27,573	17,487	216,979	422,894	5,141	690,075	1,643,572
Impairment			-1,340	-561		-1,901	-286
Net carrying amount						**688,174**	**1,643,286**

Note 9 | Capital assets

NOTE 9.1 | Changes in capital assets

(in thousands of euros)	Gross amount December 31, 2017	Acquisitions	Disposals and retirements	Transfers	Gross amount December 31, 2018	Depreciation, amortisation and impairment	Net amount December 31, 2018	Net amount December 31, 2017
Intangible assets	**47,936**	**6,325**	**0**	**0**	**54,262**	**35,463**	**18,799**	**16,080**
Of which assets under construction	*9,789*	*6,009*		*12,985*	*2,814*		*2,814*	
Property, plant and equipment	**14,425**	**2,288**	**0**	**0**	**16,714**	**14,292**	**2,422**	**790**
Of which assets under construction								
Total capital assets	**62,362**	**8,614**			**70,975**	**49,754**	**21,221**	**16,869**

NOTE 9.2 | Depreciation, amortisation and impairment of capital assets

(in thousands of euros)	December 31, 2017	Increases	Decreases	Transfers	December 31, 2018
Intangible assets	**31,857**	3,605			**35,463**
Property, plant and equipment	**13,636**	657			**14,292**
Total capital assets	**45,492**	**4,262**			**49,754**

NOTE 10 | Other assets – Other liabilities

(in thousands of euros)	December 31, 2018	December 31, 2017
Other assets:		
Security deposits paid	149,540	50,771
Tax and social security receivables *(1)*	3,160	2,146
Amounts due from customers	1,446	1,068
Home savings plan premiums receivable	687	729
Other misc. debtors	1,563	3,414
Total other assets	**156,397**	**58,128**
Other liabilities:		
Security deposits received	15,065	105,049
Trade payables	12,952	7,441
Tax and social security liabilities	7,585	5,991
Insurance premiums collected	1,000	389
Amounts due to customers	8	18
Securities settlement accounts	5,980	5,980
Other misc. creditors	2,607	1,853
Total other liabilities	**45,197**	**126,721**

(1) At December 31, 2018, the amount of the prepayments made during the year was deducted from the tax due on 2018 earnings.

NOTE 11 | Accruals

	December 31, 2018		December 31, 2017	
(in thousands of euros)	Assets	Liabilities	Assets	Liabilities
Accrued expenses and accrued income on financial futures	4,332	20,140	4,202	14,673
Accrued income / accrued expenses	15,178	72,666	16,800	75,899
Prepaid expenses / deferred income	30	2,107	823	799
Issue premiums	88		112	
Other accruals	382	2,932	44	939
Of which accounts unavailable due to collection procedures		*435*		*196*
Total	**20,010**	**97,845**	**21,981**	**92,310**

NOTE 12 | Subordinated debt

(in thousands of euros)	Currency	Nominal amount	Subscription date	Rate	Repayment		December 31, 2017
					Due date	Terms	
Perpetual - AXA France VIE	EUR	6,500	22/12/2006	3m Euribor + 1%	Perpetual	With approval of the ACPR	6,500
Perpetual - AXA France VIE	EUR	42,000	24/06/2004	3m Euribor + 1%	Perpetual	With approval of the ACPR	42,000
Sub-total: perpetual		**48,500**					**48,500**
Fixed term - AXA France IARD	EUR	30,000	27/06/2018	3m Euribor + 2.31%	27/06/2028	With approval of the ACPR	
Sub-total: fixed-term		**30,000**					
Related debt		16					5
Total		**78,516**					**48,505**

NOTE 13 | Breakdown of accrued interest not yet due

(in thousands of euros)	December 31, 2018	December 31, 2017
Assets:		
Amounts due from central banks		
Government securities	3,227	3,222
Loans and advances to credit institutions	8,521	5,491
Amounts due from customers	13,813	10,446
Bonds and other fixed-income securities	5,141	7,350
Subordinated loans	56	4
Total interest receivable	**30,758**	**26,513**
Liabilities:		
Amounts due to credit institutions	22	556
Amounts due to customers	3,644	3,153
Debt securities	3,356	7,836
Subordinated debt	16	5
Total interest payable	**7,037**	**11,550**

NOTE 14 | Capital

NOTE 14.1 | Breakdown of capital

(in thousands of euros)	December 31, 2018	December 31, 2017
Share capital	122,039	100,319
Number of shares		
- fully paid-up	7,627	6,270
- not paid up		
Share par value in €	16	16

NOTE 14.2 | Change in shareholders' equity

(in thousands of euros)	Share capital	Capital in excess of nominal value	Legal reserve	Other reserves	Balance brought forward	Profit/loss	Total shareholders' equity
December 31, 2017	**100,319**	**289,804**	**1,395**	**15,312**	**-109,340**	**-26,824**	**270,666**
Dividends paid during the year							
Capital increase	21,720	73,280					95,000
Appropriation of prior-year earnings					-26,824	26,824	0
Payment of dividend							
Profit/loss for the year						-12,981	-12,981
December 31, 2018	**122,039**	**363,084**	**1,395**	**15,312**	**-136,164**	**-12,981**	**352,684**

NOTE 15 | Guarantees received and given

Note 15.1 | Financing, guarantee and securities commitments

(in thousands of euros)	December 31, 2018		December 31, 2017	
	Commitments received	**Commitments given**	Commitments received	Commitments given
Financing commitments	**50,813**	**1,343,908**	**355,695**	**720,901**
To credit institutions	50,813		355,695	
To customers		1,343,908		720,901
Doubtful financing commitments				*19*
Guarantee commitments	**11,499,407**	**130,973**	**9,615,743**	**135,383**
To credit institutions	4,022,451	16,136	4,555,335	17,295
To customers	7,476,956	114,837	5,060,409	118,089
Securities commitments				
Total commitments	**11,550,220**	**1,474,881**	**9,971,438**	**856,284**

Note 15.2 | Commitments on financial futures

(in thousands of euros)	**December 31, 2018**	December 31, 2017
Foreign currency transactions	**460**	**256**
Of which euros purchased but not yet delivered	208	
Of which currencies purchased but not yet delivered	22	128
Of which euros sold but not yet delivered	22	
Of which currencies sold but not yet delivered	208	128
Transactions on interest rate instruments	**6,461,350**	**5,352,850**
Outright hedging transactions managed based on a micro-hedging strategy	916,350	1,222,850
Outright hedging transactions managed based on a macro-hedging strategy	5,545,000	4,130,000
Total other off-balance sheet commitments	**6,461,810**	**5,353,106**

Note 15.3 | Other commitments

(in thousands of euros)	**December 31, 2018**	December 31, 2017
Other commitments received from ECB (securities)		
ECB mortgage loans		
Total other off-balance sheet commitments		

NOTE 16 | Financial futures

Note 16.1 | Financial futures – outright transactions

	OECD credit institutions			
	Notional over-the-counter amount		Fair value	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
Macro-hedging interest rate swaps	4,845,000	4,130,000	-104,258	-63,376
Performance swaps – Total return swaps	916,350	1,222,850		
Total outright transactions	**5,761,350**	**5,352,850**	**-104,258**	**-63,376**

	Notional over-the-counter amount based on residual maturity		
	< 1 year	**1 to 5 years**	**More than 5 years**
Macro-hedging interest rate swaps	20,000	1,450,000	3,375,000
Performance swaps – Total return swaps		226,250	690,100
Total outright transactions	**20,000**	**1,676,250**	**4,065,100**

Note 16.2 | Financial futures – option transactions

	OECD credit institutions			
	Notional over-the-counter amount		Fair value	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
Swaptions	700,000	200,000	-810	33
Total option transactions	**700,000**	**200,000**	**-810**	**33**

	Notional over-the-counter amount based on residual maturity		
	< 1 year	**1 to 5 years**	**More than 5 years**
Swaptions	600,000	100,000	
Total option transactions	**600,000**	**100,000**	

NOTE 17 | Breakdown of interest

(in thousands of euros)	December 31, 2018		December 31, 2017	
	Income	**Expense**	Income	Expense
Transactions with credit institutions	10,643	761	11,734	1,411
Subordinated debt		356		385
Customer transactions	141,438	13,524	126,642	12,604
Bonds and other fixed-income securities	36,369	75,055	13,920	33,975
Other interest and similar	48,778	51,564	17,233	57,747
Total	**237,228**	**141,260**	**169,529**	**106,122**

NOTE 18 | Income from variable-income securities

(in thousands of euros)	December 31, 2018		December 31, 2017	
	Income	**Expense**	Income	Expense
Dividends and similar income on equity shares	3,327		3,335	
Interest on securities received under repurchase agreements	1,204		2	
Total	**4,531**		**3,336**	

NOTE 19 | Breakdown of fees and commissions

(in thousands of euros)	December 31, 2018		December 31, 2017	
	Income	**Expense**	Income	Expense
Customer transactions	15,488	1,759	19,042	3
Transactions with credit institutions		830		772
Foreign exchange transactions		2		0
Provision of financial services	39,892	29,876	38,817	26,188
Total	**55,380**	**32,468**	**57,860**	**26,964**

NOTE 20 | Gains (losses) on trading book transactions

(in thousands of euros)	**December 31, 2018**	December 31, 2017
Trading securities		
Gains		
Losses		
Foreign exchange transactions	114	123
Gains	114	123
Losses		
Total	**114**	**123**

NOTE 21 | Gains (losses) on investment portfolio and similar transactions

(in thousands of euros)	**December 31, 2018**	December 31, 2017
Marketable securities	-1,847	-233
Gains	2,718	306
Losses	-4,566	-540
Portfolio activity		
Gains		
Losses		
Total	**-1,847**	**-233**

NOTE 22 | Other banking operating income and expense

	December 31, 2018		December 31, 2017	
(in thousands of euros)	**Income**	**Expense**	Income	Expense
Share of income from joint ventures	17,050		19,426	10
Subsidy received				
Ancillary activities				
Contribution to the depositor guarantee fund		-62		-209
Misc. banking operations	1,334	3,534	1,421	2,612
Total	**18,384**	**3,472**	**20,848**	**2,413**

NOTE 23 | Sponsorship

(in thousands of euros)	**December 31, 2018**	December 31, 2017
Sponsorship expenses	97	47
Total	**97**	**47**

NOTE 24 | General operating expenses

(in thousands of euros)	**December 31, 2018**	December 31, 2017
Employee expenses	52,681	48,319
Other administrative costs	90,164	86,667
Total	**142,845**	**134,986**

NOTE 25 | Employee expenses and workforce

(in thousands of euros)	**December 31, 2018**	December 31, 2017
Employee expenses	**52,681**	**48,319**
Salaries	26,237	24,405
Pension and other employment-related costs	16,632	16,412
Payroll and similar taxes	7,364	4,533
Incentive bonuses and profit-sharing	2,448	2,969
Average number of full-time equivalent employees	**702**	**660**
Management	382	341
Non-management	320	320
Total	**52,681**	**48,319**

NOTE 26 | Cost of risk

(in thousands of euros)	**Additions**	**Reversals**	**Losses on provisioned receivables**	**Losses on unprovisioned receivables**	**Recovery of written-off loans**	**December 31, 2018**	December 31, 2017
Customer transactions	-2,374	2,431	-3,905	-65	783	-3,130	-2,929
Transactions on risks and charges	-947	1,404				457	-248
Total	**-3,321**	**3,836**	**-3,905**	**-65**	**783**	**-2,673**	**-3,177**

NOTE 27 | Gains (losses) on capital assets

(in thousands of euros)	Gains	Losses	December 31, 2018	December 31, 2017
Intangible assets				
Property, plant and equipment				-684
Financial assets				0
Total				**-684**

NOTE 28 | Exceptional income and expenses

(in thousands of euros)	December 31, 2018	December 31, 2017
Misc. customer income	312	285
Misc. customer expenses	-197	488
Total	**115**	**-204**

NOTE 29 | Tax

(in thousands of euros)	Income before tax	Corporate tax	Tax credit	Income after tax December 31, 2018	Income after tax December 31, 2017
Income on ordinary activities	-13,191		96	-13,096	-26,621
Of which corporate tax					
Of which deferred tax					
Exceptional income and expenses	115			115	-204
Total	**-13,077**		**96**	**-12,981**	**-26,824**

STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

AXA BANQUE

Statutory Auditors' Report on the Annual Financial Statements

Financial year ended December 31, 2018

PRICEWATERHOUSECOOPERS AUDIT

MAZARS

AXA Banque

Rapport des commissaires aux comptes sur les comptes annuels

Exercice clos le 31 décembre 2018

PR CEWATERHOUSECOOPERS AUD MAZARS

PRICEWATERHOUSECOOPERS AUD T

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SOCIETE ANONYME D'EXPERTISE COMPTABLE ET DE COMMISSARIAT AUX COMPTES A DIRECTOIRE CONSEIL DE SURVEILLANCE – SOCIETE INSCRITE SUR LA LISTE NATIONALE DES COMMISSAIRES AUX COMPTES, RATTACHEE A LA CRCC DE VERSAILLES
CAPITAL 8 320 000 EUROS RCS NANTERRE 784 824 153

AXA Banque

Société anonyme au capital de 122 039 328 €

Siège social : 203 - 205 rue Carnot 94138 Fontenay-sous-Bois Cedex

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Rapport des commissaires aux comptes sur les comptes annuels

Exercice clos le 31 décembre 201

PR CEWATERHOUSECOOPERS AUDIT MAZARS

Rapport des commissaires aux comptes sur les comptes annuels

A l'assemblée générale de la société AXA Banque,

En exécution de la mission qui nous a été confiée par votre assemblée générale, nous avons effectué l'audit des comptes annuels de la société AXA Banque relatifs à l'exercice clos le 31 décembre 2018, tels qu'ils sont joints au présent rapport.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine de la société à la fin de cet exercice.

L'opinion formulée ci-dessus est cohérente avec le contenu de notre rapport au comité des comptes.

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels » du présent rapport.

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance qui nous sont applicables, sur la période du 1er janvier 2018 à la date d'émission de notre rapport, et notamment nous n'avons pas fourni de services interdits par l'article 5, paragraphe 1, du règlement (UE) n° 537/2014 ou par le Code de déontologie de la profession de commissaire aux comptes.

Par ailleurs, les services autres que la certification des comptes que nous avons fournis au cours de l'exercice à votre société et aux entités qu'elle contrôle sont les

intervention dans le cadre des vérifications de la première application de la norme comptable internationale IFRS 9 - Instruments financiers.

Justification des appréciations - Points clés de l'audit

En application des dispositions des articles L. 823-9 et R. 823-7 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les points clés de l'audit relatifs aux risques d'anomalies significatives qui, selon notre jugement professionnel, ont été les plus importants pour l'audit des comptes annuels de l'exercice, ainsi que les réponses que nous avons apportées face à ces risques.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes annuels pris dans leur ensemble et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes annuels pris isolément.

Evaluation des dépréciations pour risque de crédit

- Risque identifié et principaux jugements

Dans le cadre de ses activités de prêts à la clientèle, AXA Banque estime, à chaque clôture, les risques de pertes sur son portefeuille et comptabilise, le cas échéant, des dépréciations à ce titre, comme indiqué dans les notes 1.3, 3.1, 4.2, 6 et 26 des annexes aux comptes annuels. Celles-ci peuvent être déterminées sur base collective ou individuelle à travers des modèles de provisionnement statistique ou à dire d'expert. Ces dépréciations et provisions constituent une estimation significative pour l'établissement des comptes et font appel au jugement de la direction.

La note 6 fait état d'un total de dépréciations à l'actif de 11 790 milliers d'euros et de 206 milliers d'euros de provisions au passif.

Nous avons considéré la détermination des dépréciations individuelles des créances pour risque de crédit comme un point clé de l'audit en raison :

- ✓ du risque d'incidence matérielle sur les résultats de la banque ,
- ✓ de la complexité de l'estimation des probabilités de défaut, des pertes en cas de défaut, y compris la valeur des garanties associées ,

- ✓ de la sensibilité des paramètres de calcul aux hypothèses retenues par la Direction.

Procédures d'audit mises en œuvre face aux risques identifiés

Dans le cadre de notre appréciation des estimations significatives retenues pour l'arrêté des comptes, nous avons :

- ✓ examiné le dispositif de contrôle relatif au suivi des risques de non recouvrement ;
- ✓ testé la conception et l'efficacité opérationnelle des contrôles clés relatifs à ce dispositif ;
- ✓ réalisé des entretiens avec la Direction des Risques et le Contrôle Comptable et avons procédé à des revues analytiques (notamment du coût du risque) ;
- ✓ apprécié le caractère raisonnable des estimations réalisées.
- ✓ Pour les créances provisionnées sur base collective ou sur la base de modèles statistiques, nous avons revu les modèles de provisionnement retenus et leurs hypothèses sous-jacentes. Nous avons rapproché les données des risques avec les données de gestion et les données comptables.
- ✓ Pour les créances douteuses provisionnées sur bases individuelle, nous avons revu les décisions prises en comités contentieux et avons procédé à une revue ciblée de dossiers de crédit contentieux et revu la valorisation des garanties éventuelles. Nous nous sommes assurés, au moyen de sondages sur des dossiers de crédit, de l'adéquation de la dépréciation comptabilisée eu égard aux prévisions de flux de trésorerie futurs estimés par la banque.

Nous avons par ailleurs apprécié le caractère approprié des informations publiées en annexe.

Vérifications spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par les textes légaux et réglementaires.

Informations données dans le rapport de gestion et dans les autres documents adressés aux actionnaires sur la situation financière et les comptes annuels

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du directoire et dans les autres documents adressés aux actionnaires sur la situation financière et les comptes annuels, à l'exception du point ci-dessous.

La sincérité et la concordance avec les comptes annuels des informations relatives aux délais de paiement mentionnées à l'article D. 441-4 du Code de commerce appellent de notre part l'observation suivante : comme indiqué dans le rapport de gestion, ces informations n'incluent pas les opérations bancaires et les opérations connexes, votre société considérant qu'elles n'entrent pas dans le périmètre des

Informations relatives au gouvernement d'entreprise

Nous attestons de l'existence, dans le rapport du conseil de surveillance sur le gouvernement d'entreprise, des informations requises par les articles L. 225-37-3 et L. 225-37-4 du Code de commerce.

Concernant les informations fournies en application des dispositions de l'article L. 225-37-3 du Code de commerce sur les rémunérations et avantages versés aux mandataires sociaux ainsi que sur les engagements consentis en leur faveur, nous avons vérifié leur concordance avec les comptes ou avec les données ayant servi à l'établissement de ces comptes et, le cas échéant, avec les éléments recueillis par votre société auprès des sociétés contrôlant votre société ou contrôlées par elle. Sur la base de ces travaux, nous attestons l'exactitude et la sincérité de ces informations.

En application de la loi, nous nous sommes assurés que les diverses informations relatives aux prises de participation et de contrôle et à l'identité des détenteurs du capital ou des droits de vote vous ont été communiquées dans rapport de gestion.

Informations résultant d'autres obligations légales et réglementaires

Nos deux cabinets, PricewaterhouseCoopers Audit et Mazars ont été nommés commissaires aux comptes de la société AXA Banque par l'assemblée générale du 15 mai 2007.

Au 31 décembre 2018, les deux cabinets étaient dans leur 12ème année de mission sans interruption.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes annuels

Il appartient à la direction d'établir des comptes annuels présentant une image fidèle conformément aux règles et principes comptables français ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes annuels ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes annuels, il incombe à la direction d'évaluer la capacité de la société à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider la société ou de cesser son activité.

Il incombe au comité des comptes de suivre le processus d'élaboration de l'information financière et de suivre l'efficacité des systèmes de contrôle interne et de gestion des risques, ainsi que le cas échéant de l'audit interne, en ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Les comptes annuels ont été arrêtés par le directoire.

Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels

Objectif et démarche d'audit

Il nous appartient d'établir un rapport sur les comptes annuels. Notre objectif est d'obtenir l'assurance raisonnable que les comptes annuels pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L. 823-10-1 du Code de commerce, notre mission

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes annuels comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;

  il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;

  il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que des informations les concernant fournies dans les comptes annuels ;

il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de la société à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes annuels au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;

il apprécie la présentation d'ensemble des comptes annuels et évalue si les comptes annuels reflètent des opérations et événements sous-jacents de manière à en donner une image fidèle.

Nous remettons un rapport au comité des comptes qui présente notamment l'étendue des travaux d'audit et le programme de travail mis en œuvre, ainsi que les conclusions découlant de nos travaux. Nous portons également à sa connaissance, le cas échéant, les faiblesses significatives du contrôle interne que nous avons identifiées pour ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Parmi les éléments communiqués dans le rapport au comité des comptes figurent les risques d'anomalies significatives, que nous jugeons avoir été les plus importants pour l'audit des comptes annuels de l'exercice et qui constituent de ce fait les points clés de l'audit, qu'il nous appartient de décrire dans le présent rapport.

Nous fournissons également au comité des comptes la déclaration prévue par l'article 6 du règlement (UE) n° 537-2014 confirmant notre indépendance, au sens des règles applicables en France telles qu'elles sont fixées notamment par les articles L. 822-10 à L. 822-14 du Code de commerce et dans le Code de déontologie de la profession de commissaire aux comptes. Le cas échéant, nous nous entretenons avec le comité des comptes des risques pesant sur notre indépendance et des mesures de sauvegarde appliquées.

Fait à Neuilly-sur-Seine et à Paris-La-Défense, le 9 mai 2019

PRICE ATERHOUSEC PERS
DIT

FRANK VANHAL

PIERRE MASIERI