

AXA Bank
Europe

2008 Risk Disclosure

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Management Summary

Due to their systemic importance and fundamental role in the economic world, banks are under strict prudential obligations to maintain adequate internal risk management control mechanisms.

Banks are also requested to assess and maintain, on an ongoing and regular basis, the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed.

Moreover, under the applicable Basel II regulatory framework, banks are further required to communicate to the general public:

1. Their general exposures to risks;
2. How they manage these risks; and
3. How they are sufficiently capitalized to cover those risks.

The present risk report is being issued by AXA Bank Europe to comply with these requirements.

AXA Bank Europe

AXA Bank Europe's core business is retail banking. In 2008, from its Head Office in Brussels, the bank offered simple products and credits to consumers in Belgium. It was not involved in investment banking, corporate banking, structured finance or trade finance.

Its treasury and financial market activities are limited as AXA Bank Europe maintains a very conservative approach to market risk, asset & liability management and interest rate risk management.

General Risk Profile:

Being a retail bank, AXA Bank Europe's risk profile is centered on:

- A quality retail credit portfolio;
- A high quality sovereign, local authorities, international institutions and bank counterparties' portfolio;
- Standard operational risks
- Prudent market, asset & liability and interest rate risk.

Internal Capital Assessment Adequacy Process

In compliance with Basel II, AXA Bank Europe has setup a strong Internal Capital Adequacy Assessment Process (ICAAP) to maximize its capital management efforts.

- From a Financial Management perspective, AXA Bank Europe's strategic financial decisions are taken by its Supervisory Board and managed through its Management Board. They are assisted in this task by the bank's Chief Financial Officer which heads the Financial Direction department.
- From a Risk Management perspective, AXA Bank Europe's main capital objective is to remain sufficiently capitalized to be able to cover risks at all time calculated at a 99.90% confidence level. This obligation is also kept in line with AXA SA Head Office requirements.

As such, the Bank measures, monitors, manages and reports both its regulatory (Pillar 1) and economic (Pillar 2) capital requirements using the methodologies described in this report.

AXA Bank Europe's management reports that at all time during the year 2008, AXA Bank Europe's available own funds and internal capital respectively exceeded AXA Bank Europe's regulatory and economic capital requirements.

1. Introduction

Due to their systemic importance and fundamental role in the economic world, banks are under strict prudential obligations to maintain adequate internal risk management control mechanisms.

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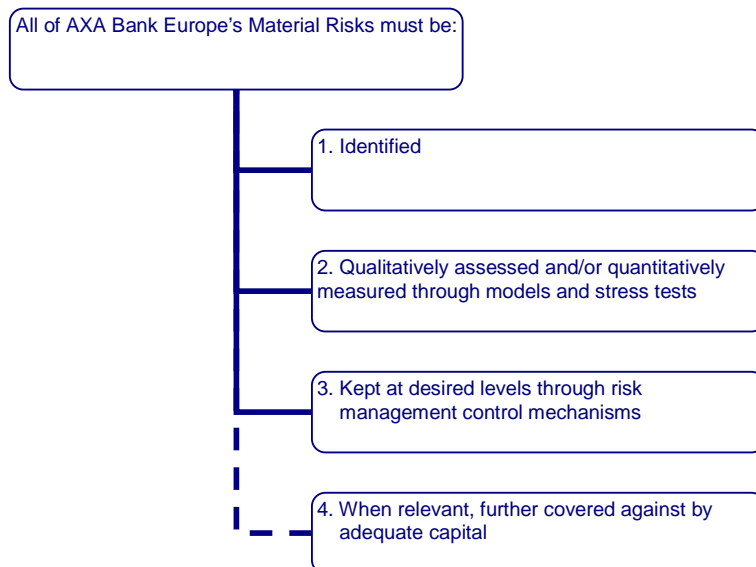
A. Presenting AXA Bank Europe

AXA Bank Europe SA¹ is a 100% subsidiary of AXA Holdings Belgium SA whose ultimate parent company is AXA SA, based in France.

AXA Bank Europe is AXA Group's banking arm that provides retail banking solutions to individuals and small companies in Europe. It works in close cooperation with AXA's local insurance companies to complement their financial protection offering with a range of retail banking products.

B. Risk management objectives

AXA Bank Europe's Risk Management architecture was built to ensure that the following 4 main objectives are attained:



¹ AXA Bank Europe was previously known as AXA Bank Belgium prior to its name change on the 17th of April 2008. Its Head Office is located at 25 Boulevard du Souverain 1170 Brussels Belgium

C. Disclosure policy

On the basis of its transparency values and in compliance with above mentioned regulatory obligations, AXA Bank Europe's management aims to communicate to the market its management of and general exposure to risks.

AXA Bank Europe discloses its risk profile at least annually, as soon as possible after the publication of its annual accounts. Due to AXA Bank Europe's conservative low risk profile, this yearly frequency is believed to offer sufficient information to allow third parties to form an opinion regarding AXA Bank Europe's risk profile.

AXA Bank Europe's management also pays a special attention to the Bank's obligation of discretion. If a situation would arise where individual clients' information could be inferred from some element of the disclosure requirement, the bank would seek guidance from its relevant and applicable regulators in order to omit such information.

This 2008 Risk Report is prepared by AXA Bank Europe SA. in compliance with its obligations under Title XIV of CBFA's Circular PPB-2007-1-CPB dated 8th of February 2007 for the period starting on the 1st of January 2008 and ending on the 31st of December 2008.

D. Disclosure scope

1) General principles:

In order to attain its risk management objectives, AXA Bank Europe links its risk cartography with its corporate map.

- Through the corporate map, AXA Bank Europe is able to chart the various sections of its business activities, by corporate entities and namely, from the head office to its least material subsidiary, branch and/or relevant affiliated company.
- Through its risk cartography, AXA Bank Europe's identifies those entities which take material risks and for which risk bearing capital may be required.

Non material entities that bear no material risks are (in principle) kept out of scope of AXA Bank Europe's Risk Disclosure Report and ICAAP calculations.

Based on their activities as of the 31/12/2008, and on their risk profile, AXA Bank Europe identified the following entities within its regulatory (Pillar 1) and economic capital (Pillar 2) scope:

2) In scope

AXA Bank Europe SA considers retail exposures to be its core business and competence. This activity covers savings, loans and payment operations and, at year end 2008 is being performed in Belgium and Switzerland. It is in this market segment that the bank prefers to concentrate its risk taking. These risks are further categorized and managed as retail credit risks and non retail credit risks by AXA Bank Europe.

As the funding generated by collecting savings exceeds the possibilities for profitable reinvestment in the retail business, AXA Bank Europe also invests, from Belgium, in a portfolio composed of highly liquid and high quality sovereign, local authorities, international institutions and banks. This exposes the bank to non retail credit risks. The Bank further invests in securitization exposures of the highest quality. Most of the collateral comes from types of business the Bank is familiar with, e.g. mortgages. Other exposures (corporate, covered bonds) in the investment portfolio are less important.

AXA Bank Europe's other activities are treasury, brokerage and asset and liability management. Performed from Belgium, these activities further expose the bank to market risk, interest rate risk as well as liquidity risk.

Like other financial institutions, AXA Bank Europe must manage its operational risk, reputation risk, strategic risk and other minor residual risks.

As such, and as of the 31/12/2008, the following AXA Bank Europe entities had the following material risks.

Corporate Map	Risk Cartography							
Entities	Retail Credit	Non Retail Credit	Market	Operational	Interest Rate	Liquidity	Strategic	Reputation
AXA Bank Europe (Head Office in Belgium) (Including dealing room activities)		X	X	X	X	X	X	X
AXA Bank Europe Belgium Branch	X			X				X
AXA Bank Europe Switzerland Branch				X				X
AXA Hedging Services Ltd.				X				
Royal Street SPV				X				
AXA Belgium Finance NL				X				X

3) Out of scope:

Because four other banks each own 20% of the Brand & Licence Company SA, this company is excluded from consolidation in this report. AXA Bank Europe has only 1/5 voting rights at the Supervisory Board and no deciding influence in terms of the management of this company. For information, this company manages and licenses intellectual property rights whether or not related to payment schemes with cards and all other related transactions.

Mofico NV, the Motor Finance Company (which is the vehicle within which investments in self-banking devices which are leased to distribution channels are housed), Beran (whose major asset is the land on which some of AXA Bank's operations in Antwerp are located) and Upar (which holds a 20% share ownership in a consortium which has concluded a leasing contract for the lessee's registered office and whose contract will terminate in 2008, after which this company will be liquidated) were included in the Annual Report Consolidation until 31st December 2005. In 2006 these companies were deconsolidated from the Annual Report given their intangible nature and as part of the further simplification of the bank structure. For the same reasons, they are not included in this risk report.

Sofifo, Société Foncière de L'Hexagone and Imopole (France) are also not consolidated in this risk report because they concern 3 participations of AXA Bank Europe in three French real estate subsidiaries without any activities. These subsidiaries will be liquidated once ongoing legal proceedings have been completed.

E. Organisation and risk governance

1) Management of Risk Framework

AXA Bank Europe considers the management of risks as a key function, central in the success of its commercial mission of safekeeping and protecting its clients and shareholders' assets.

Its global risk management framework revolves around four internal central functions: audit, risk management, compliance as well as group financial control. These functions assist the bank's Supervisory Board and its Management Board with the monitoring and management of AXA Bank Europe's applicable risks.

1. **The compliance function** reports to the President of AXA Bank Europe's Management Board and to its Chief Financial Officer. It has a direct access to the President of its Supervisory Board, to members of its Audit Committee and to its external auditors. The compliance function monitors the effective application of AXA Bank Europe's Integrity Policy as well as compliance with rules and legislation within a risk scope defined in the Compliance Charter. Risks monitored by compliance include (but are not limited to): anti money laundering and terrorism financing, insider dealing, market abuse, incompatibility of mandates, privacy rights and risks related to transaction in financial instruments;
2. Reporting to AXA Bank Europe's Chief Financial Officer and empowered by its Management Board, a **risk management function** assists the institution's management to monitor its overall risk exposure (for all business lines). Its objectives are to give management a transversal and homogeneous vision of risks positions at all levels of consolidation, supplying it in a timely manner with appropriate information to set risk tolerance policies and take strategic decisions concerning economic and regulatory capital. Doing so, it also follows market and technical developments, performs relevant regulatory watch, prepares required risk management charters, implements risk policy frameworks, monitors and tests their application and reports to management.

Specifically, within AXA Bank Europe's Risk Management Framework, the first level of risk control resides at the Business Unit level. The risk management function forms a second level of control that guarantees that risk related decisions are taken at the right level and supported by correct information. The risk management function independently measures and monitors risks taken by business units including measuring and monitoring the effectiveness of risk mitigation in meeting established risk tolerances. Risk management therefore collaborates with the management of business units to define information requirements and develop or refine systems and processes required to adequately measure and monitor risks being taken. The risk management function provides assurance that executive management is aware of the risks assumed in the business and that monitoring activities are in place to ensure that the business risks stay within established tolerances;

3. Reporting to the President of AXA Bank Europe's Board of Director and with a functional relationship with its Audit Committee, AXA Bank Europe's **audit department** independently assesses risk environment and their evolution. It evaluates all internal systems and processes that control the business line activities, including the systems and processes to measure and monitor the risks.

Internal audit independently reviews all operations of the company to provide assurance to the Audit Committee (a subset of the Supervisory Board) that AXA Bank Europe's internal control systems and processes are effective including, but not limited to, risk management processes. This provides management with further comfort that the monitoring and control processes are effective and that risks are being effectively addressed by managers of business units.

4. Belonging to its Financial Direction and reporting to its CFO, AXA Bank Europe's **Group Financial Control** provides the Management Board with financial control and strategic planning services.

The maturity of AXA Bank Europe's risk management framework can further be inferred from:

- The formalization of its Risk Management Framework which is described in a general Risk Management Charter supported by specific Risk Management Charters approved by AXA Bank Europe's Management Board and Supervisory Board and regularly reviewed by them;
- The existence of adequate Risk Measurement tools (Economic Capital, Value at Risk, Credit models, ...) under the responsibilities of business lines and of Risk Management;
- Formalized rules defining the authorized activities of each business unit as well as the risk limits related to these activities;
- Formalized rules for the launch of new products and activities, ensuring well informed decision making and requiring the independent advice of Risk Management;



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- The implication of the Management Board and Supervisory Board which, benefiting from the independent advice of the Risk Management function, remains in charge and form the final authorities concerning the risk framework, new activities, new limits or modification of limits;
- The existence of several Risk Committees that ensure the effectiveness and efficiency of the management of all risks: Asset and Liability Committee, Credit Committee, Retail Risk Committee;
- The existence of regular reporting of the Risk Management function to the Management Board and to the Supervisory Board of AXA Bank Europe concerning the risk situation of the Bank.
- Formalized risk management cycles that enable the risk manager to monitor and supervise both risk management projects and risk management recurring tasks.

2. Financial information

A. Capital governance & objectives

AXA Bank Europe's strategic financial decisions are taken by its Supervisory Board and managed through its Management Board.

The Supervisory Board and Management Board are assisted in this task by the bank's Chief Financial Officer which heads the Financial Direction Department.

The Financial Direction Department is composed of the following departments: Risk Management, Accounting, Financial Control, Tax, Compliance and Legal.

As such, information required for the sound management of AXA Bank Europe's ICAAP is centralized within a reactive and efficient multidisciplinary department.

Capital reporting is done regularly to the Assets & Liabilities Committee (further described in the interest risk and liquidity risk sections) including forecast analysis comprising anticipated requirements for the current year, the following year as well as the long term, on a corporate and consolidated basis. This measure allows for capital strategy adjustments to be implemented in a timely manner.

AXA Bank Europe's capital objectives go beyond the simple management of equity. Its main objectives are the following:

- Compliance at all times with capital requirements imposed by its supervisor;
- Safeguarding of shareholders and clients' interests;
- Maintenance of a sound capital foundation to support the development of its activities;

With regards to its compliance with the Basel II Framework, AXA Bank Europe's capital objectives are currently the following:

- o Pillar 1 - Minimum Capital Requirement (regulatory capital vs. own funds):

Maintain sufficient own funds to exceed Pillar 1 Regulatory Capital Requirements.

- o Pillar 2 – Internal Capital Adequacy (economic capital vs. internal capital):

AXA Bank Europe's main ICAAP objective is to remain sufficiently capitalized to be able to cover all identified material risks that can be hedged by capital, at all time, calculated at a 99.90% confidence level².

As such, AXA Bank Europe's Pillar 2 economic capital requirements, defined through Pillar 2 methodologies, must, at all times, be less than available internal capital.

1) Own funds

Prudential regulation (Basel II Framework, Capital Requirements Directive and the local Belgium transposition) precisely define the methods through which credit institutions may measure minimum regulatory capital requirements.

As of the 31st of December 2008, AXA Bank Europe had own funds of 1,298,355,000 € to cover its Basel II pillar 1 regulatory capital requirements.

These funds are compared with regulatory capital requirements in section B)1.

² This obligation is kept in line with AXA SA Head Office requirement.

2) Internal capital

Through its “Pillar 2”, AXA Bank Europe calculates an “Economic Capital”. This measure is essentially an enterprise-wide risk measure that takes into account all identified risks. The bank bears the entire responsibility for its definition. Supervisors only assess the appropriateness of the process that determines this “Economic Capital”.

The bank also has to determine how much “Internal Capital” it has available to cover this “Economic Capital”, and bears the entire responsibility of defining the rules of its calculation.

As such, and at this moment in time AXA Bank Europe has decided that the rules for calculating its “Internal Capital” would be identical to the rules for calculating its “Regulatory Capital”.

Therefore, as of the 31st of December 2008, AXA Bank Europe considered having “internal capital” of 1,298,355,000 € to cover its Basel II pillar 2 economic capital requirements.

These funds are compared with regulatory capital requirements in section B)2.

B. Capital adequacy assessment

1) Regulatory capital compliance

For the year 2008, under the authorization of its prudential authority, AXA Bank Europe calculated its regulatory capital using the following Basel II Pillar I approaches:

Risks	Entities	Methods
Retail Credit Risk	AXA Bank Europe Belgium	IRB Foundation
	AXA Bank Europe Belgium	Standardized Approach
Non Retail Credit Risk		
Securitization	AXA Bank Europe Belgium	IRB Foundation
All other risks	AXA Bank Europe Belgium	Standardized Approach
Market Risk	AXA Bank Europe Belgium	Standardized Approach
Operational Risk	All	Basic Indicators Approach

These methods to calculate own funds are described in the CBFA's Circular 2007-1.

For **Credit Risks**:

- An Internal Rating Based Foundation Approach for 98% of its retail credit risk exposures and for its securitization exposures within its investment activity. The 2% minor retail credit risk portfolios for which insufficient historical data exist to feed an Internal Rating-Based Foundation Approach (IRBF) model was therefore calculated through a Standardized Approach (SA).
- In agreement with AXA Bank Europe's regulator, the Standardized Approach was also used for the credit risk component of portfolio management activities (with the exception of securitization exposure as stated above) because the limited numbers of default events in this portfolio would make using an IRBF approach difficult to justify from a statistical point of view. Moreover the high quality and limited number of counterparties generated by this activity also justified using an SA methodology.

For **Market Risks**:

- A Standardized Approach was used for AXA Bank Europe's Treasury & Brokerage and Asset & Liability Management activities.

For Operational Risks:

- AXA Bank Europe's used the Basic Indicator Approach (BIA) to calculate its operational risk regulatory capital requirements.

Supplementary Regulatory Capital:

AXA Bank Europe must also maintain³ until the 31/12/2009, transitional regulatory capital. This transitional regulatory capital equals to 80% of the minimum amount of total own funds that AXA Bank Europe should have retained in 2008, had it been subjected article 82, § 1, 3° of the CBFA regulation dated 5th of December 1995 pertaining to own funds for credit institutions⁴.

The following table shows that AXA Bank Europe's own funds for solvency purposes exceeded AXA Bank Europe's required regulatory capital by an amount of 1,061,097 kEUR (81.73%) based on the figures of Year End 2008:

Basel II Pillar 1 (000 €)	
Regulatory capital requirements	237.258 €
Own funds	1.298.355 €
Surplus	1.061.097 €
Ratio	81,73%

However, as we are still in a transitional phase, the supervisor requires transitional capital requirements as described above. On the 31/12/2008, they amounted to 467,520 kEUR and brought the surplus to 593,577 kEUR, (45.72%), a still comfortable surplus.

As stated before, AXA Bank Europe's management reports that during the year 2008, the available own funds always exceeded regulatory compliance requirements.

2) Internal Capital Adequacy Assessment

AXA Bank Europe setup an Internal Capital Adequacy Assessment Process (ICAAP) project to comply with the new Basel II Pillar II requirements. Amongst others, this process aims to improve methodologies and to integrate all the risks faced by institutions within their capital management framework, and namely those not covered under the Basel II Pillar I regulatory framework (interest rate risk, liquidity risk, strategic risk, reputation risk and other residual risk) through an internal assessment of required risk capital (also known as economic capital).

AXA Bank Europe's methodology concerning its ICAAP is documented in an internal ICAAP file reviewed annually by AXA Bank Europe's regulator under its standard supervisory review process. In 2008 AXA Bank Europe defined its overall economic capital requirements as the amount of capital that is needed for it to maintain the probability that it remains solvent at a confidence level of 99.9%.

The overall economic capital of the bank is the function of the economic capitals calculated for each of the following risks (using methods described in each specific risk sections): Credit Risk (including retail credit risks, other counterparty risks and securitization risks), Market Risk, Interest Rate Risk and Operational Risk, taking into account correlations between different types of risks.

As of Year End 2008, AXA Bank Europe's internal capital adequacy assessment process showed that AXA internally defined available capital (as described in section 2) A.3), exceeded AXA Bank Europe's economic capital by a very comfortable margin.

The economic capital requirements figures for each risk type are commented in the following sections.

³ Under Title XV.1 of the CBFA Circular 2007-1

⁴ Règlement de la CBFA du 5 décembre 1995 relatif aux fonds propres des établissements de crédit;

Risks such as Liquidity Risk, Reputation Risk or Strategic Risks were not assessed as requiring, or being manageable through additional economic capital. They were managed through qualitative assessments and specific measures.

AXA Bank Europe's management reports that at all time during the year 2008, AXA Bank Europe's available internal capital exceeded AXA Bank Europe's economic capital requirements.

3) Comments on Stress Testing

Stress testing is an important risk management tool for AXA Bank Europe.

- It allows the bank to improve the measurement of its risks.
- It increases the visibility and comprehension of the various risk profiles to its management.
- It allows the bank to test the resilience and adequacy of its risk measurement models.
- Finally, it serves to fine-tune and adjust capital requirements.

Stress testing is a priority for AXA Bank Europe, not only for Risk Management but also for business lines, internal audit and senior management.

For the exercise ending 31/12/2008, AXA Bank Europe performed stress tests on its core portfolios, namely: retail credit risk, liquidity risk, interest rate risk on the banking book and counterparty risks. These results were presented to the relevant risk committees and to AXA Bank Europe's Management Board. None of the stress test results showed AXA Bank Europe to require specific economic capital markups.

The process, methods, assumptions and results of AXA Bank Europe's Stress Test were communicated to the CBFA in the 2Q2009.

3. Managing Business Risks

Internally, business risks are considered as the sum of all risks which are manageable by financial institutions. They form the boundary on which enterprise risk management can be effective and are opposed, as such, to systemic risks.

For AXA Bank Europe, the main business risks are credit risk (both retail and non retail), interest rate risk, liquidity risk, market risk, operational risk, strategic risk and reputation risk.

The management of these risks is respectively described in the following sections A to G.

A. Credit risk

AXA Bank Europe defines credit risk as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution or its failure to perform as agreed. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a critical component of a comprehensive approach to risk management and is essential to the long-term success of any banking organization.

Within AXA Bank Europe, credit risks are categorized as either retail credit risks or non retail credit risks and managed accordingly.

1) Retail Credit risk

AXA Bank Europe's retail credit management framework is formalized by a Retail Risk Management Charter which includes a product approval process. This charter sets the organization and the processes required to validate retail credit risk models, retail business and risk policies and new or modified retail products. The procedures for the day-to-day management of retail credit risks are further detailed in the business & risk policies of local branches or subsidiaries.

Through these formal charters and policies, AXA Bank Europe:

- Ensures that a strong validation counterparty exists to balance the responsibilities of the Retail Credit business line which itself develops, implements and maintains those risk models, hence preventing any conflict of interests from taking place;
- Is able to provide at any time an exhaustive picture of all models in their current status (development, implementation, usage and validation);
- Ensures that all model development and maintenance are properly prioritized according to its risk vision and strategy, integrating both risk and business requirements and constraints;
- Meets regulatory requirements;
- Ensures that decisions to enter new businesses integrate risk components and concepts;
- Guarantees that new and modified products fall under an acceptable risk level.

a) Management Strategy and Processes:

AXA Bank Europe retail credit portfolio can be split in three large product types geographically located in Belgium: mortgage credits, personal loans and professional credits. These risks are managed in three phases: acquisition, management and recovery. They are measured through predictive models that have been developed for by AXA Bank Europe.

These models use the following variables to perform their calculations: probability of default (PD) of retail credits, loss given default (LGD) and exposure at default (EAD). The input data of these models consist of product characteristics, demographic data, financial data and external data that must meet certain quality criteria, as well as historical data concerning the actual annual loss.

During the credit acquisition phase, specific proposals are made for clients based on scoring.

In the management phase, retail credit risk management models use behavior information on a client per client basis to refine their individual scores. The various credits of this activity are divided into “pools”. A “pool” is a group of contracts that are relatively homogenous in terms of PD and LGD compared to other contracts within the retail portfolio. This gives the bank a better visibility on the quality of its retail credit risks which in turn enables it to take better risk and business decisions.

A recovery phase occurs when the adherence to a credit contract is not met. At this point, actions that are taken by the bank to obtain remedy to the non-adherence are actively tracked. Clients are then monitored on an individual basis.

The evolution of the credit risk is actively tracked as part of the reporting for the Management Board to which a summary of the situation is presented on a regular basis.

Quantified credit risks can be used within a number of discretionary decisions that are taken from the need to manage risks. As such the internally developed acquisition scoring models in combination with other internal models are included in the process that decides about the allocation of the credit contract.

Additionally, the internally developed “behavioral scoring models” in combination with other internal models are included in the process that decides about changes to the contract for home loans. The credit risk of the client is included in the price-setting of loans for professional purposes.

The “credit risk of” and the “concentration of the credit risk on” the customer are included in determining the strategy for retail loans that must be approved by AXA Bank Europe’s Management Board.

All these principles lead to a highly effective risk management system that is difficult to manipulate. This system is strongly integrated into the operations of the “Retail Credits” division and is moreover continually being improved.

Together with the choice of certain parameters, this generates a credit portfolio with a low and well-diversified credit risk designed to weather potential losses even in exceptional circumstances.

b) Specific risk management organization and structure:

The internally developed acquisition and behavioral scoring models and the stress testing are validated using a process based on the 4-eye principle which means that three independent parties are involved in the development and validation process of a model:

- A number of units within the “Retail Credit” division that carry out the development functions and content validation;
- The unit that develops the models;
- The users that test the models;
- The management of the credit division that does the first validation;
- The “Risk Management” management that also carries out a content validation.
- The “Internal Audit” that carries out a formal validation.
- Senior management that finally approves all models.

The content validation of the rating process includes checking the input data and checking the rating model. The content validation of the rating model always includes a qualitative component and a quantitative component.

Remarks about the validation can result in the acceptance, the recalibration or the redevelopment of the rating model.

Moreover, there is regular back testing on model performances and complete model reviews are carried out at least once a year. When revising a model, a validation method is applied that relies on the same principles as those of the method used for validating the development of a model.

The independence of modeling, validating and using the models is guaranteed by a strict division of the authorizations that are decisive for mapping the credit risk and managing it. The nature of their functions allows this separation to be implemented both at management level and within the management of "Retail Credits" itself.

At management level, the following entities work independently of each other:

- ▶ The "Retail Credits" management carries out the daily operations of the credits, proposes the strategy and carries out a first ("content") check.
- ▶ The Risk Management acts as ("content") control body for the risks of the whole group.
- ▶ The Internal Audit checks the procedures with which the risk is managed ("formally").

Within the "Retail Credits" division, the following units work independently of each other.

- ▶ The product managers define the products.
- ▶ The Unit Policies define the norms
- ▶ "Credit Analytics" unit compiles the scoring models.
- ▶ The "Acquisition" units make direct decisions about granting a loan.
- ▶ The "Remedy" and "Recovery" units handle contracts with payment arrears and cancelled contracts.
- ▶ The "Credit Review" unit checks whether the defined policies are being adhered to.

c) Scope and nature of risk evaluation systems:

Retail Credit risks are managed through retail credit risk management software provided by SAS Institute Inc. The tool handles all of the bank's credit data and hosts its internal model.

d) Capital requirement assessment

(1) Regulatory Capital

For the year 31/12/2008, AXA Bank Europe received an authorization to use the Internal Rating Based Foundation approach for 98% of its retail credit risk exposures and for its securitization exposures within its investment activity. The 2% minor retail credit risk portfolios for which insufficient historical data exist to feed an Internal Rating-Based Foundation Approach (IRBF) model was therefore calculated through a Standardized Approach (SA).

Regulatory Capital ('000 €)	31/12/2008
Retail Credit Risk	103.563 €
Total	103.563 €

(2) Economic Capital

For the year 2008, AXA Bank Europe calculated its economic capital through a Montecarlo VAR calculated with a 99.9% confidence interval over a one year horizon. As of the 31/12/2008, AXA Bank Europe's economic capital for retail credit risk represented 8.5% of AXA Bank Europe's total non correlated economic capital.

2) Non Retail Credit Risk

Besides the credit risk generated by its retail banking activities, AXA Bank Europe maintains an exposure to high quality counterparties for its portfolio management, treasury and brokerage as well as asset and liability management activities. Within this scope, AXA Bank Europe defines counterparty risk as the risk of loss from default by a debtor or counterparty that can originate from lines of credit granted

to market counterparties, nostro accounts or investment traded instruments such as government issued bonds, T-Bills (Sovereign Risk), banks, corporate bonds, commercial papers, derivatives and OTC deals with positive market value booked as assets.

Exposure to securitization investments are described in section B(1).

a) Management Strategy and Processes:

The strategy and processes setup by AXA Bank Europe to manage these market counterparty risks are described in a Counterparty Risk Charter validated by the bank's Management Board.

Within the bank, counterparty risks are managed by limits set on a cross desk basis encompassing all portfolio management, treasury and brokerage as well as asset and liability management activities.

AXA Bank Europe sets limits on basis of the type and of the quality of its market counterparties. It also sets limits on the list of instruments that the above mentioned functions can use. These limits are reviewed regularly. Country exposure, defined as the risk of having a particular debtor not being able to honor its debts exclusively because of its geopolitical situation, is managed in order to minimize risk caused by undesired concentration.

Credit risk analysts monitor daily events and track alert indicators to monitor counterparty exposures. Alert indicators include external downgrades, change in the financial situation of counterparties, defaults, balance sheet changes, mergers and acquisitions, world events. Limit excesses are monitored on a daily basis.

b) Specific risk management organization and structure:

A Credit Committee has been setup by AXA Bank Europe's and is composed of members of the Management Board duly authorized to decide on credit matters, of specialists (such as the Chief Risk Officer, Risk Manager Treasury and Investments and/or risk analysts) and relevant guests such as market operators, meets every two weeks.

This committee is responsible to apply the principles described in the Counterparty Risk Charter and verifies the adequacy of risk policies and of the risk management framework to the counterparty risk profile. It implements and applies risk policies defined by the Management Board. It follows-up internal risk controls and measurement systems. It authorizes new counterparties within the framework of the existing Counterparty Risk Policy, and modifies sub-limits (e.g. counterparty credit limit) up to a level defined by the Supervisory Board. It also assures the correct management of limits excesses and approves transactions within the Credit Spread Portfolio.

The Credit Committee delegates the day-to-day counterparty risk management to the Risk Management department. The major tasks delegated to Risk Management are supporting the definition of a counterparty risk policy, building risk evaluation methods and models, implementing measures - indicators and follow up tools. Risk Management also provides support in limit setting. It monitors, controls and reports risk exposures.

c) Scope and nature of risk evaluation systems:

In 2008, AXA Bank used the Opics platform developed by Mysis to manage and monitor all of its counterparty limits for its portfolio management, treasury and brokerage as well as asset & liability management activities. From 2009 onwards, it plans to use the Sophis platform (from Sophis Inc.) instead.

d) Capital requirement assessment

(1) *Regulatory Capital*

Under the Pillar 1 of Basel II, AXA Bank measured its regulatory capital for counterparty risk using a Standardized Approach as described in the CBFA Circular 2007-1.

Regulatory Capital ('000 €)	31/12/2008
Non Retail Credit Risk (SA)	76.921 €
Total	76.921 €

This method is based on ratings with associated default probabilities. The ratings used are provided by Fitch, Moody's and Standard & Poors.

(2) Economic Capital

AXA Bank Europe's methodology used to measure economic capital requirements for non retail credit risk is equivalent to the Basel II Standardised Approach (SA) used for regulatory capital. It is based on ratings with associated default probabilities.

The portfolios of ALM, Dealing Room and Bonds all received identical treatment.

Quantitative information can be found in section 4.3.2 and 15 of AXA Bank Europe's 2008 IFRS annual account published on the bank's corporate website. As of the 31/12/2008, AXA Bank Europe's economic capital for non retail credit risk represented 8% of AXA Bank Europe's non correlated total economic capital.

B. Securitization

1) Investment in high quality securitization exposures;

AXA Bank Europe has always been very prudent in its investments in securitized products. Even before the financial crisis, AXA Bank Europe had a risk management policy restricting investments to the most senior tranches of the highest quality AAA rating securitized products.

Each time Portfolio Management desires to invest in a securitized product, it has to follow a specific procedure and obtain a prior case per case authorization from AXA Bank Europe's Credit Committee.

The Credit Committee uses mandatory risk opinions prepared by AXA Bank Europe's Risk Management department to analyze the risk quality of proposed investment in securitized products

When it approves an investment into a securitized product, the Credit Committee further sets an investment limit and requires its daily monitoring by the Risk Management department.

AXA Bank Europe currently uses ratings from Standard and Poors, Moody's and Fitch to monitor the credit quality of its investment in securitized products. Changes in ratings are monitored on a daily basis. AXA Bank Europe's Risk Management department performs sector based, geographic and case per case credit risk reviews of its investments in securitized products. Moreover, risk measures are completed through regular stress test exercises performed to supplement reliance on ratings.

Quantitative information can be found in section 4.3.2 of AXA Bank Europe's 2008 IFRS annual account published on the bank's corporate website.

a) Capital requirement assessment

(1) Regulatory Capital

Under the Pillar 1 of Basel II, AXA Bank Europe measured its regulatory capital for its investments in securitized products using the IRBF approach as described in the CBFA Circular 2007-1.

Economic Capital ('000 €)	31/12/2008
Non Retail Credit Risk (IRBF)	9.215 €
Total	9.215 €

(2) Economic Capital

AXA Bank Europe's methodology used to measure economic capital requirements for non retail credit risk is equivalent to the Basel II Standardised Approach (SA) used for regulatory capital. It is based on ratings with associated default probabilities.

AXA Bank Europe's internal capital was deemed adequate to cover AXA Bank Europe's non retail credit risk (including its exposures to securitized products).

It is higher than AXA Bank Europe's non retail credit risk impairments taken in 2008 (see AXA Bank Europe's 2008 annual report).

It would also cover more than 100% of AXA Bank Europe's worst case losses under its most severe non retail credit risk stress test scenarios, as demonstrated to AXA Bank Europe's regulator.

2) Retail Credit Securitization origination:

Because of the underlying good quality of its Retail Credit Portfolio, AXA Bank Europe setup a retail credit securitization origination capacity for liquidity management purposes.

AXA Bank Europe does not plan to use this securitization origination activity to reduce its risk on its credit retail portfolio, and as such, does not intend to apply for any regulatory capital relief related to its retail credit risks in any way.

This securitization origination activity is defined in a Securitization Policy prepared by AXA Bank Europe's Retail Credit department, validated by AXA Bank Europe's Risk Management department and by its Management Board.

On the 1st of October 2008, AXA Bank Europe originated a 3,000 Mio Euros securitization through a SPV named Royal Street. On the 31/12/2008, 97% of this securitization was purchased by AXA Bank Europe. The remaining 3% (90 Mio €) were placed in various AXA entities.

Because no risk transfers resulted from AXA Bank Europe's securitization origination activities, regulatory and economic capital measures appear within the retail credit risk section of this document.

C. Interest Rate Risk

Interest rate risk is the exposure of a bank's financial condition to adverse movements in interest rates. Accepting this risk and managing it is a normal part of banking. Such management can be an important source of profitability and shareholder value. If left unmanaged, this risk may represent a significant threat to a bank's earnings or capital base.

Changes in the interest rate structure can influence a bank's earnings by changing its net interest income and operating expenses. They can also affect the value of the bank's assets, liabilities and off-balance exposures, since they determine the present value of future cash flows.

AXA Bank Europe's interest rate risk mainly arises from its retail market activities (credits granted to retail clients, deposits by retail clients) as well as its exposures to the wholesale markets.

a) Management Strategy and Processes:

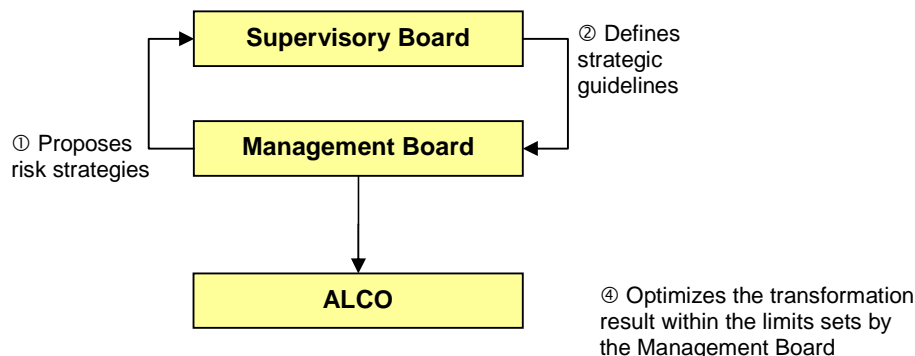
AXA Bank Europe uses key indicators to identify, measure, stress test and analyze the main sources and components of interest rate risks generated by the bank's business activities (including those of their support functions) and quantify the various levels of those risks.

- ⇒ The Carry Indicator is a P&L stress test reported to AXA Bank Europe's Asset and Liability Committee (the ALCO). It is produced by AXA Bank Europe's Asset & Liability Management department and represents the impact of an abrupt rate shock of plus or minus 100 basis points applied to the whole yield curve on the interest rate margin for the coming 12 months. It is a forward looking stress test as it includes expected figures derived from AXA Bank Europe's business plans. The comparison of a base scenario with these shock scenarios expresses the influence of rate shocks on the interest margin of AXA Bank Europe.
- ⇒ Solvency indicators indicate the variation of the unrealized capital gains after a parallel shift of the interest rate. More information can be found in section 4.7 of AXA Bank Europe's 2008 IFRS annual account published on the bank's corporate website.

Additionally, the bank has advanced to a Montecarlo VAR methodology to measure, monitor, and manage its interest rate risk exposure. This method is further described in section e) on interest rate risk economic capital.

b) Specific risk management organization and structure:

In AXA Bank Europe, interest rate risk (and the entire ALM position) is managed through the following governance:



The Supervisory Board defines strategic guidelines based on risk strategies proposed by the Management Board.

The ALCO composed of members of the Management Board duly authorized to decide on risk matters (Chief Executive Officer, Chief Financial Officer), specialist members and guest participants (as required) is then made responsible for:

- Applying those principles documented in the applicable Charters (Market / Liquidity and Interest Charters);
- Verifying the adequacy of risk policies and of the risk management framework to the market risk profile;
- Implementing and applying risk strategies defined by the Management Board;
- Monitoring interest rate and ALM indicators, as well as supervising and verifying the adequacy of the internal risk control and measurement systems;

- Setting or adapting sub-limits up to a level defined by the Management Board;
- Ensuring the correct management of limits excesses;

The Risk Management, Financial Control and Back Office departments provide independent advice to the members of ALCO.

The Risk Management department supports the definition of the Interest rate Risk management framework (risk identification, risk evaluation methods, implementation of controls) and provides support to define required limits (risk type, authorized instruments and products, ALM management indicators). It performs day-to-day controls (exposures versus limits per type of risk, required economic capital, required regulatory capital). It monitors the use of products and assists business launching new products or new activities. Finally, it also reports exposures and risks directly to the Management Board.

c) Scope and nature of risk evaluation systems

AXA Bank Europe uses modeling tools provided by QRM Ltd to host its above described interest rate risk models.

d) Economic capital requirement assessment

As of the 31/12/2008, the results of AXA Bank Europe's Carry indicators were as follows:

- ⇒ An upward shift of 100bp in interest rate would have reduced interest income by 22.65 Mio €
- ⇒ A downward shift of 100bp in interest rate would have increased interest income by 22.63 Mio €

For the year 2008, AXA Bank Europe calculated its economic capital through a Montecarlo VAR calculated with a 99.9% confidence interval. Quantitative information can be found in section 4.7 of AXA Bank Europe's 2008 IFRS annual account published on the bank's corporate website. As of the 31/12/2008, AXA Bank Europe's economic capital for interest rate risk represented 78% of AXA Bank Europe's non correlated total economic capital.

D. Liquidity Risk

The financial crisis has shown liquidity risk to be of significant importance to financial institutions.

The two main categories of liquidity risks are funding liquidity risk and market liquidity risk.

The funding liquidity risk is the risk that the firm will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the firm.

The market liquidity risk is the risk that the firm cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption.

a) Management Strategy and Processes:

AXA Bank Europe's liquidity risk management framework is well documented within an internal Liquidity Risk Management Charter.

Liquidity risk is managed on both a short term basis and structural basis through liquidity indicators and specific stress tests.

AXA Bank Europe also maintains contingency funding plans to shield itself from sudden occurrence of unexpected difficulties.

b) Specific risk management organization and structure:

The day to day management of liquidity risks belongs first to AXA Bank Europe's Treasury department. This risk is also monitored by AXA Bank Europe's Risk Management department.

Structural liquidity risks are monitored by both AXA Bank Europe's Asset and Liability department and Risk Management department.

Results and excess reports are communicated to AXA Bank Europe's ALCO.

c) Scope and nature of risk evaluation systems:

Liquidity reports are produced by an ALM software from QRM inc., based on cash flows per type of product. The system covers all the relevant products of the bank and is able to show current or future photographs of the bank.

d) Quantitative information as of the 31/12/2009:

Detailed quantitative information can be found in section 4.8 of AXA Bank Europe's IFRS annual account published on the bank's corporate website.

E. Market Risk

Market risk is the risk that the value of either on- or off-balance-sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices. The main components of market risk are therefore equity, interest rate, foreign exchange, and commodity (however AXA Bank Europe does not engage in commodity trading).

Within AXA Bank Europe, the following business lines are exposed to Market Risk:

- Treasury and Brokerage;
- Portfolio Management.

The market risk engaged by Portfolio Management and the Asset and Liability Committee are not detailed in this section. They are covered in the interest rate risk and liquidity risk sections.

a) Management Strategy and Processes:

AXA Bank Europe's Market Risk management framework is described in a Market Risk Management Charter. For interest rate and liquidity risks, it is completed by an Interest Rate and Liquidity Risk Management Charter.

AXA Bank Europe manages market risks by setting global level of market risks. It uses a Value at Risk (VAR) method as its principal tool to measure, limit and report its exposure to this risk.

In 2008, AXA Bank Europe maintained a very conservative approach to market risk and equity and Forex exposures were kept low. AXA Bank Europe did not invest in commodities.

Market risk control is performed through a set of limits. Tools such as Opics, RiskMetrics, and Sophis are used to measure market risk exposures.

Limits excesses and stop loss limits are verified on a daily horizon and on a 10 days horizon. Limits are also set concerning authorized activities and instruments.

This method is complemented by stress testing designed to emulate and estimate potential economic losses in abnormal markets.

b) Specific risk management organization and structure:

At a senior level, the management of market risks fall under the responsibility of the Management Board reporting to the Supervisory Board. Operationally the Management Board is assisted by the Asset and Liability Committee. The Treasury and Financial Market department is responsible for the daily management of this risk. The Risk Management department provides an independent day to day monitoring, control and reporting of market risks. It helps to define market risk policies and it proposes risk limits.

c) Scope and nature of risk evaluation systems:

The bank manages its market risks through Opics by Mysis, Risk Metrics by the RiskMetrics group and Sophis by Sophis Inc.

d) Capital requirement assessment

(1) Regulatory Capital

In 2008, the regulatory capital was calculated using the Standardized Approach defined in the relevant - section of the CBFA's Circular 2007-1.

Regulatory Capital ('000 €)		31/12/2008
Market Risk		4.710 €
Total		4.710 €

(2) Economic Capital

AXA Bank Europe uses Montecarlo VAR at a 10 day interval at a 99.9% confidence level to calculate its economic capital multiplied by an hysteria factor of 3.

As of the 31/12/2008, AXA Bank Europe's economic capital for market risk represented 1% of AXA Bank Europe's non correlated total economic capital.

F. Operational risk

The Basel II framework defines operational risk as the risk of loss resulting from inadequate or failed internal processes, personnel and systems, or from external events.

This definition considers risks arising from basic operations and practical execution of strategy. It excludes strategic risk and reputational risk.

AXA Bank Europe manages its operational risk through an adequate governance process. An operational risk function which reports to AXA Bank Europe's Chief Risk Officer follows the operational risks of all of the bank's business lines and main support functions.

a) Capital requirement assessment

(1) Regulatory Capital

AXA Bank Europe uses the Basel II Basic Indicator Approach (BIA) defined in Title VIII – Chapter 2 – Article VIII.7 to VIII.9 of the CBFA’s Basel II Circular 2007-1 to calculate its operational risk regulatory capital requirements under Pillar 1.

Calculations are made through the accounting department and reported to AXA Bank Europe’ regulator under the COREP process.

Regulatory Capital ('000 €)	31/12/2008
Operational Risk	42.848 €
Total	42.848 €

(2) Economic Capital

AXA Bank Europe measures its economic capital using a methodology similar to the Basel II Standardized Approach under Pillar 1.

A Gross Income (GI), defined as net interest income plus net non-interest income, is measured for each business line. This GI is gross of any provisions and operating expenses, including fees paid to outsourcing providers. It excludes realized profits/losses from the sale of securities in the banking book, and extraordinary items as well as income derived from insurance.

For each business line a Relevant Indicator (RI) is calculated as the three-year average of the gross income (GI) of the previous two years and the strategic plan figures for the current year. A negative GI in any business line may offset positive GI in other business lines without limit. However, when the aggregated GI across all business lines within in a given year is negative, then the input to the numerator for that year will be zero.

The required capital is calculated for each business line by multiplying the RI by a factor (beta) assigned to that business line. Taken from its applicable regulation, a 12% beta is assigned to all business lines except for Dealing Room that receives an 18% beta.

As of the 31/12/2008, AXA Bank Europe’s economic capital for operational risk represented 4% of AXA Bank Europe’s total non correlated economic capital

G. Other business risks

a) Concentration risk

AXA Bank Europe’s Risk Management department has embedded the management and measurement of concentration risks within its management and measurement of AXA Bank Europe’s main risks (credit, market, operational, interest rate risks).

As such, AXA Bank Europe’s considers concentration more as a risk factor than as a risk in itself. The bank therefore does not calculate a specific economic capital markup for this risk.

Detailed quantitative information concerning AXA Bank Europe’s concentration risk can be found within section 4.4 of its 2008 IFRS annual accounts published on the bank’s corporate website.



b) Country risk

Country risk is another example of a risk which is closely linked to another risk. Within AXA Bank Europe, country risk could materialize in relationship with international credit activities and to a smaller extent, with regards to treasury and financial market activities.

Nevertheless, AXA Bank Europe's exposures are limited to OCDE countries and strongly focused on EU countries. As such, AXA Bank Europe feels that this risk is minimal and didn't elect to keep economic capital for it.

c) Model risk

AXA Bank Europe's model risks are assessed when a new model undergoes its first validation exercise, during model modifications and during model reviews. As of the 31/12/2008, AXA bank Europe's economic models were deemed reliable and AXA Bank Europe's senior management elected not to take any economic capital charges for this risk.

d) Strategic risk

AXA Bank Europe currently defines strategic risk as the current or prospective risk to earnings and capital arising from changes in the business environment and resulting strategic decisions.

This risk is managed through adequate governance processes.

In compliance with local regulation and international business practices, AXA Bank Europe does not hedge its strategic risk through economic capital add-on.

e) Reputation risk

AXA Bank Europe defines its reputation risks as the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators.

In 2008, AXA Bank Europe's Risk Management performed an assessment of the management of this risk within the bank. The conclusion of this assessment was that various complimentary processes contributed together to its sound management, namely operational risk management, business continuity planning (major and minor events), compliance, risk management and communication.

These complementary processes can be called upon and coordinated during crisis management situations. They are supported by formal policies, including documented media guidelines that inform staff of their responsibilities in reputation management circumstances.

Based on this assessment, no specific corrective actions were deemed required to manage this risk.

Finally, in compliance with local regulation and international business practices, AXA Bank Europe does not hedge its reputation risk through economic capital add-on.

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