Embedded Value

& AFR report

2017

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AXA

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INTRODUCTION & KEY FIGURES

INTRODUCTION

This report presents the results, methodology and underlying assumptions used to calculate the 2017 Available Financial Resources (AFR)[1], the Life and Savings New Business Value (NBV)[2] and the operating Free Cash Flows (FCF)[3].

The first section is dedicated to the movements in AFR, the AFR tiering, the sensitivities to a range of financial and technical shocks and the link between AFR, Embedded Value and IFRS shareholders' equity. The second section is dedicated to the 2017 new business indicators. The third section is devoted to operating Free Cash Flows by line of business, and includes a reconciliation between the expected change in AFR and operating Free Cash Flows.

From a methodology stand-point, for Life & Savings, the disclosures are aligned with the EEV principles© from the CFO Forum, which allow the use of the valuation principles applied in the Solvency II balance sheet. For other segments, including "Property and Casualty", "Banking and Asset Managers" and the "Holdings", the disclosures are consistent with the Solvency II valuation principles and are reflective of the Solvency II balance sheet. A detailed methodology is included in the appendices.

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[1] AFR (Available Financial Resources) correspond to the surplus derived from the Solvency II balance sheet. It is defined as the excess of market value of assets over market value of liabilities as of valuation date.

[2] NBV (New Business Value) corresponds to the value of newly issued contracts during the current year.

[3] FCF (Free Cash Flows) correspond to a measure of dividend capacity calculated as the sum of earnings and required capital change

KEY FIGURES

GROUP KEY FIGURES *Euro billion unless otherwise noted*	**2017**	**2016**	Change[1]
Group embedded value (EV)	**55.2**	52.5	*2.7*
Group Solvency II available financial resources (AFR)	**57.8**	57.9	*-0.1*
Group AFR - unrestricted Tier 1 contribution	**72.2%**	64.4%	*7.8pts*
Group Operating Free Cash Flows (FCF)	**6.3**	6.2	*0.1*
Life & Savings new business value (NBV)	**2.8**	2.6	*0.2*
Life & Savings new business value margin (NBV margin)	**43.1%**	39.7%	*3.5pts*
Life & Savings internal rate of return (IRR)	**16.3%**	17.8%	*(1.5pts)*

[1] *At current Forex and scope, except NBV at constant Forex and scope.*

2017 Group EV increased by Euro +2.7 billion on a reported basis to Euro 55.2 billion, driven by a strong operating performance and favorable economic conditions.

2017 Group AFR decreased by Euro -0.1 billion on a reported basis; the difference with the change in Group EV is mainly linked to the reduction in net debt (Euro -2.0 billion) which is recognized in AFR but not in Group EV.

2017 Group AFR – The share of unrestricted Tier 1 increased by +8 pts from 64% to 72%. This improvement is mainly due to (i) a strong operating performance, (ii) a reduction in net debt recognized in AFR and (iii) a reduction in deferred tax assets.

2017 Group Operating Free Cash Flows increased by Euro +0.1 billion to Euro 6.3 billion, well on track towards our target of Euro 28 to 32 billion cumulative over 2016 – 2020.

2017 Life & Savings NBV margin increased by +3.5pts to 43.1%. This increase in NBV margin was mainly driven by (i) more favorable investment assumptions, (ii) improved business mix in Asia mainly from China and Japan and (iii) was partly offset by country mix, reflecting lower volumes in Asia, and higher volumes in the United States.

2017 Life & Savings Internal Rate of Return (IRR) decreased from 17.8% to 16.3%, as a result of (i) an unfavorable geography mix and (ii) a decrease of Asia's IRR notably in Hong Kong.

GROUP AVAILABLE FINANCIAL RESOURCES (AFR)

LINKING GROUP EMBEDDED VALUE TO GROUP AFR

RECONCILIATION GROUP EV TO GROUP AFR *Euro billion*	**L&S**	**Other than L&S[3]**	**Total 2017**	**Total 2016**
GROUP EMBEDDED VALUE[1]	**59.1**	**(3.9)**	**55.2**	**52.5**
Dividends to be paid	-	(3.0)	(3.0)	(2.8)
TSS/TSDI & subordinated debts	0.1	15.0	15.1	17.1
Adjustment from IFRS reserves to BEL in P&C	-	5.7	5.7	5.1
Solvency II prudential margins	(13.5)	(2.4)	(15.9)	(15.2)
o/w MVM	*(7.3)*	(2.4)	*(9.7)*	*(9.9)*
o/w CoC/NFR	*1.2*	-	*1.2*	*1.6*
o/w Solvency II contract boundaries limitation in L&S	*(7.4)*	-	*(7.4)*	*(6.9)*
Other framework differences	1.2	(0.6)	0.6	1.2
GROUP AVAILABLE FINANCIAL RESOURCES[2]	**46.9**	**10.9**	**57.8**	**57.9**

[1]Group Share; [2]Including minority interests; [3]Including P&C, B&AM and holdings.

The difference between AFR and Group EV is mostly linked to the inclusion of subordinated debts in AFR, the treatment of P&C reserves and to the inclusion of Solvency II prudential margins in AFR.

In contrast with Group EV, the proposed 2017 dividend to be paid in 2018 is deducted from Group AFR (Euro -3.0 billion), while subordinated debt is included (Euro +15.1 billion). The decrease in subordinated debt in FY17 reflects the reduction of outstanding debt (Euro -1.2 billion) and the impact of foreign exchange (Euro -0.9 billion).

Group AFR captures the best estimate value of P&C liabilities, whilst Group EV reflects the full amount of IFRS P&C reserves. IFRS P&C reserves at FY17 were higher than the best estimate value of P&C liabilities by Euro +5.7 billion and so this adjustment has a net positive impact on AFR.

Group AFR includes Solvency II prudential margins (Euro -15.9 billion): (i) the market value margin of Euro -9.7 billion, which replaces the Cost of Capital and Non-Financial Risks applied under the EEV framework (Euro +1.2 billion) and (ii) the contract boundaries limitation of Euro -7.4 billion. These margins are expected to be released over time in the form of additional operating performance.

Group AFR includes other framework differences with Group EV (Euro +0.6 billion), such as the inclusion of Surplus Funds in Germany, the treatment of US insurance operations under the equivalence regime and the application of sectoral rules to Banking and Asset Management businesses.

GROUP AFR – ANALYSIS OF CHANGE

Throughout this section, US operations are considered under the equivalence regime[1] and banking and asset management operations under the sectoral rules[2].

The following table presents the evolution of the Group Available Financial Resources over the indicated period.

GROUP AFR ROLLFORWARD *Euro billion*	L&S 2017	Group AFR 2017	Group AFR 2016 Restated[2]
PREVIOUS CLOSING	**45.1**	**57.9**	**59.2**
Modeling changes and opening adjustments	(2.1)	(1.5)	(2.4)
OPENING	**43.0**	**56.4**	**56.8**
Expected existing business contribution	3.2	4.6	4.5
Value of new premiums	1.7	2.5	2.4
Operating variance and change in assumptions	0.0	1.5	1.8
OPERATING RETURN	**5.0**	**8.5**	**8.7**
Economic variance	1.4	1.8	(5.3)
TOTAL RETURN	**6.3**	**10.3**	**3.4**
Exchange rate impact	(2.6)	(3.6)	(0.4)
Dividend to be paid in year N+1	-	(3.0)	(2.8)
Subordinated debts and others[1]	0.1	(2.3)	0.9
CLOSING	**46.9**	**57.8**	**57.9**

[1] Including subordinated debts, capital movements, internal dividends paid in 2017 and others.

[2] 2016 figures were restated so as to allocate the change in MVM, which was presented on a single line in FY16. The total change in MVM is the sum of (i) the expected release from existing business contribution, (ii) the MVM consumption from value of new premiums, (iii) and of operating variance and changes in assumptions affecting the MVM. Its breakdown is now allocated to the corresponding line items.

Compared to the opening amount, 2017 Group Available Financial Resources increased by Euro 1.4 billion to Euro 57.8 billion. Expected business contribution, the value of new premiums, and favorable economic conditions (increase in interest rates and higher equity markets) were partly offset by the appreciation of the Euro versus all main currencies, the proposed 2017 dividend to be paid in 2018 and the reimbursement of the subordinated debt.

2017 modeling changes and opening adjustments had a negative impact of Euro -1.5 billion, mainly reflecting:

- **US (Euro -1.9 billion)** mainly due to the anticipation of the impact on AFR of the recapture of the Variable Annuity business currently reinsured by AXA RE Arizona as part of the planned pre-IPO restructuring transactions, including a write-off of the deferred tax assets position. This impact on AFR is offset, in the Group Solvency II ratio, by a reduction in Solvency Capital

[1] See appendix A.6 “Treatment of insurance subsidiaries in the US”.

[2] See appendix A.7 “Sectoral rules”.

Requirement for the US under the equivalence regime (moving from 300% Company Action Level[1] to 200% Company Action Level for AXA Equitable Life Insurance Co. post-recapture);

- **Group model changes (Euro -1.0 billion),** as a consequence of an improved modelling of interest rate volatilities and the removal of the floor previously applied on interest rates (Euro -0.5 billion), now allowing for negative rates, together with changes in MVM modelling (Euro -0.5 billion); and
- **Europe (Euro +1.1 billion)** mainly due to a favorable change in expense allocation methodology for Health business in Germany Life and Savings and a refinement of contract boundaries modelling in Switzerland.

2017 Expected existing business contribution was Euro 4.6 billion, of which Euro 3.2 billion of Life & Savings and Euro 1.4 billion from other segments, reflecting the unwind at reference rates, the release of time value of options and guarantees, the release of MVM and the financial over-performance (above reference rates) expected under management case assumptions at the end of 2016.

2017 Value of new premiums amounted to Euro 2.5 billion, of which Euro 1.7[2] billion from Life & Savings and Euro 0.8 billion from Property & Casualty.

2017 Operating variance and assumption changes had an impact of Euro 1.5 billion, mainly driven by:

- **Europe (Euro +1.0 billion)** mainly due to (i) favorable claims reserves developments in P&C in Switzerland, the United Kingdom, Italy and Spain, (ii) an update of assumptions for pensions in Switzerland and the United Kingdom and (iii) a favorable change in longevity and expense assumptions in Germany L&S and disability assumptions in Switzerland L&S;
- **France (Euro +0.6 billion)** with (i) an update in expenses, lapse and customers behavior assumptions for Individual Savings, (ii) more favorable best estimate claims reserves assumptions in P&C and (iii) a decrease in corporate tax rate, partly offset by the adverse impact of regulatory changes on annuity legal indexation;
- **Holding (Euro +0.3 billion)** due to the reimbursement by the French treasury of the 3% tax on dividends over the last 5 years, partly offset by lower deferred tax assets reflecting the upcoming decrease in corporate tax rate in France;
- **Asia (Euro -0.5 billion)** reflecting changes in medical expenses, mortality and lapses assumptions in Japan; and
- **US (Euro -0.1 billion)** reflecting the impact of the US corporate tax reform on statutory deferred tax assets.

[1] Company Action Level is the applicable required capital under the US regulation.

[2] Differences between Life & Savings value of new premiums and Life and Savings New Business Value come from: the application of contract boundaries, the cost of capital and non-financial risks (which replaces in the NBV the market value margin reflected in the value of new premiums) and equivalence treatment for US operations.

2017 operating return was 15% of opening AFR or Euro 8.5 billion (15% or Euro 8.7 billion in 2016), driven by a strong expected contribution of existing business, growth of value of new premiums, and favorable operating variance and assumption changes.

2017 Economic variance on 2017 was Euro 1.8 billion, mainly due to:

- Euro 1.5 billion from equity and real estate performance; and
- Euro 0.3 billion from the decrease in volatilities mostly in Europe and France.

2017 total return was 18% or Euro 10.3 billion (6% or Euro 3.4 billion in 2016) driven by a strong operating return and a favorable economic variance.

2017 changes in exchange rate had an impact of Euro -3.6 billion, from the appreciation of the Euro versus main currencies.

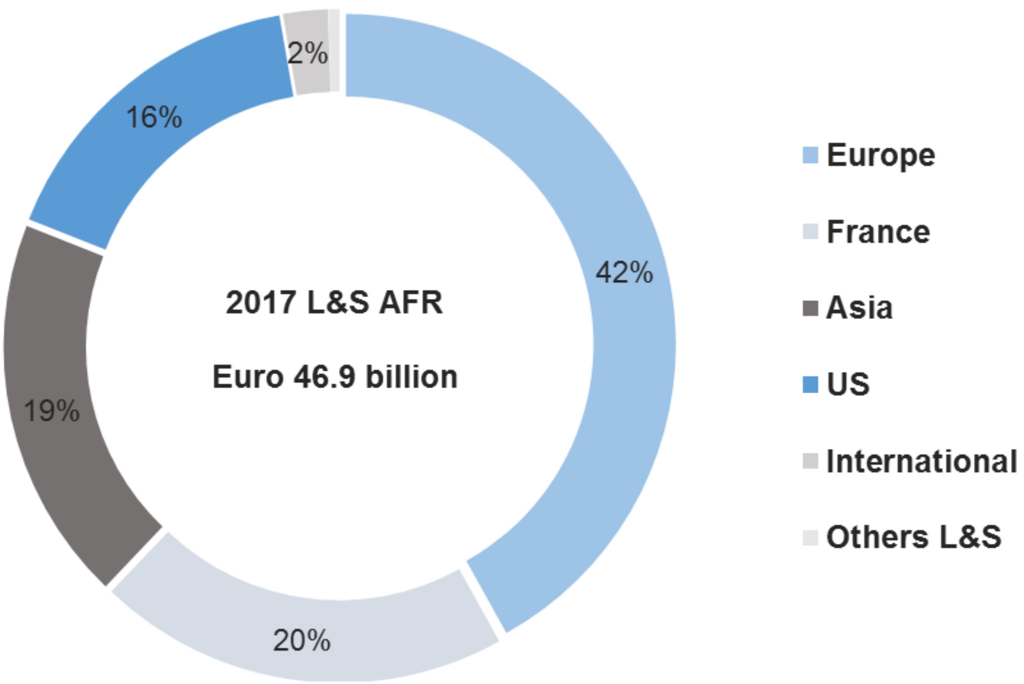
2017 proposed dividend to be paid in 2018 amounts to Euro -3.0 billion.

2017 subordinated debt and others decreased by Euro -2.3 billion, mainly due to:

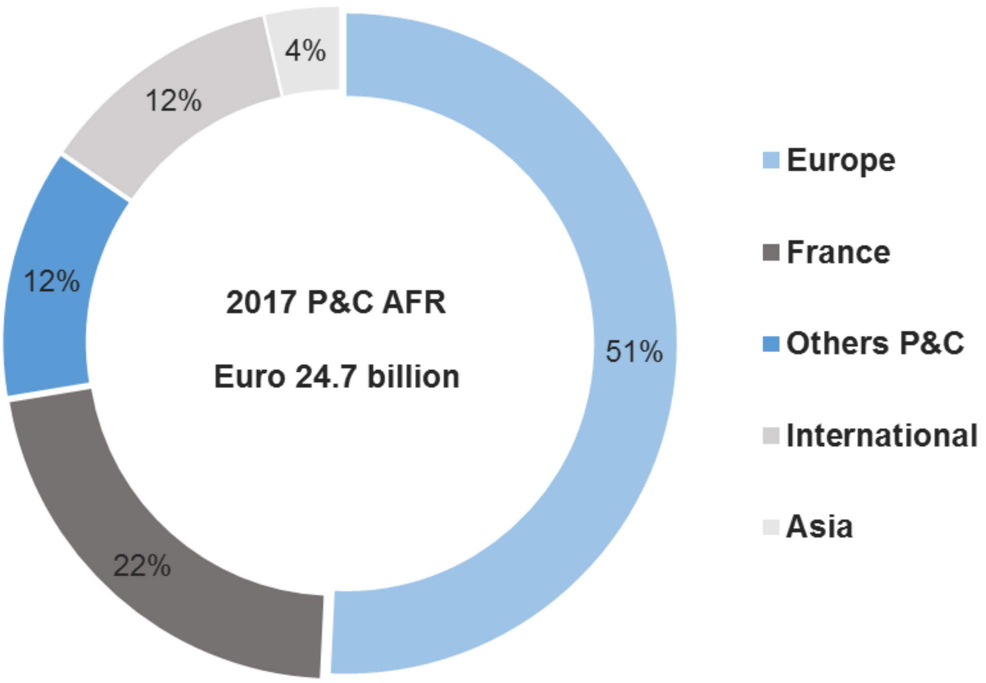
- Euro -1.2 billion of dated and undated subordinated debt reimbursement, net of issuance; and
- Euro -1.0 billion of share buy-back to eliminate the dilutive effect of certain share-based compensation schemes.

GROUP AFR – BY GEOGRAPHY AND BY SEGMENT

L&S AFR - BREAKDOWN BY GEOGRAPHY



P&C AFR - BREAKDOWN BY GEOGRAPHY



GROUP AFR – SENSITIVITIES

The following table presents the sensitivities of the Life & Savings AFR of AXA to various financial and technical shocks.

L&S AFR SENSITIVITIES	2017 AFR *in Euro million*	2017 AFR *in percentage*
CLOSING AMOUNT	**46 884**	**100%**
Interest rates +50bps	773	2%
Interest rates -50bps	(1 193)	(3%)
Equity markets +25%	1 618	3%
Equity markets -25%	(2 944)	(6%)
Real estate +10%	964	2%
Real estate -10%	(995)	(2%)
Policyholder lapses -10%	62	0%
Expenses -10%	1 274	3%
Annuity business mortality -5%	(243)	(1%)
Life business mortality -5%	240	1%
Equity volatility +25%	(265)	(1%)
Interest rate volatility +25%	(1 137)	(2%)
Credit spreads +50bps[1]	(1 545)	(3%)
Credit spreads -50bps[1]	1 308	3%
Volatility adjustment = 0bps	(599)	(1%)
Volatility adjustment +10bps	1 094	2%
UFR -15bps	(217)	(0%)

[1] *Assuming volatility adjustment remains constant*

Life & Savings AFR is positively sensitive to an increase in interest rates as (i) investment margins improve when policyholder's guarantees are less in the money, and as (ii) assets duration is lower than liabilities duration. This gross positive sensitivity is partly offset by profit sharing and dynamic lapses mechanisms, which are causing asymmetry with regards to sensitivity to a decrease in interest rates.

In these Life & Savings AFR sensitivities, US operations are reflected under the equivalence regime and Solvency II contract boundaries are applied.

The following table presents the sensitivities of the Property and Casualty AFR of AXA to various financial shocks.

P&C AFR SENSITIVITIES	2017 AFR *in Euro million*	2017 AFR *in percentage*
CLOSING AMOUNT	**24 745**	**100%**
Interest rates +50bps	(63)	0%
Interest rates -50bps	73	0%
Equity markets +25%	936	4%
Equity markets -25%	(877)	-4%
Real estate +10%	568	2%
Real estate -10%	(568)	-2%
Credit spreads +50bps[1]	(728)	-3%
Credit spreads -50bps[1]	820	3%
Volatility adjustment = 0bps	(93)	0%
Volatility adjustment +10bps	215	1%
UFR -15bps	(15)	0%

[1] *Assuming volatility adjustment remains constant*

GROUP AFR – TIERING

The structure of tiering is presented in the table below:

AFR TIERING *Euro billion*	Total	Unrestricted Tier 1	Restricted Tier 1	Tier 2	Tier 3
AFR (Eligible own fund) At Dec. 31, 2017	**57.8**	**41.7**	**7.5**	**7.7**	**0.9**
of which insurance sector	55.4	39.4	7.5	7.6	0.9
Of which ancillary	-	-	-	-	-
Of which subject to transitional measures*	12.1	0.0	7.5	4.6	-
of which other financial sectors	2.3	2.3	-	0.0	-
AFR (Eligible own fund) At Dec. 31, 2016	**57.9**	**37.3**	**8.2**	**8.9**	**3.5**
of which insurance sector	55.9	35.3	8.2	8.9	3.5
Of which ancillary	-	-	-	-	-
Of which subject to transitional measures*	14.8	0.0	8.2	6.7	0.0
of which other financial sectors	2.0	2.0	-	0.0	-

* Transitional measures on basic own funds apply on subordinated debts eligible under Solvency 1 regulation, these subordinated debts are also eligible under Solvency 2 until 2026.

The various components that AXA Group considers as eligible capital are determined in accordance with Solvency II regulatory requirements. As at Dec. 31st, 2017, eligible capital amounted to Euro 57.8 billion (Euro 57.9 billion at December 31, 2016), of which:

- Unrestricted Tier 1 capital after dividend proposal: Euro 41.7 billion (Euro 37.3 billion at December 31, 2016), mainly composed of ordinary shares, reconciliation reserve, and excluding undated subordinated debt;
- Restricted Tier 1 capital: Euro 7.5 billion of undated subordinated debt (Euro 8.2 billion at December 31, 2016);
- Tier 2: Euro 7.7 billion of dated subordinated debt (Euro 8.9 million at December 31, 2016); and
- Tier 3: net deferred tax assets of Euro 0.9 billion (Euro 3.5 billion at December 31, 2016).

The US-based insurance business is considered under local solvency requirements.

The change in Group Available Financial Resources by tier in 2017 is driven by:

- Euro +4.4 billion increase in unrestricted Tier 1, driven by a strong operating performance and favorable operational and economic variances;
- Euro -0.7 billion decrease in restricted Tier 1 driven by the reimbursement of undated debt;
- Euro -1.2 billion decrease in Tier 2 subordinated debt due to the reimbursement of dated subordinated debt net of issuance and to the appreciation of the Euro; and
- Euro -2.6 billion decrease in deferred tax assets (Tier 3) due to a lower contribution from US-based insurance business mainly driven by (i) the appreciation of the Euro against USD, (ii) the anticipation of the impact on AFR of the recapture of the Variable Annuity business currently reinsured by AXA RE Arizona as part of the planned pre-IPO restructuring transactions and (iii) the US tax reform impact on deferred tax assets.

LINKING IFRS SHAREHOLDERS' EQUITY TO GROUP AFR

The following table presents the reconciliation between IFRS Shareholders' equity to Group AFR.

RECONCILIATION IFRS SHAREHOLDERS' EQUITY TO AFR *Euro billion*	**L&S**	**Other than L&S**	**2017**	**2016**
IFRS SHAREHOLDERS' EQUITY[1]	**59.7**	**9.9**	**69.6**	**70.6**
Net URCG not included in Shareholders' Equity	1.2	3.6	4.8	4.2
Elimination TSS/TSDI	-	(7.4)	(7.4)	(8.1)
Elimination Intangibles	(19.4)	(11.8)	(31.2)	(33.0)
Goodwill	*(5.6)*	*(8.6)*	*(14.3)*	*(15.4)*
DAC	*(11.6)*	*(1.7)*	*(13.3)*	*(13.7)*
VBI	*(1.5)*	-	*(1.5)*	*(1.8)*
others	*(0.6)*	*(1.5)*	*(2.1)*	*(2.2)*
IFRS TANGIBLE NET ASSET VALUE[1]	**41.5**	**(5.8)**	**35.8**	**33.6**
Dividends to be paid	-	(3.0)	(3.0)	(2.8)
Addition TSS/TSDI and subordinated debt	0.1	15.0	15.1	17.1
Technical provision adjustments	6.2	3.3	9.4	6.5
Other adjustments	(0.9)	1.4	0.5	3.5
GROUP AVAILABLE FINANCIAL RESOURCES[2]	**46.9**	**10.9**	**57.8**	**57.9**

[1]Group share; [2]Including minority interests.

The main elements of the reconciliation from the Euro 69.6 billion of IFRS shareholders' equity to the Euro 35.8 billion of IFRS TNAV are as follows:

- Addition of Euro 4.8 billion of net unrealized gains and losses on assets not reflected in IFRS shareholders' equity;
- Deduction of Euro 7.4 billion of undated deeply subordinated notes (TSS) and of undated subordinated notes (TSDI) included in IFRS shareholders' equity; and
- Elimination of Euro 31.2 billion of intangible assets net of unearned revenues and fee reserves, taxes and policyholder bonuses.

The main elements of the reconciliation between the IFRS TNAV and the Group AFR are as follows:

- Deduction of Euro 3.0 billion of foreseeable dividends to be paid to shareholders in 2018;
- Inclusion of Euro 7.4 billion of undated deeply subordinated notes (TSS) and undated subordinated notes (TSDI), as well as Euro 7.7 billion of dated subordinated debts;
- Addition of Euro 9.4 billion reflecting the Solvency II technical provision adjustments corresponding to the adjustment from IFRS reserves to best estimate liabilities (Euro +19.1 billion) and the market value margin (Euro -9.7 billion); and
- Other adjustments between IFRS TNAV and Group AFR valuation (Euro +0.5 billion), notably the inclusion of minority interests and the treatment of US insurance subsidiaries under the equivalence regime.

The increase of the technical provision adjustments in 2017 compared to 2016 is mainly driven by the favorable economic conditions increasing the BEL adjustment. MVM remains stable as the positive market effect is compensated by model changes on risk margin. Other adjustments (Euro +0.5 billion) decreased compared to last year, mainly due to the reduction in available statutory capital in the US, reflecting the reduction in deferred tax assets, as a consequence of the anticipation of the recapture.

LINKING IFRS TNAV TO GROUP AFR UNRESTRICTED TIER 1

The following table presents the reconciliation between IFRS TNAV and AFR Unrestricted Tier 1.

IFRS TNAV to AFR Unrestricted Tier 1 *Euro billion*	
IFRS TNAV	**35.8**
Dividend to be paid	**-3.0**
P&C Technical provision adjustments	**3.3**
L&S Technical provision adjustments	**6.2**
Others	**-0.5**
AFR Unrestricted Tier 1	**41.7**

The main elements of the reconciliation from IFRS TNAV to AFR Unrestricted Tier 1 are as follows:

- Deduction of Euro 3.0 billion of proposed 2017 dividend to be paid in 2018;
- P&C Technical provision adjustments of Euro 3.3 billion reflecting Euro 5.7 billion of difference between IFRS P&C technical reserves and Solvency II P&C best estimate reserves and Euro -2.4 billion of P&C market value margin;
- L&S Technical provision adjustments of Euro 6.2 billion reflecting Euro 13.5 billion of difference between IFRS L&S technical reserves and Solvency II L&S best estimate reserves and Euro -7.3 billion of L&S market value margin; and
- Others that mainly reflect the deferred tax assets of Euro -0.9 billion that are not included in unrestricted Tier 1 but in Tier 3.

LIFE & SAVINGS NEW BUSINESS AND IN FORCE FUTURE PROFITS

LIFE & SAVINGS NEW BUSINESS – KEY FIGURES

The following table presents the key Life & Savings new business indicators and the evolution of the new business value over the indicated periods.

NEW BUSINESS METRICS *Euro million, Group share*	**2016**	**2017**	Change[1]
Regular premiums	3 678	3 688	*2%*
Single premiums	29 221	27 825	*-3%*
APE	**6 600**	**6 470**	***0%***
PVEP	**67 244**	**64 488**	***-3%***
NBV	**2 623**	**2 787**	***8%***
o/w CE PVFP less strain	*3 181*	*3 262*	*4%*
o/w Time Value of O&G	*(493)*	*(409)*	*-16%*
o/w CoC/NFR	*(64)*	*(65)*	*4%*
NBV/APE	**39.7%**	**43.1%**	***3.5pts***
NBV/PVEP	**3.9%**	**4.3%**	***0.5pt***
NEW BUSINESS IRR	**17.8%**	**16.3%**	***(1.5pts)***

LIFE & SAVINGS NBV ANALYSIS OF CHANGE *Euro million, Group share*	**Total**
2016 LIFE & SAVINGS NBV	**2 623**
Modeling changes & other adjustments	(51)
Change in scope and acquisitions	-
Foreign exchange impact	(48)
Business-driven evolution:	263
o/w Volume	*(85)*
o/w Business mix	*159*
o/w Expenses	*(22)*
o/w Investment assumptions	*153*
o/w Actuarial assumptions & others	*58*
2017 LIFE & SAVINGS NBV	**2 787**

[1] *comparable basis: constant scope for IRR, and constant Forex & Scope for other indicators.*

2017 Life & Savings new business APE was stable on a comparable basis. Growth in the United States, International and France was offset by the slowdown in Asia and Europe. APE evolution by country is commented in details in the 2017 Activity Report.

2017 Life & Savings regular premiums increased by +2% on a comparable basis, in line with AXA's strategy to grow in Protection and Health segments.

2017 Life & Savings single premiums decreased by -3% on a comparable basis.

2017 Life & Savings present value of expected premiums (PVEP) decreased by -3% on a comparable basis.

2017 Time Value of Options and Guarantees (TVOG) decreased by -16%, following a reduction in implied volatilities and lower sales of G/A savings products with profit sharing.

LIFE & SAVINGS NBV ANALYSIS OF CHANGE *Euro million, Group share*		France	United States	Europe	Asia	Interna-tional	Total
2016 LIFE & SAVINGS NBV		**565**	**378**	**542**	**1 085**	**54**	**2 623**
Modeling changes & other adjustments		(14)	(5)	(13)	(19)	0	(51)
Change in scope and acquisitions		-	-	-	-	-	-
Foreign exchange impact		(1)	(8)	(4)	(35)	(0)	(48)
Business-driven evolution:		87	56	61	36	24	263
o/w Volume		*3*	*23*	*(43)*	*(74)*	*6*	*(85)*
o/w Business mix		*(21)*	*5*	*39*	*124*	*11*	*159*
o/w Expenses		*17*	*(0)*	*12*	*(50)*	*1*	*(22)*
o/w Investment assumptions		*47*	*20*	*46*	*33*	*7*	*153*
o/w Actuarial assumptions & others		*41*	*8*	*6*	*3*	*(0)*	*58*
2017 LIFE & SAVINGS NBV		**637**	**421**	**585**	**1 066**	**78**	**2 787**
o/w CE PVFP less strain		*726*	*499*	*667*	*1 286*	*83*	*3 262*
o/w Time Value of O&G		*89*	*65*	*73*	*181*	*1*	*409*
o/w CoC/NFR		*0*	*13*	*9*	*39*	*4*	*65*
LIFE & SAVINGS APE *Euro million, Group share*	**2017**	1 849	1 799	1 034	1 510	278	6 470
	2016	1 824	1 732	1 124	1 661	246	6 600
	Change [1]	*-6%*	*7%*	*-9%*	*-5%*	*-5%*	*-3%*
LIFE & SAVINGS NBV MARGIN	**2017**	34.5%	23.4%	56.6%	70.6%	28.0%	43.1%
	2016	31.0%	21.8%	48.2%	65.3%	21.8%	39.7%
	Change [1]	*3.5pts*	*1.6pts*	*8.5pts*	*5.6pts*	*5.9pts*	*3.5pts*
LIFE & SAVINGS IRR	**2017**	22.0%	15.2%	20.0%	15.1%	6.2%	16.3%
	2016	21.1%	15.7%	21.7%	18.6%	6.4%	17.8%
	Change [1]	*1.0pts*	*(0.5pts)*	*(1.7pts)*	*(3.5pts)*	*(0.1pts)*	*(1.5pts)*

[1] *comparable basis: constant scope for IRR, and constant Forex & Scope for other indicators.*

2017 Life & Savings NBV increased by 8% to Euro 2,787 million on a comparable basis.

Business-driven evolution had an impact of Euro +263 million on the NBV:

- **Volume evolution** had an impact of Euro -85 million on the NBV, mainly driven by:
  - **Asia** (Euro -74 million) reflecting lower sales in (i) Hong-Kong, driven by Protection mainly due to a strong competition notably on whole life participating products, Health mainly reflecting the non-repeat of the sale of a large Group contract, and Unit-Linked due to the prolonged impact of the regulatory changes, and (ii) Japan mainly due to lower new business from the G/A capital light Single Premium Whole Life product in the context of new regulatory requirements; and
  - **Europe** (Euro -43 million) reflecting lower sales in Switzerland due to the non-repeat of a large single-premium Group contract, lower volumes in G/A Savings in Italy and Spain.

- **Business mix** improvement increased the Life & Savings NBV by Euro +159 million, mainly driven by:

- **Asia** (Euro +124 million) as a result of a substantial improvement in China, and favorable tariff changes on Protection business in Japan, partly offset by unfavorable business mix in Hong Kong;
- **Europe** (Euro +39 million) namely thanks to Germany, due to a lower weight of G/A traditional business and a higher weight of Pure Protection; and
- **France** (Euro -21 million) mainly driven by a lower share of Individual Protection with higher than average profitability and a less favorable product mix in Group Protection.

- **Expenses evolution** had an impact of Euro -22 million on Life & Savings NBV, mainly driven by:
  - **France** (Euro +17 million) as a result of more favorable expenses assumptions; and
  - **Asia** (Euro -50 million) with higher unit costs in Japan and Hong Kong, as a result of lower volumes.

- **Investment assumptions' favorable update** had an impact of Euro +153 million on Life & Savings NBV, due to:
  - **France** (Euro +47 million), mainly driven by favorable equity markets, lower interest rate volatilities and lower equity volatilities;
  - **Europe** (Euro +46 million) mainly reflecting more favorable interest rate conditions leading to higher profitability in Switzerland Group Life;
  - **Asia** (Euro +33 million) mainly reflecting higher interest rates in China, partly offset by the decrease in interest rates in Thailand; and
  - **United States** (Euro +20 million) as a consequence of higher interest rate levels, leading to higher locked-in margins from hedging strategies on GMxB products and favorable performance of equity markets.

- **Actuarial assumptions & other updates** had an impact of Euro +58 million on Life & Savings NBV, due to:
  - **France** (Euro + 41 million), mainly driven by the decrease of the corporate tax rate and a favorable revision of policyholder behavior assumptions; and
  - **United States** (Euro +8 million), due to the positive impact of the corporate tax reform, partly offset by a change in mortality and policyholder behavior assumptions.

- **2017 Life & Savings NBV** was also impacted by an adverse foreign exchange effect of Euro -48 million, reflecting the appreciation of the Euro versus other major currencies.

Life & Savings NBV margin increased by +3.5pts on a comparable basis to 43.1%. This increase in NBV margin was mainly driven by more favorable investment assumptions, improved business mix in Asia mainly from China and Japan and was partly offset by country mix, reflecting lower volumes in Asia, and higher volumes in the United States.

Life & Savings Internal Rate of Return (IRR) decreased from 17.8% to 16.3%, with the following main variations:

- **France** (+1.0pt) driven by lower costs, the decrease in corporate tax rate, favorable investment assumptions, partly offset by less favorable business mix;
- **United States** (-0.5pt) mainly due to business mix, with a lower contribution from Retirement Cornerstone;
- **Europe** (-1.7pts) mainly reflecting a less favorable country mix, driven by a higher share of Germany L&S (lower relative IRR) and a lower share of Italy (higher relative IRR); and
- **Asia** (-3.5pts) mainly driven by Hong Kong as a result of increased costs.

LIFE & SAVINGS NEW BUSINESS – SENSITIVITIES

The following table presents the sensitivities to various financial and technical shocks of the Life & Savings NBV of AXA.

LIFE & SAVINGS NBV SENSITIVITIES	2017 NBV *in Euro million*	2017 NBV *in percentage*
CLOSING AMOUNT	**2 787**	**100%**
Interest rates +50bps	88	+3%
Interest rates -50bps	(116)	-4%
Equity markets +25%	277	+10%
Equity markets -25%	(262)	-9%
Real estate +10%	20	+1%
Real estate -10%	(15)	-1%
Policyholder lapses -10%	211	+8%
Expenses -10%	143	+5%
Annuity business mortality -5%	(5)	-0%
Life business mortality -5%	81	+3%
Equity volatility +25%	(26)	-1%
Interest rate volatility +25%	(116)	-4%
Credit spreads +50bps[1]	(36)	-1%
Credit spreads -50bps[1]	36	+1%
Volatility adjustment = 0bps	(54)	-2%
Volatility adjustment +10bps	39	+1%
UFR -15bps	(17)	-1%

[1] *Assuming volatility adjustment remains constant*

LIFE & SAVINGS EEV – BREAKDOWN BY GEOGRAPHY

The following table presents the EEV breakdown by geography.

EEV *Euro billion*	France	United States	Europe	Asia	International	Others	2017	2016
L&S EEV	**13.3**	**8.5**	**22.7**	**13.0**	**1.3**	**0.3**	**59.1**	**55.7**

2017 Life & Savings EEV amounted to Euro 59.1 billion.

LIFE & SAVINGS – FUTURE PROFITS INCLUDED IN AFR

The following table shows the components of future profits for Life and Savings, which are only partially reflected in AFR. This table updates for 2017 the information presented at the AXA Investor Day on November 14th 2017, page 41.

L&S EEV to L&S Solvency II future profits included in AFR *Euro billion*	**2017**	**2016**
L&S EEV	**59.1**	**55.7**
L&S CE PVFP **(RN discounted future profits)**	**37.1**	**34.8**
TVOG	(5.5)	(6.8)
L&S VIF **(before EEV Cost of Capital)**	**31.5**	**28.0**
MVM	(7.3)	(7.5)
BoC impact	(7.4)	(6.9)
Other adjustments	(0.7)	(0.5)
L&S Solvency II future profits included in AFR	**16.2**	**13.0**

The difference between **Life & Savings in-force risk-neutral discounted future profits** (Euro 37.1 billion) and **Life & Savings in-force future profits included in the Solvency II AFR** (Euro 16.2 billion) corresponds to four elements:

- Time Value of Options and Guarantees (Euro -5.5 billion), representing the cost for shareholders associated with financial guarantees and options;
- Market Value Margin (Euro -7.3 billion), which is a Solvency II prudential element;
- Application of Solvency II contracts boundaries (Euro -7.4 billion), which are a Solvency II prudential element, applying for example to the Swiss Protection business; and
- Other adjustments (Euro -0.7 billion), reflecting Solvency II specificities such as the equivalence regime in the US.

Time Value and Option and Guarantees decreased following a reduction in implied volatilities.

Market Value Margin was stable as a result of the positive impact of the increase in interest rates offset by the negative impact of the refinements in the MVM computation.

Solvency II contract boundaries impact (mainly driven by France and Switzerland) was stable.

GROUP OPERATING FREE CASH FLOWS

GROUP OPERATING FREE CASH FLOWS

2017 Group Operating Free Cash Flows increased by Euro +119 million to Euro 6,292 million.

OPERATING FREE CASH FLOWS *Euro million, Group share*	France	United States	Europe	Asia	Inter-national	Others	2017	2016
Life & Savings	866	692	1 142	319	9	8	3 035	2 945
Property & Casualty	539	-	1 596	60	255	209	2 659	2 734
Bank & Asset management	(1)	283	6	-	53	257	598	494
GROUP OPERATING FREE CASH FLOWS	**1 404**	**975**	**2 744**	**379**	**317**	**473**	**6 292**	**6 174**

2017 Life & Savings Operating Free Cash Flows increased by Euro +90 million to Euro 3,035 million.

2017 Property & Casualty Operating Free Cash Flows decreased by Euro -75 million to Euro 2,659 million.

2017 Banking & Asset Management Operating Free Cash Flows increased by Euro +104 million to Euro 598 million.

LIFE & SAVINGS OPERATING FREE CASH FLOWS

This section presents the Life & Savings Operating Free Cash Flows by country and by component (expected statutory earnings and expected change in required capital).

OPERATING FREE CASH FLOWS L&S *Euro million, Group share*	2017	2016
L&S EXPECTED STATUTORY EARNINGS	**3 034**	**2 956**
o/w L&S Expected existing business earnings	4 402	4 227
o/w L&S New business strain	(1 368)	(1 271)
L&S EXPECTED CHANGE IN REQUIRED CAPITAL	**2**	**(11)**
o/w L&S Expected existing business change in required capital	457	416
o/w L&S New business required capital	(456)	(427)
TOTAL L&S OPERATING FREE CASH FLOWS	**3 035**	**2 945**

2017 Life & Savings Operating Free Cash Flow increased by Euro +90 million to Euro 3,035 million. These cash flows were estimated based on management's expectations of future economic conditions as of the previous closing date, as detailed in the appendices of the 2016 Embedded Value and AFR report.

- **Expected Statutory earnings** were assumed to increase by Euro +78 million to Euro 3,034 million, mainly driven by:
  - **Europe** (Euro +74 million), mainly reflecting an improved contribution from the existing business in Switzerland and Belgium;

- **United States** (Euro +45 million), as a result of a favorable business mix in New Business earnings translating into lower acquisition costs due to a shift from GMxB products to Structured Capital Strategies;
- **France** (Euro +49 million), as a result of more favorable expenses assumptions compared to 2016, partly offset by higher new business strain following strong sales; and
- **Asia** (Euro -113 million), mainly due to a higher new business strain in Hong Kong (from campaign costs), and less favorable interest rates conditions in Thailand.

- **Expected change in required capital** was assumed to be stable.

PROPERTY & CASUALTY, BANKING AND ASSET MANAGEMENT OPERATING FREE CASH FLOWS

This section presents Free Cash Flows for the Property & Casualty, Bank and Asset Management segments.

OPERATING FREE CASH FLOWS P&C and B&AM *Euro million, Group share*	2017		2016	
	P&C	B&AM	P&C	B&AM
Earnings contribution[1]	2 755	598	2 874	494
Change in required capital	(96)	-	(140)	-
TOTAL P&C and B&AM OPERATING FREE CASH FLOWS	**2 659**	**598**	**2 734**	**494**

[1] *IFRS Underlying Earnings including Realized Capital gains.*

2017 Property & Casualty Operating Free Cash Flows decreased by Euro -75 million to Euro 2,659 million:

- **Earnings contribution decreased by Euro -119 million to Euro 2,755 million,** mainly as a result of lower realized capital gains. The evolution of the earnings is commented into details in the 2017 Activity Report. Change in required capital decreased by Euro +44 million as a result of slightly lower revenues growth.

2017 Banking & Asset Management Operating Free Cash Flow increased by Euro +104 million to Euro 598 million, mainly driven by:

- **Asset Management** (Euro +124 million), driven by favorable market conditions; and
- **Banking** (Euro -20 million), mainly attributable to Belgium.

LINKING GROUP OPERATING FREE CASH FLOWS TO OPERATING RETURN ON AFR

The following table presents the link between the Group Operating Free Cash Flows and the Operating return on AFR.

OPERATING FCF AND OPERATING RETURN ON AFR *Euro billion*	**2017 Operating FCF**	**2017 Operating return on AFR**
In force future profits[1]	1.2	-
Release of prudential buffers and risk premiums and unwind of discount effect	3.2	3.2
New business strain	(1.4)	(1.4)
Value of new premium future profits included in AFR		3.1
Operating variance and change in assumptions		0.0
Total Life & Savings	**3.0**	**5.0**
Earnings contribution	3.4	3.9
Change in required capital	(0.1)	-
Total Property & Casualty, Asset Management and Banking	**3.3**	**3.9**
Holding costs		(0.4)
Total	**6.3**	**8.5**

[1] *Already included in Solvency II AFR.*

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APPENDICES

A. METHODOLOGY

A.1 COVERED BUSINESS AND VALUATION DATE

The IFRS scope of consolidation is the reference scope for the consolidation of the Solvency II balance sheet of which the Available Financial resources (AFR) is a component.

The **Group AFR** is the sum of the AFR of the Life & Savings, Property & Casualty, Banking & Asset Management and Holdings segments.

AXA's Life & Savings segment covers a broad range of life insurance products, including retirement and health products, for both companies and individuals. This segment accounted for 60% or Euro 59 billion of AXA's consolidated IFRS gross revenues for the year ended December 31, 2017. The following entities are in the scope of this segment:

- United States;
- France;
- Europe: Germany, Belgium, Switzerland, Italy, Spain;
- International: Mexico, Turkey, Colombia, Nigeria, Morocco, Luxembourg, Greece, Poland, Czech Republic, Slovakia, Singapore, India;
- Asia: Japan, Hong Kong, Thailand, Indonesia, Philippines, China; and
- Others L&S: AXA Life Invest.

AXA's Property & Casualty segment covers a broad range of products, including mainly motor, household, property and general liability insurance for both personal and commercial customers. This segment accounted for 36% or Euro 35 billion of AXA's consolidated IFRS gross revenues for the year ended December 31, 2017. The following entities are in the scope of this segment:

- France;
- Europe: UK including Ireland, Germany, Belgium, Switzerland, Italy, Spain;
- Asia: Hong Kong, Thailand, Indonesia, China, Direct Japan, Direct Korea;
- International: Mexico, Turkey, Colombia, Nigeria, Morocco, Luxembourg, Greece, Poland, Brazil, Lebanon, Gulf Region, Russia, Singapore, Malaysia, India; and
- Others P&C: AXA Corporate Solutions, AXA Assistance, AXA Art, AXA Liabilities Manager and AXA Global Re.

AXA's Banking & Asset Management segment notably includes AXA Bank Europe, AXA Investment Managers and Alliance Bernstein.

AXA's Holdings segment includes AXA SA and other holdings.

2017 AFR were determined using data and assumptions as of December 31, 2017 for all covered businesses with foreign exchange rates consistent with IFRS accounts.

A.2 ECONOMIC RESOURCES – AFR

Available Financial Resources (AFR) represent the amount of economic capital available to absorb losses under stress events. The AFR are the surplus of assets over liabilities derived from the Solvency II balance sheet.

AFR are split into three different buckets of capital (so-called "tiers") determined according to the quality of such components as defined by Solvency II regulation. Tier 1 includes the capital net of foreseeable dividend mainly made of ordinary shares, a reconciliation reserve and eligible undated subordinated debt. Tier 2 includes dated subordinated debt and the potential reclassification of undated subordinated debt into Tier 2, if exceeding 20% of total Tier 1. Tier 3 mainly includes net deferred tax assets.

As per Solvency II regulation, the following limits apply: (a) the eligible amount of Tier 1 items shall be at least one half of the Solvency Capital Requirement; (b) the eligible amount of Tier 3 items shall be less than 15 % of the Solvency Capital Requirement; (c) the sum of the eligible amounts of Tier 2 and Tier 3 items shall not exceed 50 % of the Solvency Capital Requirement. In addition, Tier 1 subordinated debt shall not exceed 20% of total Tier 1.

A.3 ASSETS

Assets in the Solvency II market consistent balance sheet correspond to financial and non-financial, deferred tax assets and reinsurance recoverable.

Invested assets: as a general principle, are marked-to-market in the Solvency II balance sheet. As most invested assets, such as listed equities and bonds, are classified as "available for sale assets" under IFRS, they are already measured at fair value in the IFRS balance sheet. As a consequence there is no need to adjust their IFRS fair value for the Solvency II balance sheet. Real estate assets, on the other hand, are recorded at cost in the IFRS balance sheet, so they need to be restated to market value under Solvency II. Likewise, for all other invested asset categories not recorded at fair value under IFRS, an adjustment to re-measure them at fair value is performed.

Intangible assets, such as goodwill, customer values, value of business in-force and deferred acquisition costs are eliminated in the Solvency II balance sheet. However, other intangible assets, that are separable and for which there are evidence of exchange transactions for the same or similar assets, indicating they are saleable in the market place, are recognized at fair value. In practice, this corresponds to software.

Reinsurance assets, recoverable from reinsurance contracts and special purpose vehicles are also adjusted from their IFRS value to take into account expected losses due to default of the counterparty.

Deferred tax assets and liabilities (DTA and DTL): all Solvency II adjustments from IFRS are reflected with the corresponding impacts on DTA and DTL. The recoverability of the potential net DTA is tested at Group level using Solvency II principles.

A.4 LIABILITIES

Best Estimate Liabilities correspond to the probability-weighted average of future policyholder's claims and benefits, expenses, taxes, taking into account the time value of money by discounting these future cash flows at their present value. The calculation of best estimates is based upon up-to-date credible information and realistic assumptions. The cash-flow projections used in the calculation of best estimates take into account all the cash in- and out-flows required to settle the insurance and reinsurance obligations over their lifetime.

This valuation requires deep analysis of the underlying obligations, collection of qualitative and quantitative information, projection tools and models, and expert judgment in a number of areas. The best estimate liability is recognized on a gross of reinsurance basis, without deduction of any amounts recoverable from reinsurance contracts and special purpose vehicles. The latter are recognized separately.

Contract boundaries limitations are taken into account as per Solvency II regulation (see section B.2).

The best estimate liabilities include an allowance for time value of Options and Guarantees (O&G).

This time value of O&G covers all material O&G embedded in AXA's Life and Savings operations. The key O&G considered are interest rate guarantees on traditional products, profit sharing rules, guaranteed benefits on Unit-Linked annuity products and dynamic policyholder behavior, that is, the options that policyholders can elect in a manner that are unfavourable to the company. They are calculated following a risk neutral approach (see section A.5).

Market Value Margin or Risk Margin (MVM or RM) is added to the best estimate policyholder's liabilities to reach values consistent with the manner in which market prices are fixed when there are no deep and liquid markets. The RM is defined as the cost of non-hedgeable risk, i.e. a margin in addition to the expected present value of liability cash flows required to manage the business on an ongoing basis. It is deemed to be the present value of the cost of future economic capital requirements (derived from the internal model) for non-hedgeable risks. As per Solvency II regulation, RM is calculated with a cost of capital rate of 6.

Subordinated debt issued by the Group is treated as capital under Solvency II regulation and therefore part of AFR, subject to tiering limits.

Senior debt is re-measured at fair value excluding AXA's own credit risk movements and treated as liabilities.

Foreseeable dividends are deducted from the AFR, as required by the Solvency II regulation.

A.5 RISK NEUTRAL VALUE

The risk neutral value is assessed using specific stochastic models (entirely designed for the purpose of valuation under a risk neutral framework). They are based on a set of economic and financial conditions, which are run over at least 1,000 economic risk neutral scenarios based on the assumptions described below. The value allows for the behavior of clients (e.g. lapses) and for some management actions (e.g. dynamic investment strategy, changing credited rate).

The economic scenarios are constructed using a proprietary economic scenario generator developed by Barrie & Hibbert. A number of asset classes and economic assumptions are modelled stochastically. This includes equities, bond yields, credit spreads, credit defaults, property, foreign exchange and inflation. The interest rates diffusion model is the Libor Market Model (LMM+), which allows for negative interest rates scenarios. The interest rate and equity volatility model used is the Stochastic Volatility Jump Diffusion Model. The construction of market consistent risk neutral economic scenarios requires a careful calibration of underlying market parameters to ensure that the valuation replicates the market prices of assets. Three key areas of calibration are the initial yield curves, the implied market consistent volatility, and the correlations between asset classes and geographies. The model calibration is described further under section B.1. The interest rate model considers both parallel shifts and twists to the yield curve.

A.6 TREATMENT OF INSURANCE SUBSIDIARIES IN THE US

As permitted per the Solvency II regulation, AXA US operations are considered under the provision of the equivalence regime. Thus, their contribution to Group AFR corresponds to the local available capital used for the calculation of the risk-based capital (RBC) ratio. The components of the available capital are (i) the statutory capital and surplus, (ii) the asset valuation reserve, which cushions surplus against market losses from the asset portfolio (iii) and 50% of the provision for policyholder dividends to be paid in the following year.

A.7 SECTORAL RULES

The so-called “sectoral rules” are part of Solvency II regulation and relate to non-insurance financial services. Under sectoral rules, the contribution of those operations corresponds to their available capital as per applicable sector rule.

A.8 NEW BUSINESS

The **value of new business** (“NBV”) sold during the calendar year is determined based on the EEV CFO Forum principles.

The new business value includes both the initial cost (i.e. “strain”) of selling new business and the future earnings and return of capital to the shareholder.

New business includes new contracts written in the current year. If future flexible premia and expected renewal flows from those contracts are reasonably predictable, for example they are included in pricing the contract and/or there is stable historical experience, then they and the benefits associated with them are included in the projection of future cash flows. If policy additions are the result of significant new marketing activity, and were not anticipated at the time of original contract sale, then such additions are reflected as new business. This treatment of future flexible premiums and renewals is required by the EEV Principles and Guidance, but some areas of judgment remain. Due to different practices across the market, AXA looks to better align its treatment in each country with that of its peer companies.

As allowed by the EEV CFO Forum Principles (Principle 8), the Solvency II limitations relating to the boundaries of an insurance contract are not considered for the calculation of the value of new business.

The NBV includes an allowance for the Time Value of Options and Guarantees, calculated following a risk neutral approach (see section A.5 Risk Neutral Value).

The NBV also reflects a Cost of Capital and Non-Financial Risks (CoC/NFR). CoC and NFR can be considered as provisions to reflect respectively a cost of locked-in minimum required hard capital and for other non-financial risks the excess target local capital over the minimum requirement. The cost of capital is the economic cost incurred through the payment of investment expenses and taxes on investment income earned from assets held in excess of the policyholder reserves. Mechanically, this can be viewed as the difference between investment earnings which are the reference rate after-tax and after investment expenses, compared to a discount rate which is the reference rate before tax and expenses. The amount of such assets is equal to the required capital and is considered to be locked-in. The provision for non-financial risks is calculated in a similar manner, but the cost is applied to the excess between the target local hard capital and the minimum local hard capital.

Full consistency of scope is ensured between the computation of NBV and new business volume indicators (APE or PVEP).

A.9 SENSITIVITIES

Sensitivities are applied one at a time, rather than in combination. Combined effects are likely to be different than implied by adding the effects from separate sensitivities.

For purposes of the NBV sensitivity, shocks to financial market conditions, such as change in reference interest rates or equity market levels, are assumed to occur after the point of sale, rather than just before the point of sale. Therefore, the NBV sensitivity gives an indication of how the future profits of the new business written during the year would have been affected by an economic shock occurring after the year-end. It also indicates what the NBV might have been if sales occurred at the same volume, mix and pricing as those in 2017 but in a new market environment.

For US life and savings business, AFR sensitivities apply to US contribution to Group AFR under the provision of the equivalence regime.

Upward shift of 50 basis points in reference rates simulates a sudden shock to the initial conditions. This means changes to: 1) the current market values of fixed-interest assets, with related possible changes to projected capital gains/losses and/or fee revenues, 2) future reinvestment rates for all asset classes, and 3) risk-discount rates. The change is applied to the reference interest rates including the liquidity premium, where applied in the base case. Inflation rates, the volatility on interest rates and the Ultimate Forward Rates are not changed.

Downward shift of 50 basis points in reference rates is the same as above but with a shift downward.

25% higher value of equity markets[1] simulates a shock to the initial conditions for equities only. Listed equities and private equity values including the impact of equity hedges are shocked. This means changes to current market values of all these equities excluding hedge funds, with related possible changes to projected capital gains/losses and/or fee revenues.

25% lower value of equity markets[7]: same methodology as mentioned above assuming a decrease.

10% higher value of real estate simulates a shock to the initial conditions for real estate only. This means changes to current market values of real estate, with related possible changes to projected capital gains/losses and/or fee revenues.

10% lower value of real estate: same methodology as mentioned above assuming a decrease.

Upward parallel shift of 25% of the volatility on equity markets simulates a shock to the initial conditions, representing the base volatility times 1.25 for the key duration and then applying a parallel shift for the other durations.

Upward parallel shift of 25% of the volatility on interest rates simulates a shock to the initial conditions, representing the base volatility times 1.25 for the key duration and a parallel shift for other durations.

50 basis point instantaneous increase in credit spreads is immediately applied at the valuation date and is applicable to all corporate credit asset classes and associated derivatives. This should be calibrated as a sudden shock of plus 50bps on the single A credit spread. This means changes to the current market value of credit assets, with related possible changes to projected capital gains/losses and/or fee revenues. The volatility adjustment is considered constant.

50 basis point instantaneous decrease in credit spreads: same methodology as mentioned above assuming a decrease.

Overall 10% decrease in the lapse rates means that base lapse rates are multiplied by 0.9. Decreased lapses can have a positive or negative effect depending on policy design and at which duration the lapse occurs.

Overall and permanent decrease of 10% in expenses applies to all future expenses other than commission and commission-related (for example, agency manager payments that are a percentage

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[1] Sensitivities to equity are +/-25% compared to +/-10% in 2016 EEV and AFR report.

of agent commissions) expenses and investment expenses (as they are managed separately from Life companies' general expenses).

5% lower mortality rate for annuity business reflects the impact on annuity business profits from assuming a 5% lower mortality rate.

5% lower mortality rate for life business reflects the impact on life insurance business profits from assuming a 5% lower mortality rate.

Reference rate without volatility adjustment reflects what would be the value if no volatility adjustment had been considered in the reference interest rates for the definition of the reference interest rate.

Decrease of the UFR by 15bps reflects what would be the value if ultimate forward rate had to decrease by -15bps.

A.10 FREE CASH FLOWS

Group Free Cash Flows are the sum of L&S, P&C and Banking &Asset Management Free Cash Flows.

L&S Free Cash Flow: a measure of dividend paying capacity calculated as the sum of expected statutory earnings and expected required capital changes.

P&C Free Cash Flow: a measure of dividend paying capacity calculated as the sum of IFRS Underlying Earnings including realized capital gains and realized required capital changes.

B&AM Free Cash Flow: a measure of dividend paying capacity, equal to IFRS Underlying Earnings.

Required capital is the amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to shareholders is restricted due to local regulatory requirement. Depending on jurisdictions, capital available to cover required capital might include soft capital. As an example, the present value of future profits net of market value margin can be recognized as part of available capital under Solvency II.

For insurance units operating in the EEA, the required capital is at least sufficient to obtain a 130% solo solvency ratio. For insurance units operating outside EEA, the minimum target solvency ratio is at least 130% for Switzerland, and at least 150% for other entities with limitations on soft capital to half of the target solvency capital. For the US, the target capital is 300% for AXA Equitable Life Insurance and 200% for AXA Re Arizona.

A.10 GROUP EMBEDDED VALUE

Group Embedded Value is the Life and Savings European Embedded Value plus IFRS Tangible Net Asset Value for other segments. It is derived from the AFR with the following adjustments: (i) inclusion of dividend to be paid, (ii) removal of subordinated debts, (iii) removal of MVM and inclusion of a cost of capital and non-financial risks, (iv) removal of boundaries of contract limitations, (v) group share impact and (vi) US equivalence impact.

B. ASSUMPTIONS

B.1 FINANCIAL ASSUMPTIONS

Investments market conditions

The projection of cash flows considers economic scenarios designed to reflect market conditions. Any such model necessarily has a limited number of inputs, and will not perfectly reproduce all of the current conditions. The target conditions for the modeling are described below. The fit of the model to these defined targets is tested by assuring that Euro 1 of initial asset value is reproduced when projected and discounted and by tests that confirm the model stays close to the targets (the models and the present values they produce are therefore called 'market consistent'). The process of refining the model so that it reproduces market conditions is referred to as 'calibration'.

For AFR and NBV calculations, AXA generates market-consistent economic scenarios based on reference interest yield curves. AXA has fully aligned the determination of the reference yield curves with Solvency 2 methodology.

The details of the methodology to determine the reference yield curve under Solvency 2 are available in the Solvency 2 Delegated Acts. When complying with this methodology, AXA performs the following adjustments over the interest rate swap curves:

- Application of credit risk adjustments -CRA- (deducted from the curves) and volatility adjustments -VA- (added to the curves) until the last liquid point. The application of the volatility adjustment is conditional on the type of business. In practice, for General Account business, 100% of volatility adjustment is applied while 0% is used for Unit-Linked business;
- Interpolation based on Smith-Wilson technique from the forward rate at the last liquid point to ultimate forward rate (UFR), with predefined numbers of years of convergence.

For AXA's main currencies, the main parameters necessary for the construction of the reference yield curves are available for 2017 and 2016 are summarized in the table below:

REFERENCE YIELD CURVE PARAMETERS	Period	EUR	USD	GBP	JPY	CHF	HKD
Volatility adjustment *basis points*	2017	4	27	18	2	-3	27
	2016	13	50	29	2	5	50
Credit risk adjustment *basis points*	2017	10	10	10	10	10	10
	2016	10	15	17	10	10	18
Ultimate forward rate *percentage*	2017	4.20	4.20	4.20	3.20	3.20	4.20
	2016	4.20	4.20	4.20	3.20	3.20	4.20
Last liquid point *years*	2017	20	50	50	30	25	15
	2016	20	50	50	30	25	15
Convergence period to UFR *years*	2017	40	40	40	40	40	40
	2016	40	40	40	40	40	40

The last liquid point is set by Solvency II regulation on the basis of an assessment of the liquidity of the corresponding swap market. The convergence period is used in the interpolation method referred to above.

The following tables show the reference yield curves as of December 31, 2017 and December 31, 2016. The first table corresponds to application of 0% of volatility adjustment, used for Unit-Linked business and the second to 100% of volatility adjustment for General Account business.

0% VA*	EUR		USD		GBP		JPY		CHF		HKD	
Maturity	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
1	-0.4%	-0.3%	1.8%	1.0%	0.6%	0.4%	-0.1%	-0.1%	-0.7%	-0.8%	1.5%	1.3%
2	-0.3%	-0.3%	2.0%	1.3%	0.7%	0.4%	-0.1%	-0.1%	-0.6%	-0.7%	1.7%	1.6%
3	-0.1%	-0.2%	2.1%	1.6%	0.8%	0.5%	0.0%	-0.1%	-0.5%	-0.6%	1.9%	1.8%
5	0.2%	0.0%	2.2%	1.8%	0.9%	0.7%	0.0%	0.0%	-0.2%	-0.4%	2.0%	2.2%
7	0.5%	0.2%	2.2%	2.0%	1.1%	0.9%	0.1%	0.0%	-0.1%	-0.2%	2.1%	2.3%
10	0.8%	0.6%	2.3%	2.2%	1.2%	1.1%	0.2%	0.1%	0.2%	0.0%	2.2%	2.5%
15	1.2%	1.0%	2.4%	2.4%	1.3%	1.3%	0.4%	0.3%	0.4%	0.3%	2.4%	2.7%
20	1.4%	1.1%	2.5%	2.5%	1.4%	1.3%	0.6%	0.6%	0.6%	0.5%	2.7%	2.9%
25	1.6%	1.4%	2.5%	2.5%	1.4%	1.3%	0.7%	0.7%	0.6%	0.5%	2.9%	3.1%
30	2.0%	1.8%	2.5%	2.5%	1.3%	1.3%	0.8%	0.7%	0.8%	0.7%	3.1%	3.3%

100% VA*	EUR		USD		GBP		JPY		CHF		HKD	
Maturity	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
1	-0.3%	-0.2%	2.1%	1.5%	0.7%	0.7%	-0.1%	-0.1%	-0.8%	-0.7%	1.7%	1.8%
2	-0.2%	-0.1%	2.3%	1.8%	0.9%	0.7%	0.0%	-0.1%	-0.6%	-0.7%	2.0%	2.1%
3	0.0%	-0.1%	2.4%	2.1%	1.0%	0.8%	0.0%	0.0%	-0.5%	-0.6%	2.1%	2.3%
5	0.2%	0.1%	2.4%	2.3%	1.1%	1.0%	0.0%	0.0%	-0.3%	-0.4%	2.3%	2.7%
7	0.5%	0.3%	2.5%	2.5%	1.2%	1.2%	0.1%	0.0%	-0.1%	-0.1%	2.4%	2.8%
10	0.8%	0.7%	2.6%	2.7%	1.4%	1.4%	0.2%	0.1%	0.2%	0.1%	2.5%	3.0%
15	1.2%	1.1%	2.7%	2.9%	1.5%	1.6%	0.4%	0.4%	0.4%	0.4%	2.7%	3.2%
20	1.4%	1.2%	2.7%	3.0%	1.6%	1.6%	0.6%	0.6%	0.5%	0.5%	2.9%	3.4%
25	1.7%	1.5%	2.8%	3.0%	1.5%	1.6%	0.7%	0.7%	0.6%	0.6%	3.1%	3.5%
30	2.0%	1.9%	2.7%	3.0%	1.5%	1.6%	0.8%	0.8%	0.8%	0.8%	3.2%	3.6%

**Volatility adjuster*

The approach to setting **market consistent volatility** targets in a risk neutral calculation focuses on the implied volatility of market prices for different asset classes. These implied volatilities can be derived from pricing formulas and the observed market prices of various derivative instruments. The diffusion models allow for the modeling of interest rates and equity volatility surfaces with a significant granularity. The tables below show the targets used for 10 year swaptions and at-the-money equity options at year 5 and 10 for each of the major areas.

The table below shows the target volatilities for interest rate and equity in 2016 and 2017.

TARGET INTEREST RATE VOLATILITIES (10y swaptions)	2017		2016	
	year 5	year 10	year 5	year 10
EUR	36%	33%	51%	45%
USD	26%	25%	31%	28%
GBP	46%	45%	51%	49%
JPY	43%	31%	52%	35%
CHF	76%	76%	103%	103%
HKD	31%	31%	27%	26%

TARGET EQUITY VOLATILITIES	2017		2016	
	year 5	year 10	year 5	year 10
EUR	18%	20%	21%	22%
USD	18%	23%	21%	27%
GBP	16%	19%	20%	22%
JPY	19%	19%	21%	22%
CHF	14%	14%	16%	17%
HKD	20%	20%	20%	23%

Correlations measure the extent to which various asset classes and geographies move together over time. The correlation of equity returns, inflation, bond yields, and geographies, has been set with reference to historical market data. It is not possible to estimate an “implied correlation", as there are almost no financial instruments available with sufficient liquidity from whose price one can, in an objective manner, derive market consistent implied correlations. AXA’s modeling ensures that correlations between equities and 10 year bond interest rates are between 10% and 25%.

Inflation rates targets in a risk neutral calculation are based on market implied inflation. For geographies where data is not available a management’s expectations of inflation in future period is considered. Inflation is mainly impacting the AFR and NBV through expenses, premiums and some benefits indexations. The table below shows the average implied inflation rates for areas where the information is available.

INFLATION RATE	2017	2016
EUR	1.4%	1.2%
USD	2.0%	2.3%
GBP	3.3%	3.4%

Asset mix assumptions

The assumptions described above are used in local models in conjunction with the asset mix, to derive the assumed projected fund volatility, a key driver of the risk neutral values.

Asset mixes used for Life & Savings are shown in the table below at the country level, although generally calculations are done using the applicable asset mix at a line of business level. The asset mixes describe the intended investment strategy of each operating company rather than the position at the start of the projection. They show the proportion of asset classes including fixed-income, equity and other assets in the portfolio. The sum of these proportions is hence 100, barring the rounding errors.

ASSET MIX *Percentage of fixed-income/equity/others at ultimate*	2017	2016
United States	94/0/6	88/0/12
France	83/8/8	85/8/7
Switzerland	87/2/11	76/5/19
Japan	91/9/0	91/9/0
Belgium	76/5/19	74/5/21
Hong Kong	74/21/5	75/20/5
Germany	93/4/3	91/5/4

Exchange Rates

End of year AFR and EEV are calculated using end of year exchange rates.

EXCHANGE RATES *vs. Euro*	2017		2016	
	Year-end	Average	Year-end	Average
USD	1.201	1.130	1.055	1.105
GBP	0.888	0.877	0.854	0.812
CHF	1.170	1.112	1.072	1.089
JPY	135.3	126.7	123.0	121.2
HKD	9.387	8.805	8.178	8.578
CZK	25.53	26.33	27.02	27.03
HUN	310.2	309.2	308.9	311.7
POL	4.172	4.257	4.403	4.357
SGD	1.605	1.559	1.524	1.528
PHP	59.94	56.97	52.43	52.44
THB	39.14	38.30	37.74	39.06
IDR	16292	15118	14210	14747
CNY	7.820	7.629	7.330	7.324
INR	76.64	73.53	71.59	74.19
TRY	4.553	4.121	3.710	3.330

B.2 TECHNICAL ASSUMPTIONS

Actuarial assumptions

All cash flows (premiums, expenses, commissions, death and surrender claims, etc.) are included on a best estimate basis up until the termination of AXA's obligations towards policyholders and beneficiaries. AXA uses an active basis where the assumptions are adjusted to reflect historical experience. The assumptions are reviewed at least on an annual basis.

The historical trend of past mortality improvements for life insurance business has generally been assumed to continue for part of the future projection at a more conservative level than historical experience. However, annuity business in all markets generally reflects an expected continuation of past mortality improvement trends into the future; this combination of partially reflecting improvement trends for life insurance business while fully reflecting it for annuities is on balance prudent.

Tax assumptions

The following table shows the nominal tax rates applied.

TAX RATES	2017	2016
United States	35%	35%
France	34%	34%
Switzerland	21%	21%
Japan	28%	28%
Belgium	34%	34%
Hong Kong	0.825% of premia	0.825% of premia
Germany	32%	32%

In most jurisdictions, different tax rates apply to different types of income and expense, so effective tax rates will vary. Generally, stochastic projections also reflect the impact of economic scenarios on the sources of taxable income and the related taxes.

In 2017, a tax reform has been voted in France leading to a decrease in corporate tax rate from 34.43% to 25.82% in 2022. It has been reflected in the AFR, EEV and NBV as at 31 December 2017.

In 2017, a tax reform has been voted in Belgium leading to a decrease in corporate tax rate from 33.99% to 25.00% in 2020. It has been reflected in the AFR, EEV and NBV as at 31 December 2017.

In 2017, a tax reform has been voted in the United States leading to a decrease in corporate tax rate from 35% to 21% in 2018. It has been reflected in the AFR, EEV and NBV as at 31 December 2017.

Expenses

Expenses include administrative, investment management, claims management and acquisition expenses which relate to recognized insurance and reinsurance obligations. Such expenses are based on the actual analysis of expenses performed by each company. The assumptions underlying the expense projections should be consistent with the strategy of the company, taking into account future new business and any change in the expenses validated by local management. An allowance is made in the projections for inflation on future expenses. Inflation assumptions are selected on the basis of the local economic environment and the specifics of each company, and generally vary across economic scenarios.

Boundary of an insurance or reinsurance contract

The boundaries of contract principles set by the Solvency II regulation define which future premiums expected from in-force contracts already underwritten may be included in the projection (Solvency II Delegated Acts published in the Official Journal of the European Commission on January 17, 2015). If the company has either a right to reject future premiums on a unilateral basis or to re-price these premiums so as to reflect the full risks covered, they should be excluded from the Solvency II balance sheet. The best estimate liabilities, as reflected in AFR, are consistent with this Solvency II requirement on contract boundaries limitation. Nonetheless, as allowed by the EEV CFO Forum Principles (Principle 8), limitations regarding the boundaries of an insurance contract are not considered for the calculation of the NBV.

Modeling of participating and adjustable credited rates business

Participating business is generally characterized by the following key features:

- a minimum interest rate or level of bonus is guaranteed on the contract. At least the guaranteed rate or bonus is credited under all circumstances. Hence, whenever fund returns do not achieve the minimum performance, the shareholders bear the cost of maintaining the guaranteed level;
- generally, bonuses and crediting rates will exceed minimum guaranteed levels. The amount credited is based on profit sharing rules as well as the performance of the investment markets and involves a degree of management discretion;
- given the above, it is essential that the value reflects how bonuses and crediting rates are determined, when future expected performance varies.

This will impact the value in the following manner:

- the guaranteed interest rate and any further policyholder participation in profits which is not linked to the actual investment results above the reference interest rate impacts net present value of future profits;
- the profit sharing rule impacts the time value of O&G depending on the market performance. In cases where the market performs well, the policyholder participates in the investment profits while in case of negative market performance the shareholder bears a higher portion if not all of the loss. The level of the time value of O&G reflects the likelihood of these additional payments being made, net of the amount reflected as intrinsic value in the net present value of future profits.

The participating features of products are usually a combination of contractual / legal requirements, and management discretion based on competition or market practice (where management actually chooses the level of credited rate, over and above the guaranteed rate).

In all operations where this is relevant, the participating business has been modelled to reflect contractual and regulatory constraints, in addition to how AXA manages the business.

The limited residual funds at the end of the projection are apportioned between shareholders and policyholders according to applicable profit sharing rules.

Management actions

Management actions refer to operational measures available to company's management in order to strengthen business. Dynamic management actions include, but are not limited to strategic asset allocation, crediting rates in participating business, products pricing and expense management. As stated in the Delegated Acts published in the Official Journal of the European Commission on January 17, 2015, assumed future management actions are to be consistent with the insurance or reinsurance undertaking's current business practice and business strategy. Management actions shall recognize the time and cost of implementing them, and must be documented. Management actions are applied to both in AFR and NBV.

B.3 REAL WORLD ECONOMIC ASSUMPTIONS

The pre-tax management's expectations for future economic conditions in 2016 and 2017 are shown in the following table. Those assumptions are used to derive the internal rates of return.

REAL WORLD ASSUMPTIONS			EUR	USD	JPY	CHF	HKD
30Y GOVERNMENT RATE *Percentage*	First year	2017	1.8	3.0	0.9	0.8	2.6
		2016	1.2	3.2	0.5	0.3	2.5
	Ultimate	2017	2.5	3.8	1.9	2.6	3.8
		2016	2.5	3.8	1.9	2.6	3.8
EQUITY RETURN *Percentage, including dividends*	First year	2017	8.0	6.0	3.5	4.7	7.1
		2016	-2.5	-1.0	-2.0	2.2	4.0
	Ultimate	2017	5.8	6.0	4.7	4.7	7.1
		2016	5.8	6.0	3.4	4.7	7.9
REAL ESTATE *Percentage*	First year	2017	5.8	N/A	N/A	3.9	6.0
		2016	3.0	N/A	N/A	3.5	-13.0
	Ultimate	2017	5.1	N/A	N/A	4.3	6.0
		2016	5.1	N/A	N/A	4.3	6.0
INFLATION RATE *Percentage*	First year	2017	1.4	2.2	0.6	0.6	2.5
		2016	1.0	1.6	0.1	0.0	2.5
	Ultimate	2017	2.0	2.5	1.5	1.0	3.0
		2016	2.0	2.5	1.5	1.0	3.0

C. GLOSSARY

AFR (Available Financial Resources): surplus derived from the Solvency II balance sheet. It is defined as the excess of market value of assets over market value of liabilities as of valuation date.

APE (Annual Premium Equivalent): a measure of new business volume which is equal to 100% of regular premia plus 10% of single premia on newly issued contracts.

BEL (Best Estimates Liabilities): Market value of obligations of an insurance company to the policyholders and beneficiaries.

BoC (Boundary of Contract): the boundaries of contracts principles set by the Solvency II rules define which future premiums expected from inforce contracts already underwritten may be included in the projection.

Certainty Equivalent PVFP (CE PVFP): the present value of future statutory after-tax profits, projected over the remaining duration of liabilities in a scenario (certainty equivalent scenario) where all instruments are assumed to earn the reference rate.

CoC/NFR (Cost of Capital/Non-Financial Risks): the cost of holding capital in excess of the policyholder reserves. Please refer to required capital definition.

Comparable basis: a change on a comparable basis is calculated at constant FX, scope and accounting period.

Credit risk adjustment: an adjustment to the swap curve in the reference yield curve's determination. It aims at capturing the credit risk embedded in the floating rate leg of the swap deal. It's calculated as 50% of the average over 1 year of the difference between the floating rate of interest rate swaps and overnight indexed swap rates. It's floored by 10bps and capped at 35bps.

Economic variance: reflects the experience variance observed over current year compared to the management case scenario on expected financial conditions for the current year at the end of the previous year, and the change in AFR created by reflecting end of current year market conditions in the BEL rather than those of end of last year.

Embedded Value (EV): is a measure of the consolidated value of shareholders' interests in the covered business.

Expected existing business contribution: reflects the release of TVOG, MVM release from in-force, plus the unwind of the AFR at the reference rate plus the financial over-performance expected under management case assumptions defined at the end of the previous year.

Free Cash Flows: a measure of dividend capacity calculated as the sum of earnings and required capital change.

IRR (Internal Rate of Return): is a measure of the rate of return on any investment. IRR is the discount rate at which the present value of distributable earnings over the full lifetime of the business is equal to the capital invested to support the business underwritten.

Management case scenario: a deterministic economic scenario which reflects the management's expectations for future market conditions. Unlike risk-neutral scenarios where all assets earn in average the reference interest rate, assets in the management case scenario earn additional risk premiums.

MVM (Market Value Margin): is the present value of the cost of future economic capital requirements for non-hedgeable risks. The MVM is a part of the market-consistent value of liabilities.

NBV (New Business Value): the value of newly issued contracts during the current year. It consists of the present value of future profits after the costs of acquiring business, less (i) an allowance for the time value of financial option and guarantees, (ii) cost of capital and non-financial risks. AXA calculates this value net of tax.

NBV margin: NBV divided by APE.

NBV/PVEP Margin: NBV divided by PVEP.

Operating variance and change in assumptions: operating variance reflects the variation of year-end AFR versus the expected AFR due to the difference over the current year between realized and expected operational assumptions, such as mortality, longevity, lapses and expenses. Change in assumptions corresponds to the impact of changes in future assumptions relating to similar operational items.

PVEP (Present value of expected premiums): a measure of new business volume, equal to the present value at time of issue of the total premiums expected to be received over the policy term. The present value is discount at the reference interest rate. While the measure is not as closely linked to cash received in the current period as APE, the ratio of NBV/PVEP is a more economical indicator of profit margin than is the ratio of NBV/APE.

Reference interest rate: the risk-free rate proxy used as the basis for the market-consistent valuation.

Required capital: the amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to shareholders is restricted.

Solvency Capital Requirement: is the capital required under local regulation. Under Solvency II it is calculated either with the standard formula (risk-based with factors applied on provisions and other key metrics or scenario-based with stress tests), or internal models (upon validation by supervisors).

Time value of O&G (Time Value of Options & Guarantees): the difference between the value of business determined across a range of scenarios and the value determined in a single scenario. The single scenario contains some intrinsic value of O&G that are "in the money" in that scenario and the stochastic projection allows the total value of the O&G to be determined. The difference represents the Time Value.

UFR (Ultimate Forward Rate): is a rate specified under Solvency II regulation which is defined by currency zone and is equal to the sum of a long-term inflation and an expected real rate of interest defined by the European Insurance and Occupational Pensions Authority ("EIOPA").

Value of new premium: the value of new premium for Life & Savings and Property & Casualty is defined as the value attached to the new premium under Solvency 2 requirements, including the application of contract boundaries and MVM consumption. The value of new premium generates AFR.

VIF (value of in-force business): the discounted value of after-tax statutory profits projected over the future duration of existing liabilities. This notably incudes Time Value of O&G and CoC/NFR.

Volatility adjustment: an adjustment to the risk-free yield curve. The volatility adjustment is defined by currency zone and is based on 65% of the risk-corrected spread between the interest rate that could be earned from bonds, loans and securitizations included in a reference portfolio, and the basic risk-free interest rates.

D. CAUTIONARY STATEMENTS

This report includes terms used by AXA for the analysis of its business operations and therefore might not be comparable with terms used by other companies; these terms are defined in the glossary provided at the end of this report.

This report includes non-GAAP financial measures. Embedded value is not based on IFRS, which are used to prepare and report AXA's financial statements and should not be viewed as a substitute for IFRS financial measures. AXA believes the non-GAAP measure shown herein, together with the IFRS information, provides a meaningful measure for the investing public to evaluate AXA's business relative to the businesses of peers.

In the attached report, the Available Financial Resources are reconciled to IFRS shareholders' equity as reported in AXA's 2017 financial statements. AXA’s 2017 financial statements have been examined by the Board of Directors on February 21, 2018 and, as of the date of this report, are subject to completion of audit procedures by AXA’s statutory auditors.

Auditors were asked to issue a report on the Economic Resources’ information disclosed in the AXA Embedded Value & AFR report. The procedures performed by auditors encompass the disclosure of the results and of the underlying methodology and assumptions for the following information only:

- The Group AFR including the AFR of the different segments : Life and Savings, Property and Casualty, Banking and Asset Management, Holdings,
- The Group AFR sensitivities,
- The Analysis of Change of change of Group AFR and of the breakdown of AFR per segment,
- The New Business Value of the Life and Savings segment,
- The reconciliation of the IFRS Equity to the Group AFR.

To the exclusion of the information listed above, any other information disclosed in the AXA Embedded Value & AFR report was not in scope of auditors ‘procedures.

E. KEY PRINCIPLES

The Embedded Value is an estimate of the economic value of a life insurance business. It corresponds to the total net amount distributable to the shareholders, after sufficient allowance for the aggregated risks in the covered business, in a market consistent environment.

From the end of 2004, AXA's methodology for Life & Savings EV has been compliant with the European Insurance CFO Forum's ('CFO Forum') European Embedded Value (EEV) Principles and guidance and has adopted a market-consistent approach.

In June 2008, the CFO Forum released the new MCEV Principles ©. AXA uses a market consistent methodology when making an allowance for the aggregate risks in its Life and Savings business but has remained under the EEV principles. While the CFO Forum remains committed to the value of supplementary information, including embedded value, the mandatory implementation date of MCEV principles was withdrawn, reflecting the on-going developments of insurance reporting under Solvency II and IFRS.

AXA's methodology for Life and Savings AFR continues to comply with the 2016 revised CFO Forum's EEV principles and guidance by aligning with Solvency II valuation principles where Solvency II is adopted for solvency reporting (CFO Forum EEV Guidance G1.5). The AXA methodology is a market consistent methodology. In particular:

- The methodology provides for the cost of all significant options and guarantees (O&G) for Life and Savings businesses.
- No allowance is made in the AFR for the cost of holding the required capital over and above the Solvency II risk margin (CFO Forum EEV principle 5), while and allowance is made in the NBV
- Their required capital is aligned with the Solvency II Solvency Capital Requirement (CFO Forum EEV Guidance 5.5)
- The level of renewals is aligned with the Solvency II boundaries of contracts for the value of new premium to the AFR while it is not for the New Business Value (CFO Forum EEV Guidance G8.3)
- Expenses allow for changes in future experience (CFO Forum EEV Guidance G9.4) as a result of expected management actions.
- The AXA methodology does not include the margins earned by affiliated investment management companies reported outside the Life and Savings segment, and with that respect is not compliant with the CFO Forum EEV Guidance 9.11.
- Alignment with Solvency II is made for taxes (CFO Forum EEV Guidance 9.13)
- The basic risk-free rate term structure, credit risk adjustment and volatility adjustment as calibrated and applied in Solvency II is applied (CFO Forum EEV Guidance 10.10).

F. PRICEWATERHOUSECOOPERS AND MAZARS ATTESTATION REPORT

To the AXA Group Chief Financial Officer

As statutory auditors of AXA Group and in accordance with your request, we have examined the Group Available Financial Resources (AFR) including the AFR of the different segments (Life & Savings, Property & Casualty, Banking & Asset Management, Holding), the analysis of change in AFR, the AFR sensitivities, the reconciliation of the IFRS Equity to the Group AFR, the new business value of the Life and Savings segment (NBV) at December 31, 2017 of the AXA Group contained in the AXA Embedded Value & AFR Report (“Embedded Value & AFR Report”) and hereinafter referred to as “the Economic Resources Information”.

The Economic Resources Information and underlying significant assumptions, upon which the information relies, have been established under the responsibility of management. The methods and significant assumptions adopted are detailed in the Embedded Value & AFR Report.

We are responsible for expressing a conclusion on the compliance of the results of the Economic Resources Information with the methodology and assumptions adopted by management and on the consistency of accounting information used with the AXA Group consolidated financial statements at December 31, 2017.

Our work, which does not constitute an audit, has been performed in accordance with the professional standards applicable in France and the professional guidance issued by the French Institute of statutory auditors, and aims at forming a conclusion based on appropriate procedures.

Our work included the following procedures:

- Understanding the procedures adopted by management to prepare the Economic Resources Information,
- A review of the “market consistent” approach adopted by management, and described in the Embedded Value & AFR Report for consistency with the Solvency II valuation principles and the European Insurance CFO Forum EEV Principles and Guidance,
- A review of the methodology used and implemented by management for consistency with the Solvency II valuation principles and the European Insurance CFO Forum EEV Principles and Guidance as applied to AFR,
- A review the methodology used and implemented by management for consistency with the European Insurance CFO Forum EEV Principles and Guidance as applied to NBV,
- A review of the methodology and the assumptions used and implemented by management for consistency with those described in the Embedded Value & AFR Report,
- A review of the internal consistency of the economic assumptions and of their consistency with observable market data,
- A review of the consistency of the operational assumptions with regard to past, current and expected future experience,
- A review of the testing performed by management on the underlying models used to calculate the Economic Resources Information,
- Checking by review and reconciliation the consistency of the Economic Resources Information with the methodology and assumptions in the Embedded Value & AFR Report,
- Checking the consistency of the solvency capital data used in preparing the Economic Resources Information with the risk capital information available as at December 31, 2017,
- Checking the consistency of the accounting information and other relevant underlying data used in preparing the Economic Resources Information with the annual financial statements and underlying accounting records at December 31, 2017,

- Obtaining the information and explanations as deemed necessary to deliver our conclusion.

Due to the uncertain nature of estimation, actual outcomes can differ, perhaps significantly, from those used to determine the Economic Resources Information. We express no conclusion relating to the possibility of such outcomes.

Based on our work, we have no observations, regarding:

- The compliance of the results of the Economic Resources Information at December 31, 2017 presented in the Embedded Value & AFR Report with the AXA Group's market consistent methodology and assumptions adopted by management and described in the Embedded Value & AFR Report,
- The consistency of the AXA Group's market-consistent AFR methodology and assumptions with the Solvency II valuation principles and the European Insurance CFO Forum EEV Principles and Guidance,
- The consistency of the AXA Group's market-consistent NBV methodology and assumptions with the European Insurance CFO Forum EEV Principles and Guidance,
- The consistency of accounting information used with the AXA Group consolidated financial statements at December 31, 2017, on which we expect to issue our audit report on March 22, 2018.

Neuilly-sur-Seine and Courbevoie, February 21, 2018

PricewaterhouseCoopers Audit		Mazars	
Xavier Crépon	Grégory Saugner	Jean-Claude Pauly	Maxime Simoen