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Embedded Value
2013 Report

February 21, 2014

CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING 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 document.

CAUTIONARY STATEMENTS CONCERNING EUROPEAN EMBEDDED VALUE AS A NON-GAAP MEASURE

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. In the attached report, the European Embedded Value is reconciled to IFRS shareholders' equity as reported in AXA's 2013 annual accounts. 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.

KEY PRINCIPLES

The Embedded Value is an estimate of the economic value of a life insurance business, comprised of the adjusted net asset value (ANAV) and the value of the inforce business (VIF), including future profits on existing business but excluding any profits on future new 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 CFO Forum's European Embedded Value (EEV) Principles and guidance and has adopted a market-consistent approach. In particular, it:

- Provides for the cost of all significant options and guarantees (O&G) of Life & Savings businesses.
- Includes a charge for cost of capital and non-financial risks (CoC/NFR).
- Does not include the margins earned by our affiliated investment management companies reported outside the Life & Savings segment, and with that respect is not compliant with the CFO Forum EEV Guidance 9.11.

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value in supplementary information, including embedded value, the mandatory implementation date of MCEV principles was withdrawn, reflecting the ongoing developments of insurance reporting under Solvency II and IFRS.

PRESENTATION OF THE 2013 LIFE & SAVINGS EMBEDDED VALUE (EEV) ANALYSIS OF CHANGE AND 2012 COMPARATIVES

The EEV analysis of change presentation was modified in 2013, notably to reflect operating investment experience in *Operating return.* Operating investment experience is the difference between (i) realized investment income and realized gains and losses over the year and (ii) those expected at the end of the prior year which are included in *Expected existing business contribution*. The operating investment experience had previously been included in *Investment experience.* The change was implemented to better reflect the operating performance of the Group as the operating investment experience is regarded as a component of the business operations. The *Total return* includes (i) *Economic Variance* which reflects unrealized investment experience, the impact of the update of economic assumptions and market consistent scenarios on Embedded Value, and (ii) *Other non-operating variance* that mainly includes the impact of changes in regulatory environment and tax variations.

As a consequence of the new presentation, all entities have restated their 2012 EEV analysis of change with no impact on the Total return on EEV or on EEV. Similar changes to Group EV have been made. These restated figures are therefore the ones used for the comparison with 2012. More details are available in Appendix 3 and Appendix 4.

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1. HIGHLIGHTS

1.1. KEY FIGURES

- **2013 Life & Savings European Embedded Value (EEV) was up by Euro 3.7 billion to Euro 47.9 billion**, with a strong operating return of Euro 4.7 billion, and a favorable economic variance of Euro 5.0 billion reflecting higher interest rates and equity markets, lower volatility and tighter corporate spreads. The end of year EEV also included:
  - Euro -0.9 billion impact of modelling changes and opening adjustments including a change in reference rate extrapolation parameters reflecting the current development of Solvency II in the context of Omnibus II (see details on page 47 of this report), and other model refinements;
  - Euro -2.3 billion impact of foreign currency depreciation versus Euro;
  - Euro -3.1 billion of dividend payments from Life & Savings Entities to other segments of the Group, including **France** (Euro -0.8 billion), the **US** (Euro -1.2 billion), **Japan** (Euro -0.4 billion) and the **UK** (Euro -0.2 billion). The dividend payments by the Group are presented in the Group EEV (Section 1.5).

- **Operating return on Life & Savings European Embedded Value (EEV) was 11% in 2013** (compared to 12%[1] in 2012) or Euro 4.7 billion (Euro 4.9 billion[1] in 2012), driven by lower expected existing business contribution (-3pts) and operating variance (-1pt), partly offset by higher new business value (+0.2 pts) and less unfavorable operating assumption changes (+2pts) due to the non-repeat of the update of future policyholder behavior assumptions for GMxB products in the **US** in 2012, partly offset by revised mortality assumptions in the **US** in 2013.

  The expected existing business contribution, calculated mainly based on the Implied Discount Rates (IDR) of the previous year, decreased in 2013 as the 2012 IDR (7.0%) was lower than the 2011 IDR (10.4%).

- **Total return on Life & Savings European Embedded Value (EEV) was 21% in 2013** (compared to 16% in 2012) or Euro 9.2 billion (Euro 6.3 billion in 2012), driven by a strong operating return and a more favorable economic variance reflecting improved financial market conditions with higher interest rates and equity markets, lower volatility and tighter corporate spreads.

- **FY13 Implied Discount Rate (IDR) was stable at 7.0%** reflecting higher interest rates fully offset by a smaller gap between the current environment and management's expectations for future market conditions.

- **2013 Life & Savings New Business Value (NBV) increased by 16% to Euro 2.2 billion**, driven largely by product re-pricing actions, improved business mix in line with the Ambition AXA selectivity focus, and higher overall volumes, partly offset by updates to actuarial assumptions. Like EEV, the 2013 NBV included a negative impact (Euro -122 million) of the depreciation of local currencies versus the Euro.

- **The NBV margin increased to 34.6%** (compared to 31.2% in 2012) driven by product re-pricing and improved business mix, partly offset by foreign exchange impacts and updates of actuarial assumptions.

- **2013 Life & Savings New Business Internal Rate of Return (IRR) increased by 1.7pts to 14.2%,** reflecting an improved product mix, better product design, and more favorable country mix with an increased contribution from high growth markets, partly offset by less favorable actuarial assumptions.

- **FY13 Group Embedded Value ("Group EV") increased by Euro 5.7 billion to Euro 43.0 billion**. Group EV consists of the sum of the Life & Savings EEV and the IFRS Tangible Net Asset Value (TNAV) net of the mark-to-market of debt for Other than Life businesses. This increase was driven by the higher Life & Savings EEV (Euro +3.7 billion) and the increase in the value of Other than Life businesses (Euro +2.1 billon).

[1] *FY12 was restated according to the change in EEV rollforward presentation described in page 2 and the Appendix 3 and 4*

- **Operating return on Group EV was up 18%** (19%[2] in 2012) or Euro 6.6 billion (Euro 6.5 billion[2] in 2012) driven by a strong operating performance in Life & Savings and higher underlying earnings of other than Life businesses (Euro 1.9 billion).

- **Total return on Group EV was 27%** (22% in 2012) or Euro 10.0 billion (Euro 7.2 billion in 2012), driven by a strong operating return of both Life & Saving and Other business and the favorable economic variance in Life & Savings, partly offset by a lower non-operating return of Other than Life businesses.

[2] *FY12 was restated according to the change in EEV rollforward presentation described in page 2 and the Appendix 3 and 4*

1.2. LIFE & SAVINGS EEV

EEV ANALYSIS OF CHANGE *Euro million, Group share*	Free surplus	+	Required capital	=	ANAV	+	VIF	=	EEV 2013	EEV 2012
OPENING EEV	**6,031**		**15,611**		**21,643**		**22,581**		**44,224**	**38,154**
Modeling changes and opening adjustments	(168)		47		(121)		(804)		(924)	1,098
ADJUSTED OPENING EEV	**5,864**		**15,658**		**21,522**		**21,778**		**43,299**	**39,252**
New business value	(2,039)		686		(1,353)		3,546		2,193	1,928
Expected existing business contribution	4,224		(384)		3,840		(957)		2,883	3,735
o/w Expected return on surplus	255		-		255		-		255	243
o/w Expected return on VIF	-		-		-		2,628		2,628	3,492
Current year operating variance	(31)		(224)		(255)		622		367	819
Change in operating assumptions	-		-		-		(711)		(711)	(1,585)
OPERATING RETURN ON EEV	**2,153**		**79**		**2,232**		**2,500**		**4,732**	**4,897**
Economic variance	395		(404)		(9)		4,968		4,959	1,284
Other non-operating variance	(137)		(53)		(191)		(267)		(458)	119
TOTAL RETURN ON EEV	**2,411**		**(378)**		**2,032**		**7,201**		**9,233**	**6,299**
Exchange rate movements impact	(565)		(540)		(1,105)		(1,165)		(2,270)	(870)
EEV of acquired business/others	640		(5)		635		(20)		615	(94)
Capital injections	67		-		67		-		67	1,137
Dividends paid/received	(3,072)		-		(3,072)		-		(3,072)	(1,500)
CLOSING EEV	**5,345**		**14,735**		**20,080**		**27,793**		**47,873**	**44,224**
Closing VIF									27,793	22,581
o/w Certainty equivalent PVFP									33,609	28,137
o/w Time value of O&G									(3,840)	(3,705)
o/w CoC/NFR									(1,975)	(1,850)
OPERATING RETURN ON EEV									**11%**	**12%**
TOTAL RETURN ON EEV									**21%**	**16%**

The table above is based on the new format of EEV rollforward as described the Appendix 3 and 4. AXA Life Japan aligned its closing date with the Group calendar year starting with 2013 annual accounts. Therefore, its contribution to the AXA consolidated EEV for the 2013 year exceptionally covered a period of fifteen months.

Modeling changes and opening adjustments of Euro -924 million in 2013 mainly consisted of:

- Euro -485 million impact on VIF due to a change in reference rate extrapolation parameters reflecting the current development of Solvency II in the context of Omnibus II (see section 4.1 of this report);
- Euro -206 million net impact of the definitive agreement with Protective Life Corporation to sell MONY life Insurance Company ("MONY") and to reinsure an in-force book of life insurance policies written by MONY's subsidiary MONY Life Insurance Company of America ("MLOA") primarily prior to 2004. The transaction was closed in October 2013.
- Other modeling refinements notably:
  - Switzerland (Euro 471 million) reflecting improved modeling of bonds and of the interaction between management actions, policyholder bonus distribution and local capital requirement;
  - Belgium (Euro -189 million) reflecting a more accurate modelling of contract maturities.
  - Germany (Euro -135 million) mainly driven by the improved modeling of management actions, and of policyholder behavior in Health business.

Operating return on Life & Savings EEV of 11% (Euro 4,732 million) was lower compared to 12%[3] in 2012 (Euro 4,897 million). The decrease was driven by lower expected existing business contribution and operating variance, partly offset by higher new business value and a less unfavorable operating assumption changes. The details are as follow:

- **New Business Value** increased by 16% on a comparable basis, to Euro 2,193 million while new business APE grew by 5% reflecting a significant improvement in profitability.

- **Expected existing business contribution** of Euro 2,883 million, was the sum of the expected earnings on surplus (Euro 255 million) and the expected return on VIF (Euro 2,628 million). The expected return on VIF, calculated based on Implied Discount Rate of the previous year, was lower compared to 2012 as the 2012 IDR (7.0%) was lower than 2011 IDR (10.4%).

- **Current year operating variance** of Euro 367 million, included the following impacts:
  - **Japan** (Euro 262 million), mainly due to higher than expected investment income boosted by exceptional dividends from private equity and equity funds in a rising Japanese stock market, having also generated higher realized gains and positive experience on surrender and lapses;
  - **France** (Euro 193 million), reflecting the positive impact of the recognition of tax group deductibles in the local accounts (partly offset in Economic Variance), higher renewal premiums and lower surrenders, partly offset by lower operating investment experience;
  - **Switzerland** (Euro 63 million), reflecting the positive impact of low annuitization option election;
  - **MedLA** (Euro 59 million), reflecting higher than expected realized capital gains in Spain, and the positive impact of higher surrenders on Variable Annuities and Equity Indexed Unit-Linked business in MPS;

Partly offset by:

  - **The US** (Euro -42 million), reflecting adverse mortality experience on Life products, and restructuring costs, partly offset by tax refunds and the contribution of management actions including the variable annuity GMiB buyout program;
  - **Germany** (Euro -145 million), due to lower investment income mainly due to higher share allocation to policyholders in the year.

- **Changes in operating assumptions** amounted to Euro -711 million, mainly reflecting the following impacts:
  - **The US** (Euro -677 million), mainly reflecting the impact of adjusting mortality assumptions in Life business, dynamic crediting rates assumptions for General Account products, and the update of dynamic transfer rates between Separate Accounts and the General Account;
  - **Japan** (Euro -512 million), notably driven by the update of longevity assumptions on Annuities, surgery loss ratio in Health business, and lapse assumptions on Variable Annuities products; partly offset by:
  - **Switzerland** (Euro 56 million), mainly reflecting revised crediting rate assumptions in Group Life business.
  - **France** (Euro 92 million), mainly due to lower loss ratio assumptions for Individual and Group Protection business;
  - **Belgium** (Euro 117 million), mainly due to revised assumptions related to policyholders participation rules, lower inforce commission assumptions and an update to lapse assumptions partly offset by higher projected expenses;
  - **Germany** (Euro 158 million), mainly following the update of assumed future policyholder bonus distributions.

[3] *FY12 was restated according to the change in EEV rollforward presentation described in page 2 and the Appendix 3 and 4*

Economic variance[4] of Euro 4,959 million represented the variation in EEV due to favorable changes in economic environment, compared to management's expectations of future market conditions captured in the expected existing business contribution.

The total impact of **marked-to-market investment return** on the Life & Savings EEV in 2013 amounted to Euro 7.9 billion, split into:

- **Expected existing business contribution** (Euro 2,883 million);
- **Economic variance** (Euro 4,959 million) and **operating investment variance** (Euro 30 million) reported in the operating variance. Note that these amounts were accounted for as in excess of the expected return.

This **marked-to-market investment return** impact on EEV is split by economic drivers as follows:

- Euro 2.6 billion due to the unwind of interest rates, the release of time value of O&G and the excess of bonds income net of defaults over the cash return;
- Euro 1.5 billion due to the increase in swap rates;
- Euro 2.4 billion reflecting equity, real estate and hedge funds' performance over the cash return;
- Euro 0.7 billion impact from reduced equity and interest rates volatility;
- Euro 0.6 billion impact from decreased corporate credit spreads and Eurozone sovereign bonds spreads, net of the liquidity premium.

Other non-operating variance[5] of Euro -458 million represents the impact from changes in the regulatory and tax environment. The main contributors were:

- **Central Eastern Europe** (Euro -286 million) due to Polish Pension Fund reform (more details on Section 2.3);
- **The US** (Euro -54 million) due to the update of reserve requirements for Life products with secondary options (Reg. 147) and a change in statutory pension accounting;
- **Japan** (Euro -53 million) driven by the increase in consumption tax rate;
- **France** (Euro -44 million) reflecting the impact of the Inter-professional National Agreement (Accord National Interprofessionnel or "ANI"), leading to higher lapses in Individual Protection.

Total Return on Life & Savings EEV was Euro 9,233 million or 21% over the Adjusted opening Life & Savings EEV, as a result of the impacts described above, significantly higher than 16% in 2012.

Exchange rate movement impact amounted to Euro -2,270 million, reflecting the depreciation of foreign currency against the Euro (Closing US Dollar parity moved from 1.318 to 1.378, Japanese Yen from 114.0 to 144.8).

EEV of acquired business/other amounted to Euro 615 million reflecting the impact on Life & Savings segment of the internal transfer of AXA Winterthur's share in AXA Life Japan which had no impact on Group level.

Capital injections of Euro 67 million were mainly to sustain business growth in the **UK, South East Asia, India** and **China.**

Dividends paid/received reflected the net dividends of Euro 3,072 million paid by the Life & Savings segment to Other than Life segments in 2013 which include the exceptional dividend up streamed following the "MONY" transaction (Euro 742 million).

Closing Life & Savings EEV of Euro 47,873 million comprised of Life & Savings required capital, free surplus and VIF.

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[5] *The change in EEV rollforward presentation is described in page 2 and the Appendix 3 and 4*

Life & Savings required capital decreased by Euro 876 million to Euro 14,735 million, driven by:

- **Opening adjustments** (Euro +47 million), included the capital release following "MONY" transaction (Euro -199 million) portfolio partly offset by variation in requirements in opening adjustment from different countries;
- **New business** capital requirement (Euro +686 million), which was lower compared to 2012 as a result of a better product mix notably with lower sales of Variable Annuities in Japan and in Germany;
- **Expected capital release from existing business** (Euro -384 million);
- **Operating variance** (Euro -224 million), mainly due to the implementation of a reinsurance treaty on a part of the Individual Savings business in **France** at the end of 2013 leading to Euro -200 million relief in capital under the current regime;
- **Economic variance** (Euro -404 million), mainly in the US (Euro -251 million) as a consequence of better than expected financial conditions driving down capital requirement for Variable Annuities products;
- **Non-operating variance** (Euro -53 million);
- **Foreign exchange impact** (Euro -540 million) following the depreciation of local currency versus Euro.

Life & Savings free surplus amounted to Euro 5,345 million, Euro 686 million lower compared to 2012. Free surplus represents the net asset value in excess of the shareholder's equity required to support the business. While not necessary to back existing liabilities or capital requirements, and not always in line with the way the business is effectively managed (despite the change in required capital made in 2012), this excess may not be immediately distributable to shareholders, because of, for example (but not limited to): dividend distribution rules may include other components than statutory earnings, or implicit items in excess of hard capital but not yet realized (e.g. most of unrealized invested assets gains and losses). Total unrealized gains and losses not projected in Value of Inforce (VIF) end of 2013 amounted to Euro 1.8 billion, located mainly in **Japan** (Euro 1.4bn) and **Switzerland** (Euro 0.4bn).

In addition, free surplus, as a component of ANAV (the portion representing what is higher and above local required hard capital), may be impacted by regulatory changes (such as statutory reserves strengthening) that will often revert over time (and therefore offset in VIF). In such instances, the regulatory changes may represent limitations in terms of dividend payment for a given year (except in **the US** where dividends are not a direct function of only statutory earnings) but will be compensated over time.

The **free surplus** variation included the following main movements:

- **Opening adjustments** (Euro -168 million), included **the US** (Euro +520 million) reflecting the net proceeds from the "MONY" transaction (Euro 311 million) and the impact on free surplus of the release of capital driven by the transaction (Euro 199 million) more than offset by **Belgium** (EUR -450 million) reflecting the transfer from VIF to ANAV of the beginning of the year statutory reserve requirement for low interest rates and **MedLA** (Euro -182 million) driven by an increase in the capital requirement due to newly modelled products.
- **Operating** movements over the period (Euro +2,153 million) included:
  - **New business** (Euro -2,039 million), including both the statutory earnings impact (or "strain") and the required capital to support the new contracts;
  - **Expected existing business contribution** (Euro 4,224 million), reflecting the expected statutory earnings to be generated and the capital expected to be released from the inforce business;
  - **Operating variance** (Euro -31 million), reflecting negative experience in **the US** (Euro -191 million) driven by higher than expected life mortality, **Belgium** (Euro -156 million) mainly due to the increase in statutory earnings of the low interest rate reserve (offset in VIF), **Germany** (Euro -74 million) and **Switzerland** (Euro -47 million) driven by a lower investment margin partly offset by the positive experience in **France** (Euro 233 million) mainly reflecting the capital release following the reinsurance treaty on a part of the Individual Savings business and in **Japan** (Euro 186 million) mainly reflecting higher investment experience;
- **Economic variance** (Euro 395 million) with higher unrealized gains in **Japan** and **Switzerland** partly offset by unrealized losses in **the US**, **France** and **MEDLA**, and losses of GMxB hedge derivatives in statutory local accounting in the **US** with only a partial counterpart of statutory reserve release;
- **Non-operating variance** (Euro -137 million) reflecting the update of reserving requirement for life products with secondary option in **the US** (Reg 147) and the impact of the Inter-professional National

Agreement (Accord National Interprofessionnel or "ANI") in **France** and in **MedLA** (sovereign debt default reserve requested by local regulator CBI);

- **Foreign exchange impact** (Euro -565 million) reflecting foreign currency depreciation (Closing US Dollar parity moved from 1.318 to 1.378, Japanese Yen from 114.0 to 144.8);
- **EEV of acquired business/other** (Euro 640 million) reflecting the internal transfer of AXA Winterthur's share in AXA Life Japan, replaced by internal loans (neutral at the Group level);
- **Capital injections** (Euro 67 million);
- **Dividends paid** (Euro -3,072) by the Life & Savings segment.

Life & Savings VIF of Euro 27,793 million (up by Euro 5,212 million) which was explained by the following movements:

- **Opening adjustments** (Euro -804 million), driven by the impact on Life & Savings entities of the change in reference rate extrapolation parameters and the decrease in value due to the sale of "MONY" portfolio in **the US** (Euro -517 million) partly offset by the transfer from ANAV to VIF of the beginning of the year statutory reserve for low interest rates as a correction of prior presentation of such reserves in **Belgium**;
- **New business** contribution (Euro 3,546 million);
- **Operating variance** (Euro 622 million), mainly from **Belgium** with an offsetting impact in ANAV of the increase in the low interest rate statutory reserve, **the US** including the impact of GMiB buyout program and **France** reflecting better renewal premiums and surrender experience;
- **Assumption changes** (Euro -711 million) mainly in **the US** mostly due to the update of mortality assumptions for life products and in **Japan** notably driven by update of longevity assumptions on Annuities, surgery loss ratio in Health, and lapse assumptions on Variable Annuities products partly offset by **Germany** and **Belgium** with an update of policyholder bonus distribution assumptions;
- **Economic variance** (Euro 5.0 billion) reflecting improved economic conditions, mainly in the **US**, **Japan**, **France** and **MedLA**;
- **Non-operating variance** (Euro -267million) included the decrease of VIF following the future change in regulatory environment on Pension Funds in Poland;
- **Foreign currency depreciation** (and Euro -1,165 million).

Life & Savings VIF can be decomposed as:

- **Certainty Equivalent PVFP** increased by Euro 5,472 million to Euro 33,609 million, in line with the increase in **VIF**;
- **The Time Value of O&G** slightly increased by Euro -135 million to Euro -3,840 million, primarily driven by the refinement in stochastic modelling and update of dynamic policyholder behavior in **the US** for transfer between General Account and Separate Account;
- **CoC/NFR** increased by Euro -125m to Euro -1,975 million.

RECONCILIATION OF LIFE & SAVINGS IFRS SHAREHOLDERS' EQUITY TO ANAV

SHAREHOLDER'S EQUITY TO ANAV *(Euro million, Group share)*	**2013**	**2012**
LIFE & SAVINGS IFRS SHAREHOLDERS' EQUITY	**42,306**	**45,449**
Net URCG not included in Shareholders' equity	956	1,031
Goodwill	(5,817)	(6,481)
Deferred Acquisition & Origination Costs (DAC & DOC)	(8,769)	(8,733)
Value of Business Inforce (VBI)	(1,818)	(1,999)
Other intangibles	(609)	(703)
UCG projected in PVFP	(4,238)	(6,247)
other Stat-GAAP adjustments	(1,931)	(675)
LIFE & SAVINGS NET AJUSTED ASSET VALUE (ANAV)	**20,080**	**21,643**

The table above shows the reconciliation of **Life & Savings IFRS Shareholders' Equity** to **Life & Savings Shareholders' ANAV**. The major elements of the reconciliation are as follows:

- Addition of **unrealized gains/losses** net of taxes and policyholder bonuses to the extent these are not reflected in IFRS equity (for example real estate and loan assets not carried at market value);
- Elimination of all **intangible assets**;
- Deduction of **unrealized gains/losses** that are counted as part of the VIF;
- Other **adjustments between Statutory and IFRS** balance sheet, mainly due to differences between Statutory and IFRS reserving basis for Variable Annuities products in **the US**, and the statutory reserve for low interest rate in **Belgium**.

VIF RISK-NEUTRAL MATURITY PROFILE

GROUP VIF PROFILE *(Euro million, Group share)*	**Amount**	**Share**
1 to 5 years	10,107	36%
6 to 10 years	6,758	24%
11 to 15 years	4,352	16%
16 to 20 years	2,210	8%
more than 20 years	4,366	16%
TOTAL	27,793	100%

The table above shows how the modeled **discounted risk-neutral cash flows** to be generated by the year-end existing business are expected to emerge into free surplus over future years. To show the profile of the VIF emergence, the VIF has been split into five maturity ranges representing time span in which profits are expected to flow.

The **VIF risk-neutral maturity profile** presented above shows that 36% of the VIF should emerge in the first five years and 60% during the first 10 years.

Note that such projections **do not represent** a view of future free cash flows available for distribution to shareholders which would be based on the management case scenario cash flows rather than risk-neutral cash flows.

The 2013 **expected free cash flows** amounted to Euro 2,185 million, as shown in the EEV movement analysis presented on page 6 in the free surplus dedicated column), excluding free cash flows expected to be received from MONY, as the net proceeds of the transaction was shown in the opening adjustment. Including MONY free cash flows for 3 first quarters of 2013 until the transaction date, the total free cash flows expected for 2013 amounted to Euro 2,276 million versus Euro 2,155 million in 2012. Projections of inforce future expected free cash flows for years beyond 2013 are disclosed in the appendix to FY 2013 earnings as additional information, supplementary to this EEV report.

On a constant basis for foreign exchange, excluding the impact of AXA Life Japan's alignment to the Group closing date, and including MONY transaction, total **expected free cash flows** amounted to EURO 2.3 billion.

IMPLIED DISCOUNT RATE

IMPLIED DISCOUNT RATE	**2013**	**2012**	**2011**
Reference rate	2.9%	2.3%	2.8%
Total IDR based on distributable earnings	7.0%	7.0%	10.4%

The **reference rate** reflects the average yield used for the certainty equivalent valuation, estimated over the whole projection. It increased in 2013, reflecting the higher interest rates environment.

IDR was stable at 7.0%, driven by higher reference rate (risk-free), fully offset by lower gap between the risk-neutral market consistent world and the scenario based the management's expectations for future market conditions, in line with the ongoing recovery of financial markets.

2013 IDR will be the basis for calculating the 2014 expected return on VIF – an item in the expected evolution part of the 2014 EEV analysis of change.

1.3. LIFE & SAVINGS NBV

NEW BUSINESS METRICS *Euro million - Group share*	2012	2013
Regular premiums	3,444	3,345
Single premiums	27,266	29,900
ANNUALIZED PREMIUM EQUIVALENT (APE)	**6,170**	**6,335**
Capitalization factor	10.3	9.8
Present Value of Expected Premiums (PVEP)	62,579	62,595
NEW BUSINESS VALUE (NBV)	**1,928**	**2,193**
o/w Certainty Equivalent PVFP less Strain	2,273	2,530
o/w Time Value of O&G	(239)	(227)
o/w CoC/NFR	(106)	(110)
NBV/APE	**31.2%**	**34.6%**
NBV/PVEP	**3.1%**	**3.5%**
NEW BUSINESS IRR	**12.5%**	**14.2%**
APE change at comparable basis (*)		5%
PVEP change at comparable basis (*)		2%
NBV change at comparable basis (*)		16%

ANALYSIS OF CHANGE IN NBV *Euro Million - Group share*	
2012 LIFE & SAVINGS NBV	**1,928**
Modeling changes and opening adjustments	23
Change in scope and acquisitions	2
Currency movements impact	(122)
Business-driven evolution:	362
o/w Volume	52
o/w Business mix	301
o/w Expenses	24
o/w Investment assumptions	19
o/w Actuarial assumptions and others	(34)
2013 LIFE & SAVINGS NBV	**2,193**

NB IMPLIED DISCOUNT RATE	2012	2013
Reference rate	2.2%	2.7%
Total IDR Based on distributable earnings	4.5%	4.4%

(*) Comparable basis: at constant scope, FX rate and accounting period
The figures in this table exceptionally covered a period of fifteen months of AXA Life Japan

Life & Savings new business APE increased by 5% to Euro 6,335 million**.** APE developments over the year are described in the 2013 Group Activity Report disclosed in the 2013 Group Annual Report (Document de Référence)**.**

Life & Savings new business present value of expected premiums (PVEP) increased by 2% to 62,595 million. The increase in PVEP was less significant than the increase in APE since the rise in interest rates induced higher discount rate.

Life & Savings new business value (NBV) increased by 16%, on a comparable basis, to Euro 2,193 million, mainly due to:

- improved **product mix** with an increasing contribution of Protection & Health in **Japan**, **Switzerland** and **South East Asia**, and a general shift away from General Account Savings to Unit-Linked products;
- better **product re-pricing** in **the US** (GMxB), **Hong Kong** (Smart Series) and **Belgium** with the launch of the hybrid product Oxylife;
- higher **volumes** and the related decrease in unit costs in most countries; partly offset by
- less favorable **actuarial assumptions** following the update of the mortality assumptions for Life products in **the US** and higher lapse rates in Individual Protection in **France** following the Inter-professional National Agreement (Accord National Interprofessionnel or "ANI").

2013 NBV also included Euro -122 million impact of the depreciation of local currency notably Japanese Yen against Euro, and Euro 110 million opening adjustment reflecting the impact of the alignment of AXA Life Japan's closing date to the Group calendar partly offset by modeling changes in other countries.

This resulted in a higher **NBV margin** at 34.6%.

The internal rate of return (**IRR**) increased by 1.7pt to 14.2% in line with the improvement of NBV. Apart from the underlying drivers mentioned above, FY13 IRR also benefited from a more favorable country mix effect due to stronger contributions of emerging countries with higher IRR than the Group level.

New business **IDR** decreased slightly to 4.4% driven by higher reference rate fully offset by lower gap between risk-neutral market consistent assumptions and the management case scenario and the impact of product mix evolution (higher share of Protection & Health and a lower share of General Account Investment & Savings) reducing the contribution to the time value of option and guarantees of new business in IDR.

1.4. LIFE & SAVINGS SENSITIVITIES

EEV & NBV SENSITIVITIES *(Euro million, Group share)*	EEV		NBV	
CLOSING 2013 ORIGINAL AMOUNTS	**47,873**	**100%**	**2,193**	**100%**
Upward parallel shift of 100 basis points in reference interest rates	1,346	3%	32	1%
Downward parallel shift of 100 basis points in reference interest rates	(3,736)	-8%	(144)	-7%
10% higher value of equity markets	1,458	3%	89	4%
10% lower value of equity markets	(1,591)	-3%	(95)	-4%
10% higher value of real estate	554	1%	17	1%
10% lower value of real estate	(567)	-1%	(15)	-1%
Overall 10% decrease in lapse rates	1,069	2%	161	7%
Overall and permanent decrease of 10% in expenses	1,504	3%	109	5%
5% lower mortality rate for annuity business	(272)	-1%	(0)	0%
5% lower mortality rate for life business	717	1%	40	2%
Upward parallel shift of 25% of the volatility on equity markets	(678)	-1%	(32)	-1%
Upward parallel shift of 25% of the volatility on interest rates	(1,172)	-2%	(73)	-3%
50 basis points higher in credit spreads	(1,965)	-4%	(37)	-2%
50 basis points lower in credit spreads	1,845	4%	51	2%
Reference rate without liquidity premium	(2,166)	-5%	(37)	-2%
Reference rate with liquidity premia 10bps higher	619	1%	11	1%

The **sensitivities to interest rates** movement for EEV show the classic pattern of decreases reducing value (as contractual guarantees erode target margins) while increases having a positive effect.

Sensitivities are applied one at a time, rather than in combination. Combined effects are likely to be different than implied by adding the effects of two separate sensitivities. The definition of these shocks is available in the Methodology section of this report.

New business may have different sensitivity than **inforce**, due to significantly different portfolios with a higher proportion of Protection and Health products in new business and since the ANAV is only shocked for inforce business.

2013 EEV sensitivities were globally in line with 2012, with the following notable evolutions:

- Decrease of the sensitivities to interest rates largely driven by **the US**:
  - due to higher interest rates and equity market, leading General Account guarantees and GMxB rider options to be less in the money;
  - lower exposure following the "MONY" transaction and the GMiB buyout program, and
  - the assumption update on dynamic transfer between General and Separate Accounts reducing the impact of downward interest shocks.

- The impact of considering a liquidity premium in the EEV calculation was Euro 2.2 billion. It decreased strongly when compared to 2013 (Euro 4.3 billion) because of the lower level of liquidity premia following the narrowing of corporate spreads;
- The sensitivity to 10bps higher liquidity premium also decreased compared to 2012, in line with lower EEV sensitivities to interest rates.

2013 NBV sensitivities were globally in line with 2012, with the same notable evolutions as for the inforce. In particular, 2013 NBV was less sensitive to interest rates as product mix shifted from General Account Investment & Savings to more Protection & Health. The NBV of the former (G/A) was less sensitive to interest rates this year following higher interest rates causing policyholders' guarantee to be less in the money while the latter's (P&H) was generally inversely correlated to interest rates through discounting mechanism.

1.5. GROUP EMBEDDED VALUE

Life & Savings is only one of the business segments of the AXA Group, which also has **Property & Casualty insurance**, **Asset Management, Bank**, **International Insurance**, and **Holdings** segments.

AXA's **Group Embedded Value** (Group EV) is calculated as the sum of the Life & Savings European Embedded Value (L&S EEV) for the Life & Savings segment, and the IFRS Tangible Net Asset Value (TNAV) plus the mark-to-market of debts for other businesses.

The **IFRS TNAV** for other businesses is derived from the IFRS shareholders equity for other than Life & Savings businesses. Several adjustments are made to obtain this tangible value, notably the elimination of intangible assets and external perpetual subordinated debts accounted for in shareholder's equity. The reconciliation between the IFRS shareholders equity and the tangible net asset value for other than Life & Savings is available in Appendix 2.

	2013			2012
GROUP EMBEDDED VALUE *Euro million, group share*	**Life & Savings**	**Other Segments**	**Total Group**	**Total Group**
OPENNING GROUP EV	**44,224**	**(6,900)**	**37,324**	**31,548**
Modeling changes and opening adjustments	(924)	(65)	(989)	607
ADJSUTED OPENNING GROUP EV	**43,299**	**(6,965)**	**36,335**	**32,155**
Operating return	4,732	1,879	6,610	6,451
Current year non-operating variance	4,501	(1,129)	3,372	702
TOTAL RETURN	**9,233**	**750**	**9,983**	**7,153**
Internal dividends payment	(3,072)	3,072	-	-
Dividend paid by the Group	-	(1,715)	(1,715)	(1,626)
Capital flow s	67	(67)	-	-
Exchange rate movements impact	(2,270)	280	(1,989)	(495)
Acquired business and others	615	(862)	(247)	(240)
Change in shares issued and treasury shares	-	659	659	377
CLOSING GROUP EV	**47,873**	**(4,848)**	**43,025**	**37,324**
OPERATING RETURN ON GROUP EV	**11%**		**18%**	**19%**
TOTAL RETURN ON GROUP EV	**21%**		**27%**	**22%**

The table above is based on the new format of EEV rollforward as described in Appendix 3 and 4. AXA Life Japan aligned its closing date with the Group calendar year starting with 2013 annual accounts. Therefore, its contribution to the AXA consolidated EEV for the 2013 year exceptionally covered a period of fifteen months.

Modeling changes and opening adjustments of Euro -65 million for Other than Life segments reflected change in the opening value following the amendment of IAS 19.

Operating return of Euro 1,879 million for Other than Life segments mainly included the following items:

- Underlying Earnings (Euro 1,935 million);
- Net realized capital gains (Euro 294 million) and restructuring costs (Euro -156 million); and
- The interest on undated subordinated debts (Euro -284 million).

Current year non-operating variance of Euro -1,129 million for Other than Life businesses mainly included:

- the after-tax Net Income (adjusted for cash movements related to acquisitions and disposals of the year) less Underlying Earnings, less realized capital gains and restructuring costs, netting to Euro -204 million, including notably the change in fair value of derivatives not eligible to hedge accounting;
- the change in fair value for items not reflected in IFRS net income (e.g. loans at cost in insurance companies, pension actuarial gains and losses in the Statement of Comprehensive Income - SoCI) of Euro 716 million;
- and other items of Euro -1,641 million including the impact of lower corporate spreads on the fair value of debts, (recognized at cost in Shareholder's equity under IFRS, and as debt at fair value under the Group EV framework).

Total Return of Euro 750 million for Other than Life businesses is equal to the operating return plus the current year non-operating variance.

Internal dividends payment for Other than Life businesses reflected the net dividend paid by the Life & Savings entities. It is noteworthy that these dividends do not necessarily represent the cash flows received at Group Holding level.

Dividends from Property and Casualty, Asset Management, International Insurance and Banking activities paid to the Holdings segment were not shown in the table above, as they were neutral at the total Other than Life level.

Dividend paid by the Group for Other than Life businesses reflected the 2013 dividend paid by the Group Holding to shareholders.

Other Capital Flows for Other than Life businesses include impacts from a variety of internal transfers, resulting in a net capital injection made to the Life & Savings segment in 2013.

Exchange rate movement impact for Other than Life businesses includes the impact of foreign currency hedges that cover the total of all businesses.

Acquired business and other for Euro -862 million mainly reflecting the internal transfer of AXA Winterthur's share in AXA Life Japan, replaced by internal loans (neutral at group level).

Change in shares issued and treasury shares of Euro 659 million mainly reflected 2013 employee share offering (Shareplan).

2. DETAILS BY REGION

2.1. FRANCE

LIFE AND SAVINGS EEV

EEV ANALYSIS OF CHANGE *Euro million, Group share*	Free surplus	+	Required capital	=	ANAV	+	VIF	=	EEV 2013	EEV 2012
OPENING EEV	**989**		**3,781**		**4,770**		**5,912**		**10,682**	**9,176**
Modeling changes and opening adjustments	175		(78)		97		(278)		(181)	283
ADJUSTED OPENING EEV	**1,164**		**3,703**		**4,867**		**5,634**		**10,501**	**9,459**
New business value	(543)		242		(301)		591		290	269
Expected existing business contribution	1,179		(158)		1,020		(489)		531	674
o/w Expected return on surplus	29		-		29		-		29	26
o/w Expected return on VIF	-		-		-		502		502	648
Current year operating variance	233		(200)		33		160		193	585
Change in operating assumptions	-		-		-		92		92	92
OPERATING RETURN ON EEV	**868**		**(116)**		**752**		**354**		**1,106**	**1,620**
Economic variance	(160)		1		(160)		389		230	452
Other non-operating variance	(37)		(1)		(37)		(7)		(44)	-
TOTAL RETURN ON EEV	**671**		**(116)**		**555**		**736**		**1,291**	**2,072**
Exchange rate movements impact	-		-		-		-		-	-
EEV of acquired business/others	-		-		-		-		-	(63)
Capital injections	(63)		-		(63)		-		(63)	79
Dividends paid/received	(825)		-		(825)		-		(825)	(865)
CLOSING EEV	**947**		**3,587**		**4,534**		**6,370**		**10,904**	**10,682**
Closing VIF									6,370	5,912
o/w Certainty equivalent PVFP									7,841	7,104
o/w Time value of O&G									(1,005)	(818)
o/w CoC/NFR									(466)	(373)
OPERATING RETURN ON EEV									**11%**	**17%**
TOTAL RETURN ON EEV									**12%**	**22%**

IMPLIED DISCOUNT RATE	2013	2012
Reference rate	2.7%	2.4%
Total IDR based on distributable earnings	6.1%	5.4%

The table above is based on the new format of EEV rollforward as described in Appendix 3 and 4.

Modeling changes and opening adjustments (Euro -181 million) reflected primarily the impact of adjusting end-of 2012 economic scenario with new reference rate extrapolation parameters (Euro -99 million), the impact of bonds modeling improvement and of refinements to stochastic modeling in Individual Retirement business.

Operating return on EEV of 11% (Euro 1,106 million) compared to 17%[6] in 2012 (Euro 1,620 million), was mainly driven by:

- **New business value** (Euro 290 million) with higher volumes, improved business mix and lower expenses;
- **Expected existing business contribution** (Euro 531 million) calculated on the IDR of the previous year, that was lower than that of 2012 (Euro 674 million) driven by the decrease in IDR (2012 IDR of 5.4% compared to 7.1% in 2011);
- **Operating variance** (Euro 193 million) reflected the recognition of tax group deductibles in the local accounts, partly offset by lower investment realized experience;
- **Changes in operating assumptions** (Euro 92 million) reflecting the projection of lower loss ratios in Individual Protection.

Total return on EEV of 12% was favorably impacted by the **economic variance** (Euro 230 million), mainly reflecting the positive impact from higher interest rates and equity markets, lower corporate spreads and volatility. Higher interest rates had a negative impact on ANAV due to the related decrease of unrealized gains on bonds.

Capital flows of Euro -888 million reflected net dividends paid in 2013.

Closing EEV was Euro 10,904 million, composed of the following elements:

- **Required capital** decreased by Euro 194 million to Euro 3,587 million mainly as a result of the expected release from inforce business as well as a reinsurance treaty covering a part of the Individual Savings business, leading to Euro -200 million release in required capital under the current regime. This was partly offset by capital requirement for new business;
- **Free surplus** decreased by Euro 42 million to Euro 947 million, with a positive contribution from the existing business which experienced a capital release from the reinsurance treaty, more than offset by the new business investments and dividends paid. Investment in new business only slightly decreased, while new business value significantly grew;
- **VIF** increased by Euro 458 million to Euro 6,370 million, driven by the inforce expected return, the contribution of the operating variance, assumption updates related to the loss ratio update for Individual Protection business and improved market conditions.

IDR increased by 0.6pt to 6.1% due to higher interest rates and higher time value of O&G as a result of refinements to stochastic modeling in Individual retirement business, partly offset by lower cost of capital following the reinsurance treaty in Individual Savings business.

[6] *FY12 was restated according to the change in EEV rollforward presentation described in page 2 and the Appendix 3 and 4*

LIFE AND SAVINGS NBV

NEW BUSINESS METRICS *Euro million - Group share*	2012	2013
Regular premiums	705	749
Single premiums	6,736	6,821
ANNUALIZED PREMIUM EQUIVALENT (APE)	**1,378**	**1,431**
Capitalization factor	11.0	10.6
Present Value of Expected Premiums (PVEP)	14,467	14,729
NEW BUSINESS VALUE (NBV)	**269**	**290**
o/w Certainty Equivalent PVFP less Strain	328	370
o/w Time Value of O&G	(31)	(44)
o/w CoC/NFR	(28)	(35)
NBV/APE	**19.5%**	**20.3%**
NBV/PVEP	**1.9%**	**2.0%**
NEW BUSINESS IRR	**8.9%**	**9.7%**
APE change at comparable basis (*)		4%
PVEP change at comparable basis (*)		2%
NBV change at comparable basis (*)		8%

ANALYSIS OF CHANGE IN NBV *Euro Million - Group share*	
2012 LIFE & SAVINGS NBV	**269**
Modeling changes and opening adjustments	(16)
Change in scope and acquisitions	-
Currency movements impact	-
Business-driven evolution:	37
o/w Volume	12
o/w Business mix	11
o/w Expenses	25
o/w Investment assumptions	6
o/w Actuarial assumptions and others	(16)
2013 LIFE & SAVINGS NBV	**290**

NB IMPLIED DISCOUNT RATE	2012	2013
Reference rate	2.4%	2.8%
Total IDR Based on distributable earnings	4.4%	4.8%

(*) Comparable basis: at constant scope, FX rate and accounting period

APE increased by Euro 53 million (+4%) mainly driven by an increase in Unit-Linked sales (+32% or Euro +66 million) driven by Group Retirement and Individual Savings, higher sales of General Account Protection & Health products with the launch of new products, partly offset by lower General Account Savings sales (-8% or Euro -45 million) in line with the strategy to focus on Unit-Linked products.

NBV increased by 8% to Euro 290 million, mainly due to:

- higher volumes and the related decrease in unit costs, and lower acquisition expenses;
- improved product mix reflecting increased sales of Protection & Health, and a higher share of Unit-Linked and lower share of General Account in Savings products;
- higher interest rates, impacting notably Savings products; partly offset by
- higher lapse assumptions in Individual Protection following the Inter-professional National Agreement (Accord National Interprofessionnel or ANI in French).

This resulted in a higher **NBV margin** at 20.3% compared to 19.5% in 2012.

IRR improved by 0.8pt 9.7%, as a result of lower acquisition expenses (+0.3pt) and unit costs (+0.1pt), improved product mix (+0.2pt), and better expected investment conditions (+0.2pt). This was partly offset by an update to lapse rates in Individual Protection (-0.2pt).

IDR increased by 0.4pt to 4.8% principally driven by a higher reference rate.

LIFE AND SAVINGS SENSITIVITIES

EEV SENSITIVITIES *(Euro million, Group share)*	EEV		NBV	
CLOSING 2013 ORIGINAL AMOUNTS	**10,904**	**100%**	**290**	**100%**
Upward parallel shift of 100 basis points in reference interest rates	29	0%	(24)	-8%
Downward parallel shift of 100 basis points in reference interest rates	(656)	-6%	0	0%
10% higher value of equity markets	332	3%	14	5%
10% lower value of equity markets	(355)	-3%	(15)	-5%
10% higher value of real estate	204	2%	5	2%
10% lower value of real estate	(218)	-2%	(6)	-2%
Overall 10% decrease in lapse rates	357	3%	36	12%
Overall and permanent decrease of 10% in expenses	599	5%	41	14%
5% lower mortality rate for annuity business	(55)	-1%	(0)	0%
5% lower mortality rate for life business	57	1%	5	2%
Upward parallel shift of 25% of the volatility on equity markets	(107)	-1%	(4)	-1%
Upward parallel shift of 25% of the volatility on interest rates	(406)	-4%	(24)	-8%
50 basis points higher in credit spreads	(253)	-2%	(10)	-4%
50 basis points lower in credit spreads	249	2%	10	4%

Compared to 2012, EEV was slightly less sensitive to interest rates as the improved interest rate environment caused policyholders' financial guarantees to be less in the money.

EEV was strongly sensitive to a decrease in interest rates as lower interest rates lead policyholders' financial guarantees to be more in the money with no offsetting impact from dynamic lapses options. EEV was slightly positively sensitive to the increase in interest rates as financial margins improved as policyholders' financial guarantees were less in the money partly offset by profit sharing mechanism and dynamic lapses.

Other sensitivities were globally in line with 2012.

Compared to 2012, NBV sensitivity to an increase in interest rates was more negative due to dynamic lapses options being more in the money driven by higher interest rates and the sensitivity to a decrease in interest rates was less negative as a result of guaranteed rates being less in the money.

2.2. UNITED STATES

LIFE AND SAVINGS EEV

EEV ANALYSIS OF CHANGE *Euro million, Group share*	Free surplus	+	Required capital	=	ANAV	+	VIF	=	EEV 2013	EEV 2012
OPENING EEV	**1,093**		**2,158**		**3,250**		**1,598**		**4,848**	**5,048**
Modeling changes and opening adjustments	520		(199)		321		(706)		(386)	(114)
ADJUSTED OPENING EEV	**1,612**		**1,958**		**3,571**		**892**		**4,462**	**4,934**
New business value	(325)		101		(225)		581		356	262
Expected existing business contribution	654		(96)		558		352		910	1,490
o/w Expected return on surplus	150		-		150		-		150	131
o/w Expected return on VIF	-		-		-		760		760	1,359
Current year operating variance	(191)		1		(190)		148		(42)	292
Change in operating assumptions	-		-		-		(677)		(677)	(1,761)
OPERATING RETURN ON EEV	**137**		**6**		**143**		**404**		**547**	**283**
Economic variance	(150)		(251)		(402)		3,708		3,306	22
Other non-operating variance	(65)		(36)		(102)		48		(54)	-
TOTAL RETURN ON EEV	**(78)**		**(282)**		**(360)**		**4,160**		**3,799**	**305**
Exchange rate movements impact	(22)		(74)		(96)		(193)		(288)	(75)
EEV of acquired business/others	-		-		-		-		-	-
Capital injections	-		-		-		-		-	-
Dividends paid/received	(1,219)		-		(1,219)		-		(1,219)	(315)
CLOSING EEV	**294**		**1,602**		**1,896**		**4,859**		**6,755**	**4,848**
Closing VIF									4,859	1,598
o/w Certainty equivalent PVFP									5,921	2,419
o/w Time value of O&G									(766)	(486)
o/w CoC/NFR									(296)	(334)
OPERATING RETURN ON EEV									**12%**	**6%**
TOTAL RETURN ON EEV									**85%**	**6%**

IMPLIED DISCOUNT RATE	2013	2012
Reference rate	3.7%	2.9%
Total IDR based on distributable earnings	12.6%	20.4%

The table above is based on the new format of EEV rollforward as described in Appendix 3 and 4.

Modeling changes and opening adjustments of Euro -386 million mainly included:

- the change of opening EEV due to the update of reference rate extrapolation parameters (Euro -67 million);
- refinements to pension costs modelling (Euro -152 million);
- the impact of the "MONY" transaction (Euro -206 million), as follow:
  - the decrease in VIF (Euro -517 million) due to the sale of the MONY portfolio to Protective;
  - the net proceeds (Euro 311 million) shown in ANAV, and Euro 199 million of required capital flowed to free surplus with no impact on the total ANAV;
- other adjustments including switching to the Group's common economic scenario generator impacting the opening EEV by Euro +122 million .

Operating return on EEV of 12% (Euro 547 million) compared to 6%[7] in 2012 (Euro 283 million) included the following impacts:

- **New business value** (Euro 356 million), higher than 2012 NBV, largely driven by product re-pricing, improved market conditions and higher volumes;
- **Expected existing business contribution** (Euro 910 million), calculated based mainly on IDR of the previous year, was lower compared to 2012 as 2012 IDR (20.4%) is lower than 2011 IDR (42.2%);
- **Operating variance** (Euro -42 million) mainly including the unfavorable impact of mortality experience in the year, partly offset by a tax refund, better experience on Variable Annuities, and the positive contribution from management actions including the GMiB buyout program;
- **Operating assumption changes** (Euro -677 million) driven by the update of mortality assumptions for life products in order to better reflect the adverse experience recently observed, the review of dynamic assumptions for General Account crediting rates including lower target spreads and constraints on Interest Sensitive Annuity and updated assumptions for the transfer from Separate Account to General Account. This was partly offset by lower unit costs assumptions following expense reduction initiatives.

Total return on EEV was 85%, mainly driven by an improved operating return and a favorable **economic variance**.

Economic variance amounted to Euro 3,306 million, primarily driven by the positive impact on VIF of higher interest rates and equity markets, lower volatility, partly offset by statutory losses of GMxB hedge derivatives only partly offset by statutory reserve releases, and lower unrealized gains in a rising interest rate environment.

Capital flows of Euro -1219 million reflected dividends paid by AXA Equitable and MONY to their parent company AXA Financial Holding and the exceptional dividend following the closing of the transaction with Protective Life Corporation.

Foreign exchange impact was Euro -288 million, reflecting the depreciation of US Dollar versus Euro.

ANAV decreased by Euro 1,354 million to Euro 1,896 million, reflecting:

- the net positive proceeds from “MONY” transaction;
- more than offset by the impact of mortality experience over the year, losses of GMxB hedge derivatives with only a partial statutory reserve release, and dividends paid.

Required capital decreased by Euro 555 million to Euro 1,602 million, mainly as a result of the release of capital following “MONY” transaction, and lower capital requirements for Variable Annuities.

Free surplus decreased by Euro 799 million to Euro 294 million, as the significant inforce contribution and the increase in opening balance from “MONY” transaction were more than offset by the following elements:

- dividend payments during the year (Euro -1,219 million in 2013 compared to Euro -315 million in 2012);
- investment in new business was higher compared to 2012, reflecting higher new business volumes and a lower technical result in the first year partly offset by productivity gains with overall a significant increase in **new business value**;
- adverse operating variance mainly reflecting mortality experience;
- negative impact of economic variance on Free surplus reflecting losses on GMxB hedge derivatives only partly offset by statutory reserve release;
- the update on capital requirement for life products with secondary options following the New York Reg 147, included in non-operating variance;
- the negative impact of US Dollar depreciation over Euro.

[7] *FY12 was restated according to the change in EEV rollforward presentation described in page 2 and the Appendix 3 and 4*

As mentioned on page 9, the free surplus represents the net asset value held in excess of the shareholder's equity required to support the business. While not necessary to back existing liabilities or capital requirements, this excess may not be immediately distributable to shareholders because of dividend distribution rules including other components than statutory earnings. This is the case in the US, in the State of New York, where the ordinary dividend is defined as the minimum of previous year's Statutory Net Gains from Operations (based on statutory earnings components) and 10% of the previous year's Statutory Surplus (including AllianceBernstein which is excluded from the Life & Savings EEV scope).

VIF increased by Euro 3,261 million to Euro 4,859 million, benefiting from the improvement of economic conditions from higher interest rates and equity markets, lower volatility, a strong contribution of new business, and lower unit costs following expense reduction initiatives. This was partly offset by the update of assumptions for surrenders and mortality on life products and update of dynamic assumptions for crediting rates in General Account and transfer between Separate Account and General Account.

IDR strongly decreased from 20.4% to 12.6% due to a strong increase in the VIF and its components, which are less sensitive to economic scenarios. The high IDR reflects potential future increases of the US EEV if financial markets continue to recover.

LIFE AND SAVINGS NEW BUSINESS

NEW BUSINESS METRICS *Euro million - Group share*	2012	2013
Regular premiums	375	329
Single premiums	8,690	9,936
ANNUALIZED PREMIUM EQUIVALENT (APE)	**1,244**	**1,322**
Capitalization factor	9.0	8.9
Present Value of Expected Premiums (PVEP)	12,048	12,850
NEW BUSINESS VALUE (NBV)	**262**	**356**
o/w Certainty Equivalent PVFP less Strain	316	397
o/w Time Value of O&G	(36)	(24)
o/w CoC/NFR	(17)	(17)
NBV/APE	**21.1%**	**27.0%**
NBV/PVEP	**2.2%**	**2.8%**
NEW BUSINESS IRR	**13.2%**	**16.4%**
APE change at comparable basis (*)		9%
PVEP change at comparable basis (*)		10%
NBV change at comparable basis (*)		40%

ANALYSIS OF CHANGE IN NBV *Euro Million - Group share*	
2012 LIFE & SAVINGS NBV	**262**
Modeling changes and opening adjustments	(30)
Change in scope and acquisitions	-
Currency movements impact	(8)
Business-driven evolution:	132
o/w Volume	21
o/w Business mix	66
o/w Expenses	23
o/w Investment assumptions	41
o/w Actuarial assumptions and others	(20)
2013 LIFE & SAVINGS NBV	**356**

NB IMPLIED DISCOUNT RATE	2012	2013
Reference rate	2.4%	2.9%
Total IDR Based on distributable earnings	7.5%	5.5%

(*) Comparable basis: at constant scope, FX rate and accounting period

APE increased by Euro 118 million (+9%) to Euro 1,322 million reflecting higher sales of Unit-Linked products as a consequence of higher floating rate GMxB product sales (+31% or Euro +96 million), and non GMxB investment only product sales (+10% or Euro +35 million).

NBV increased by 40% to Euro 356 million, mainly due to:

- GMxB re-pricing with the launch of Accumulator 13 (less risky, higher profitability), higher contribution of Retirement Cornerstone, improved mix with higher share in products with lower guarantees, partly offset by lower Protection & Health sales;
- higher interest rates;
- higher volumes and the related decrease in unit costs, as well as lower expenses;
- partly offset by the unfavorable update of mortality assumptions for Life products, negative FX impact, and modeling changes following a modeling enhancement of pension cost.

This resulted in a higher **NBV margin** at 27.0% compared to 21.1% in 2012.

IRR increased by 3.2pts to 16.4%, in line with **NBV margin**, primarily driven by product redesign (+2.1pts), lower commission and acquisition expenses (+0.9pt), and better expected investment conditions. This was partly offset by unfavorable modeling changes (-0.9pt) and update of mortality assumptions (-0.4pt).

New business IDR decreased due to a lower gap between risk neutral scenarios and management's expectations for future market conditions following the increase in reference rates.

LIFE AND SAVINGS SENSITIVITIES

EEV SENSITIVITIES *(Euro million, Group share)*	EEV		NBV	
CLOSING 2013 ORIGINAL AMOUNTS	**6 755**	**100%**	**356**	**100%**
Upward parallel shift of 100 basis points in reference interest rates	228	3%	3	1%
Downward parallel shift of 100 basis points in reference interest rates	(830)	-12%	(8)	-2%
10% higher value of equity markets	622	9%	60	17%
10% lower value of equity markets	(659)	-10%	(57)	-16%
10% higher value of real estate	6	0%	-	0%
10% lower value of real estate	(6)	0%	-	0%
Overall 10% decrease in lapse rates	(52)	-1%	13	4%
Overall and permanent decrease of 10% in expenses	285	4%	19	5%
5% lower mortality rate for annuity business	(106)	-2%	(1)	0%
5% lower mortality rate for life business	418	6%	12	3%
Upward parallel shift of 25% of the volatility on equity markets	(351)	-5%	(21)	-6%
Upward parallel shift of 25% of the volatility on interest rates	(337)	-5%	(17)	-5%
50 basis points higher in credit spreads	(526)	-8%	(6)	-2%
50 basis points lower in credit spreads	576	9%	6	2%

EEV became less sensitive to interest rates and equity markets, driven by:

- higher interest rates and equity markets causing General Account guarantees and GMxB riders option to be less in the money;
- reduced exposure as a result of the "MONY" transaction and of the GMiB buyout program;
- revised assumptions for dynamic transfer between General Account and Separate Account reducing particularly the impact of downward interest shocks.

Improved economic conditions and the GMiB buyout program also resulted in a lower sensitivity to a decrease in lapse rate.

EEV was less sensitive (4% compared to 7% in 2012) to increases in expenses due to the restructuring program that reduced the total expense basis.

The evolution of **NBV** sensitivities was in line with that of EEV.

2.3. NORTHERN, CENTRAL EASTERN EUROPE AND UNITED KINGDOM

LIFE AND SAVINGS EEV

EEV ANALYSIS OF CHANGE *Euro million, Group share*	Free surplus	+	Required capital	=	ANAV	+	VIF	=	EEV 2013	EEV 2012
OPENING EEV	**1,577**		**6,185**		**7,762**		**8,976**		**16,738**	**12,940**
Modeling changes and opening adjustments	(665)		203		(462)		429		(33)	987
ADJUSTED OPENING EEV	**912**		**6,387**		**7,300**		**9,405**		**16,704**	**13,927**
New business value	(465)		157		(308)		676		369	373
Expected existing business contribution	1,174		(129)		1,045		(243)		803	826
o/w Expected return on surplus	35		-		35		-		35	57
o/w Expected return on VIF	-		-		-		768		768	768
Current year operating variance	(311)		(17)		(328)		240		(88)	(119)
Change in operating assumptions	-		-		-		386		386	388
OPERATING RETURN ON EEV	**398**		**11**		**409**		**1,059**		**1,468**	**1,467**
Economic variance	149		(35)		114		123		237	537
Other non-operating variance	0		(11)		(11)		(288)		(299)	7
TOTAL RETURN ON EEV	**548**		**(35)**		**512**		**894**		**1,407**	**2,011**
Exchange rate movements impact	(34)		(56)		(90)		(106)		(196)	126
EEV of acquired business/others	673		(8)		666		(22)		644	19
Capital injections	(36)		-		(36)		-		(36)	590
Dividends paid/received	(426)		-		(426)		-		(426)	64
CLOSING EEV	**1,637**		**6,289**		**7,926**		**10,171**		**18,097**	**16,738**
Closing VIF									10,171	8,976
o/w Certainty equivalent PVFP									12,287	11,367
o/w Time value of O&G									(1,305)	(1,625)
o/w CoC/NFR									(811)	(767)
OPERATING RETURN ON EEV									**9%**	**11%**
TOTAL RETURN ON EEV									**8%**	**14%**

The table above is based on the new format of EEV rollforward as described in Appendix 3 and 4.

Modeling changes and opening adjustments of Euro -33 million included:

- the change in reference rate extrapolation parameters (Euro -184 million);
- model refinements in **Switzerland** (Euro 471 million) to better reflect the interactions between management actions, policyholder bonus distribution and local capital requirement (Swiss Solvency Test), **Germany** (Euro -135 million) mainly driven by an enhanced modeling of management actions and of customer behavior in Health business, and **Belgium** (Euro -189 million) reflecting a more accurate modelling of contract maturities.

Operating return on EEV was 9% (Euro 1,468 million) compared to 11%[8] (Euro 1,467 million) in 2012 following a comparable euro denominated performance at the level of the overall region however based on higher opening EEV. The details by country are as follow:

[8] *FY12 was restated according to the change in EEV rollforward presentation described in page 2 and the Appendix 3 and 4*

EEV ANALYSIS OF CHANGE

Euro million, Group share	Switzerland	Germany	Belgium	CEE	UK
OPENING EEV	**7,037**	**4,436**	**2,773**	**1,126**	**1,366**
Modeling changes and opening adjustments	451	(256)	(231)	(1)	3
ADJUSTED OPENING EEV	**7,488**	**4,180**	**2,541**	**1,125**	**1,369**
New business value	209	76	39	24	21
Expected existing business contribution	297	190	228	48	41
o/w Expected return on surplus	36	(12)	5	5	2
o/w Expected return on VIF	260	202	223	43	39
Current year operating variance	63	(145)	28	(5)	(30)
Change in operating assumptions	56	158	117	29	26
OPERATING RETURN ON EEV	**624**	**279**	**412**	**95**	**58**
Economic variance	(161)	189	178	2	29
Other non-operating variance	-	(14)	(1)	(286)	2
TOTAL RETURN ON EEV	**464**	**454**	**589**	**(189)**	**89**
Exchange rate movements impact	(111)	-	-	(48)	(36)
EEV of acquired business/others	680	-	(9)	(27)	-
Capital injections	-	(40)	(19)	(17)	40
Dividends paid/received	(10)	(155)	(35)	(9)	(218)
CLOSING EEV	**8,511**	**4,440**	**3,068**	**834**	**1,245**
Closing ANAV	4,721	1,118	1,534	290	263
o/w Free surplus	1,877	(608)	169	156	43
o/w Required capital	2,844	1,726	1,365	134	220
Closing VIF	3,790	3,322	1,534	544	982
o/w Certainty equivalent PVFP	4,616	4,106	1,998	566	1,001
o/w Time value of O&G	(611)	(437)	(244)	(13)	-
o/w CoC/NFR	(216)	(347)	(220)	(9)	(19)
OPERATING RETURN ON EEV	**8%**	**7%**	**16%**	**8%**	**4%**
TOTAL RETURN ON EEV	**6%**	**11%**	**23%**	**-17%**	**7%**

IMPLIED DISCOUNT RATE		Switzerland	Germany	Belgium	CEE	UK
2013	Reference rate	2.6%	2.9%	2.7%	3.3%	2.8%
	Total IDR	3.8%	4.8%	11.3%	5.4%	3.9%
2012	Reference rate	2.3%	2.6%	2.5%	3.0%	2.5%
	Total IDR	3.9%	4.5%	9.4%	4.9%	4.3%

The table above is based on the new format of EEV rollforward as described in Appendix 3 and 4.

Switzerland had an 8% **operating return** (16%[9] in 2012), due to:

- **New business value** of Euro 209 million (Euro 197 million in 2012);
- **Operating variance** (Euro 63 million), reflecting the change in projected benefits from lower reserving rate;
- **Operating assumption changes** (Euro 56 million), mainly reflecting the decrease in future policyholder bonus due to the decrease of the legal quote in Group life.

[9] *FY12 was restated according to the change in EEV rollforward presentation described in page 2 and the Appendix 3 and 4*

Germany had a 7% **operating return** (6%[9] in 2012), driven by:

- **New business value** (Euro 76 million), lower than compared to 2012 (Euro 108 million) in line with the curtailment of "Twinstar" Variable Annuity;
- **Operating variance** (Euro -145 million), reflecting lower investment income mainly due to a higher share allocated to policyholder reserves in the year;
- **Operating assumption changes** (Euro 158 million), mainly driven by the implementation of in force management measures and with notably the positive impact of lower projected policyholder bonus rates partly offset by the update of longevity assumptions in Health business, the update of lapse assumptions, and slightly higher unit cost assumptions.

Belgium had a 16% **operating return** (2%[10] in 2012), including:

- **New business value** (Euro 39 million), slightly higher than in 2012;
- **Operating variance** (Euro 28 million), reflecting higher investment realized margin than expected partly offset by a deviation on expenses;
- **Operating assumptions changes** (Euro 117 million), mainly due to revised assumptions related to policyholders participation rules, lower inforce commission and an update on lapse assumptions, partly offset by higher projected expenses.

The UK had a 4% **operating return** (7%[10] in 2012), as a result of:

- **New business value** (Euro 21 million), significantly higher than in 2012 following higher volumes and cost reductions at AXA Wealth;
- **Operating variance** (Euro -30 million), reflecting on-going investments in Wealth business, partially offset by continued cost management in established platforms;
- **Changes in operating assumptions** (Euro 26 million), notably reflecting the update of unit costs assumptions.

CEE had a 8% **operating return** (16%[10] in 2012), impacted by:

- **New business value** (Euro 24 million), lower than in 2012, as a consequence of the Pension Funds reforms in Poland, partly offset by a better business mix;
- **Operating variance** (Euro -5 million), mainly reflecting adverse lapse experiences Poland;
- **Changes in operating assumptions** (Euro 29 million), mainly reflecting the positive effect of lapse assumption updates on the Pension Funds in Czech Republic.

The total return of CEE decreased to -17% (22% in 2012), negatively impacted the Polish Pension Fund Reform (see details below), which was partly offset a positive economic variance.

POLAND – PENSION FUND REFORM

A new law has become effective as of February 1st, 2014 under which a significant part of the Pension Fund's assets would be transferred to the Polish Social Security Institution (ZUS). The main features of this Law are as follows:

- **Liquidation of treasury funds**: in February 2014, each "Open Pension Funds" (OPF) would be obliged to transfer 51.5% of the assets collected to the Polish Social Security Institution (ZUS);
- **Voluntary membership**: the "Open Pension Funds" (OPF) would no longer be mandatory for clients. Failure to make a selection would be considered as an option for all new contributions to remain with the Polish Social Security Institution (ZUS);
- **Transfer of funds prior to retirement**: the Law confirms ten years before the retirement age there would be a gradual transfer of funds to the Polish Social Security Institution (ZUS) and all retirement pensions would be paid out by ZUS;

[10] *FY12 was restated according to the change in EEV rollforward presentation described in page 2 and the Appendix 3 and 4*

- **Reduction in contribution** in comparison with the 2011 reform **and in the level of charges**.

The **capital flows** (Euro -462 million) at the NORCEE/UK region level were due to:

- dividend payments from Life & Savings entities;
- a capital outflow in the **German** branch of AXA Life Europe;
- an internal capital transfer from the P&C segment in **Belgium**;
- dividends received from AXA Japan in **Switzerland**;
- and capital injections in the **UK** to support new business development.

The **EEV of acquired business/other** (Euro 644 million) included the internal transfer of AXA Winterthur's share in AXA Life Japan, replaced by internal loans. This transfer was neutral at the Group level.

2013 EEV was Euro 18,097 million and was composed of the following elements:

- **Required capital** increased by Euro 105 million to Euro 6,289 million, mainly driven by **Germany** following the refinement to capital calculation of Variable Annuities business with an offsetting impact in free surplus, by **Belgium** with the setup of required capital on the statutory low interest rate reserve, and by the **UK** reflecting modeling refinement of required capital for both inforce and new business, partly offset by a capital release from inforce;
- **Free surplus** increased by Euro 60 million to Euro 1,637 million, primarily driven by :
  - a strong contribution from existing business and unrealized gains mainly in **Switzerland**;
  - the internal transfer of **AXA Winterthur**'s share in AXA Life Japan, replaced by internal loans (neutral at the Group level); partly offset by
  - the offsetting impact of the refinement to capital calculation of Variable Annuities business in **Germany**;
  - new business capital consumption;
  - the negative impact of actual experience versus expected in **Belgium** due to the strengthening of the local statutory low interest rate reserve (Euro -450 million with an offset in VIF) and in **Germany** reflecting the allocation of lower investment income mainly due to a higher share allocated to policyholders;
  - the dividends paid by Life & Savings entities.
- **VIF** increased by Euro 1,195 million to Euro 10,171 million, mainly driven by new business value, favorable assumptions changes **in Germany** and **Belgium** to better reflect policyholder bonus rates, the positive offset in VIF of the low interest rate provision in statutory accounts and the strong contribution of improved economic conditions, partly offset by the negative impact of updating the reference rate extrapolation parameters as an opening adjustment.

In **Switzerland**, the IDR slightly decreased to 3.8% compared to 3.9% in 2012, mainly driven by higher interest rates more than offset by the lower gap between the management case scenario and the current environment.

In **Germany**, the IDR slightly increased to 4.8% compared to 4.5%, mainly driven by the increase in the time value of options and guarantees following model refinements to customer behavior in Health.

In **Belgium**, the IDR increased to 11.3% compared to 9.4% in 2012, reflecting management's expectations of for future market conditions and a higher reference rate. Note the IDR of Belgium was higher than that of other countries not only due to higher time value of O&G but also due to the expected tightening of the Belgian sovereign bond spreads in the management case scenario.

In **CEE,** the IDR increased to 5.4% compared to 4.9% in 2012 in line with the increase in interest rates.

In the **UK**, the IDR decreased to 3.9% compared to 4.3% in 2012 due to lower risk margin of the inforce portfolio when projected in the management case scenario.

LIFE AND SAVINGS NEW BUSINESS

NEW BUSINESS METRICS *Euro million - Group share*	2012	2013	Switzerland	Germany	Belgium	CEE	UK
Regular premiums	945	838	242	341	67	80	107
Single premiums	7,294	8,831	1,884	443	835	277	5,393
ANNUALIZED PREMIUM EQUIVALENT (APE)	**1,674**	**1,721**	**430**	**385**	**151**	**108**	**647**
Capitalization factor	15.2	14.2	21.7	14.4	8.6	6.8	5.8
Present Value of Expected Premiums (PVEP)	21,670	20,741	7,137	5,355	1,409	820	6,020
NEW BUSINESS VALUE (NBV)	**373**	**369**	**209**	**76**	**39**	**24**	**21**
o/w Certainty Equivalent PVFP less Strain	503	479	257	121	54	25	23
o/w Time Value of O&G	(93)	(78)	(38)	(28)	(10)	(1)	0
o/w CoC/NFR	(37)	(32)	(10)	(16)	(5)	(1)	(1)
NBV/APE	**22.3%**	**21.4%**	**48.5%**	**19.8%**	**25.7%**	**21.8%**	**3.3%**
NBV/PVEP	**1.7%**	**1.8%**	**2.9%**	**1.4%**	**2.7%**	**2.9%**	**0.4%**
NEW BUSINESS IRR	**8.4%**	**9.5%**	**14.9%**	**11.0%**	**13.3%**	**7.2%**	**6.0%**
APE change at comparable basis (*)		5%	17%	-15%	-14%	-20%	26%
PVEP change at comparable basis (*)		-3%	7%	-22%	-16%	-34%	23%
NBV change at comparable basis (*)		0%	8%	-29%	52%	-33%	214%

(*) comparable basis: at constant scope,FX rate and accounting period

APE increased by 5% to Euro 1,721 million, driven by:

- **UK** (+26%) with New sales through the Elevate platform continuing to perform very strongly with IFA sales up by Euro 92 million (+59%) as the platform grew faster than the market and continues to establish itself as one of the leaders in the UK platform market. The other significant growth area was on the Corporate Investment Services business which saw two significant new schemes in 2013.
- **Switzerland** (+17%) driven by strong general Accounts Protection & Health sales (+21% or Euro +71 million), in particular in Group Life business reflecting an exceptional growth in full coverage insurance contracts.
- **Belgium** (-14%), reflecting the curtailment of Crest Classic following the reduction in guaranteed rates, and the non-repeat of the large contract in Group Protection in 2012, partly offset by the launch of Oxylife hybrid product.
- **Germany** (-15%), in line with the strategy to reduce General Accounts single premium sales as well as the curtailment of "Twinstar" Variable Annuity sales, and the non-recurrence of strong sales in the previous year driven by brokers' anticipation of a change in regulation capping their commissions effective April 2012.
- **CEE** (-20%) following regulatory changes in Poland and Czech Republic regarding pension funds, lower Life sales in Poland due to the still difficult economic environment and the slowdown in the new business production following a strategic review to focus on high margin products.

ANALYSIS OF CHANGE IN NBV *Euro Million - Groupe share*	NORCEE UK	Switzerland	Germany	Belgium	CEE	UK
2012 LIFE & SAVINGS NBV	**373**	**197**	**108**	**25**	**36**	**7**
Modeling changes and opening adjustments	(53)	(14)	(37)	(1)	(1)	-
Change in scope and acquisitions	1	-	-	-	1	-
Currency movements impact	(4)	(4)	-	-	(0)	(0)
Business-driven evolution:	53	30	6	14	(12)	15
o/w Volume	12	31	(11)	(4)	(10)	5
o/w Business mix	62	27	12	19	2	2
o/w Expenses	(6)	0	(2)	(2)	(5)	3
o/w Investment assumptions	(38)	(33)	(0)	0	(0)	(4)
o/w Actuarial assumptions and others	11	6	1	1	(1)	3
2013 LIFE & SAVINGS NBV	**369**	**209**	**76**	**39**	**24**	**21**

NB IMPLIED DISCOUNT RATE		Switzerland	Germany	Belgium	CEE	UK
2013	Reference rate	2.6%	3.0%	2.8%	2.8%	2.8%
	Total IDR	4.8%	5.9%	6.5%	4.0%	5.1%
2012	Reference rate	2.3%	2.7%	2.4%	2.7%	2.4%
	Total IDR	4.1%	4.3%	5.9%	4.0%	4.2%

NBV was stable at Euro 369 million, driven by increases in Switzerland, Belgium and UK, offset by Germany and CEE. The details of evolutions are as follow:

- **Switzerland:** NBV increased by 8% to Euro 209 million mainly due to higher volumes and improved business mix following higher sales of Group Protection, partly offset by the decrease in projected financial margin as a result of lower projected returns and dynamic crediting rates. The NBV also included the negative impact of modeling changes reflecting the update of future target bonus parameters in Individual Life as a result of very low guaranteed rates for the new product generations.
- **Belgium:** NBV increased by 52% to Euro 39 million largely driven by product re-pricing with the launch of Oxylife hybrid product series, partly offset by lower volumes and the related impact on unit costs.
- **UK:** NBV increased by 214% to Euro 21 million mainly driven by higher volumes and a decrease in unit costs. In addition NBV benefitted from new tariffs in Protection following the unisex tariff regulation in Europe, partly offset by a higher discount rate on protection business as a result of increased interest rates.
- **Germany:** NBV decreased by 29% to Euro 76 million, mainly driven by lower volumes and the curtailment of Twinstar, partly offset by new tariffs in Health following the unisex tariff regulation. The NBV was negatively impacted by slightly higher unit costs.
- **CEE**: NBV decreased by 33% to Euro 24 million, due to the absence of volumes in Polish Pension Funds and the related negative impact on unit costs, partly offset by a higher contribution of Protection & Health and cost saving efforts.

This resulted in a slight decrease of **NBV margin** to 21.4%.

The **IRR** of the region increased by 1.1% to 9.5%, with the following revolutions by country:

- **Switzerland:** IRR increased by 1.6pts to 14.9% driven by lower local requirements following improved investment conditions this year, a better product mix (+0.4pt), partly offset by lower projected financial margin (-0.2pt).
- **Belgium**: IRR increased by 4.5pts to 13.3% reflecting the impact of product re-pricing with the launch of Oxylife (2.5pts), lower required capital following the shift from General Account to Unit-Linked support (0.4pt), and adjustments in the modelling of equity return (1pt).
- **UK:** IRR increased by 1.7pts to 6.0%, in line with developments in NBV.

- **Germany:** IRR increased by 1.6pts to 11.0%, largely driven by the tariff change in Health (0.8pt), lower acquisition expenses (0.5pt), the curtailment of Twinstar (0.4pts) and higher single premiums UL (0.3pt), partly offset and the negative impact of modeling changes (-0.6pt).
- **CEE:** IRR decreased by 2.6pts to 7.2% largely driven by the impact of the Poland Pension Fund reform.

Except for CEE, IDR of new business increased in 2013 compared to 2012. The details of the evolution were as follow:

- **Switzerland:** IDR increased by 0.7pt to 4.8% mainly driven by widening gap between projected investment returns and dynamic crediting rates in the management case scenario compared to risk-neutral scenarios.
- **Germany**: IDR increased by 1.6pts to 5.9% as a result of the curtailment of Twinstar in 2013.
- **UK:** the IDR increased by 0.9pt to 5.1% as a result of strong sales in Unit-Linked and Mutual Funds reducing the weight of Protection & Health in the portfolio.
- **Belgium:** IDR increased by 0.6pt to 6.5% mainly driven by higher reference rates, and lower cost of capital in real world projection.
- **CEE:** IRR remained stable at 4.0%.

LIFE AND SAVINGS SENSITIVITIES

EEV SENSITIVITIES *(Euro million, Group share)*	EEV		NBV	
CLOSING 2013 ORIGINAL AMOUNTS	**18,097**	**100%**	**369**	**100%**
Upward parallel shift of 100 basis points in reference interest rates	657	4%	18	5%
Downward parallel shift of 100 basis points in reference interest rates	(1,247)	-7%	(32)	-9%
10% higher value of equity markets	349	2%	14	4%
10% lower value of equity markets	(365)	-2%	(21)	-6%
10% higher value of real estate	335	2%	11	3%
10% lower value of real estate	(335)	-2%	(9)	-2%
Overall 10% decrease in lapse rates	361	2%	41	11%
Overall and permanent decrease of 10% in expenses	367	2%	21	6%
5% lower mortality rate for annuity business	(34)	0%	1	0%
5% lower mortality rate for life business	37	0%	9	2%
Upward parallel shift of 25% of the volatility on equity markets	(130)	-1%	(2)	-1%
Upward parallel shift of 25% of the volatility on interest rates	(270)	-1%	(17)	-5%
50 basis points higher in credit spreads	(809)	-4%	(19)	-5%
50 basis points lower in credit spreads	690	4%	33	9%

EEV sensitivities were globally in line with 2012 sensitivities.

The sensitivities to interest rates were higher than in 2012 mainly driven by Switzerland as a result of refinements in modelling of policyholder bonus distribution.

NBV sensitivities in line with EEV sensitivities with higher magnitude as new business strain being realized was not shocked in these sensitivities.

2.4. HONG KONG, SOUTH-EAST ASIA, INDIA & CHINA AND JAPAN

LIFE AND SAVINGS EEV

EEV ANALYSIS OF CHANGE *Euro million, Group share*	Free surplus	+	Required capital	=	ANAV	+	VIF	=	EEV 2013	EEV 2012
OPENING EEV	**1,884**		**2,520**		**4,404**		**5,942**		**10,347**	**9,866**
Modeling changes and opening adjustments	(15)		30		15		(106)		(91)	25
ADJUSTED OPENING EEV	**1,869**		**2,550**		**4,419**		**5,837**		**10,256**	**9,891**
New business value	(595)		97		(498)		1,529		1,031	908
Expected existing business contribution	926		113		1,039		(515)		523	577
o/w Expected return on surplus	35		-		35		-		35	31
o/w Expected return on VIF	-		-		-		488		488	545
Current year operating variance	175		(2)		173		81		254	26
Change in operating assumptions	-		-		-		(487)		(487)	(296)
OPERATING RETURN ON EEV	**506**		**208**		**714**		**608**		**1,322**	**1,214**
Economic variance	554		(107)		447		474		921	36
Other non-operating variance	(3)		(7)		(10)		(44)		(54)	113
TOTAL RETURN ON EEV	**1,057**		**94**		**1,152**		**1,038**		**2,189**	**1,363**
Exchange rate movements impact	(502)		(405)		(908)		(862)		(1,770)	(930)
EEV of acquired business/others	(38)		3		(35)		2		(33)	(62)
Capital injections	152		-		152		-		152	448
Dividends paid/received	(474)		-		(474)		-		(474)	(364)
CLOSING EEV	**2,065**		**2,242**		**4,306**		**6,014**		**10,320**	**10,347**
Closing VIF									6,014	5,942
o/w Certainty equivalent PVFP									6,972	6,879
o/w Time value of O&G									(620)	(612)
o/w CoC/NFR									(339)	(324)
OPERATING RETURN ON EEV									**13%**	**12%**
TOTAL RETURN ON EEV									**21%**	**14%**

The table above is based on the new format of EEV rollforward as described in Appendix 3 and 4. AXA Life Japan aligned its closing date with the Group calendar year starting with 2013 annual accounts. Therefore, its contribution to the AXA consolidated EEV for the 2013 year exceptionally covered a period of fifteen months.

Modeling changes and opening adjustments was Euro -91 million mainly driven by the decrease in VIF (Euro -106 million) as a consequence of the update of reference rate extrapolation parameters, and various offsetting impacts of modeling refinements in the region.

Operating return on EEV of 13% (Euro 1,322 million) compared to 12%[11] in 2012 (Euro 1,214 million) was driven by a strong expected existing business contribution (Euro 523 million), and higher new business value (Euro 1,031 million), partly offset by unfavorable changes in operating assumptions of Euro -487 million. This included the following contributions:

[11] *FY12 was restated according to the change in EEV rollforward presentation described in page 2 and the Appendix 3 and 4*

GROUP - EEV ANALYSIS OF CHANGE *Euro million, Group share*	Japan	Hong Kong	SEA, India & China
OPENING EEV	**6,226**	**3,203**	**918**
Modeling changes and opening adjustments	(61)	(41)	11
ADJUSTED OPENING EEV	**6,165**	**3,162**	**929**
New business value	550	295	187
Expected existing business contribution	245	220	59
o/w Expected return on surplus	30	(10)	16
o/w Expected return on VIF	215	230	43
Current year operating variance	262	28	(36)
Change in operating assumptions	(512)	5	20
OPERATING RETURN ON EEV	**545**	**548**	**229**
Economic variance	905	52	(36)
Other non-operating variance	(53)	(0)	(1)
TOTAL RETURN ON EEV	**1,397**	**600**	**192**
Exchange rate movements impact	(1,456)	(158)	(156)
EEV of acquired business/others	-	(33)	(0)
Capital injections	-	33	119
Dividends paid/received	(357)	(58)	(58)
CLOSING EEV	**5,749**	**3,546**	**1,026**
Closing ANAV	3,240	654	412
o/w Free surplus	1,931	(114)	248
o/w Required capital	1,309	768	164
Closing VIF	2,508	2,892	614
o/w Certainty equivalent PVFP	2,864	3,415	693
o/w Time value of O&G	(200)	(359)	(61)
o/w CoC/NFR	(156)	(165)	(18)
OPERATING RETURN ON EEV	**9%**	**17%**	**25%**
TOTAL RETURN ON EEV	**23%**	**19%**	**21%**

IMPLIED DISCOUNT RATE		Japan	Hong Kong
2013	Reference rate	1.5%	3.5%
	Total IDR	4.7%	6.9%
2012	Reference rate	1.3%	2.2%
	Total IDR	4.3%	6.8%

The table above is based on the new format of EEV rollforward as described in Appendix 3 and 4. AXA Life Japan aligned its closing date with the Group calendar year starting with 2013 annual accounts. Therefore, its contribution to the AXA consolidated EEV for the 2013 year exceptionally covered a period of fifteen months.

Japan had a 9% operating return (6 % on a comparable scope with 12 months accounting period instead of 15 months) versus 14% in 2012 including strong **expected existing business** and **new business** contributions, and the following items:

- **Operating variance** (Euro 262 million of), reflecting higher than expected investment income boosted by exceptional dividends from private equity and equity funds in a rising Japanese stock market also generating higher realized gains and the positive impact of policyholder behavior in Life;
- **Change in operating assumptions** (Euro -512 million), reflecting the update of longevity assumptions on Annuities, surgery loss ratios in Health, and lapse assumptions on Variable Annuities products.

Hong Kong had a 17% **operating return** (9%[12] in 2012) where the increasing **existing business** and **new business** contributions were positively impacted by:

- **Operating variance** (Euro 28 million) reflecting products re-pricing and the impact of management actions on policyholder profit sharing;
- **Assumptions changes** (Euro 5 million).

SEA, India and China had a 25% **operating return** (25%[12] in 2012), driven by **new business value**, partly offset by:

- **Operating variance** (Euro -36 million), reflecting expenses over runs in India and in China which were part of the investment to support new business growth and were not expected to be recurring. Also impacting operating variance were worsening lapse experience in Singapore and Indonesia;
- **Changes in operating assumptions** (Euro 20 million), reflecting revised policyholder bonus assumptions and more favorable mortality assumptions across the region.

Total return on EEV of **ASIA-Pacific** region was 21%, driven by a strong operating return and a favorable economic variance.

Economic variance of Euro 921 million was mainly driven by **Japan** thanks to the rising equity market and the tightening of credit spreads.

Non-operating variance of Euro -54 million, reflected mainly the progressive increase of consumption tax rate in **Japan**.

Exchange rate movement impact was Euro -1,770 million, driven by the depreciation of all Asian currencies against EURO (Closing Yen parity moved from 114.0 to 144.8, HKD from 10.22 to 10.68).

Capital flows were Euro -322 million, reflecting a dividend payment of Euro 474 million, and capital injections (Euro 152 million) in Hong Kong, China, Singapore and India.

Closing EEV of **ASIA-Pacific** region was Euro 10,320 and was composed of the following elements:

- **Required capital** decreased by Euro 278 million to Euro 2,242 million, mainly reflecting the impact of foreign exchange rates partly offset by higher capital requirements for inforce Variable Annuity business in **Japan** and by new business capital requirement.
- **Free surplus** increased by Euro 181 million to Euro 2,065 million. The evolution is mainly explained by:
  - New business investments (Euro -595 million);
  - Expected existing business contribution (Euro 926 million);
  - Economic variance (Euro 554 million) mainly in **Japan,** driven by strong investment income from equity market performance;
  - Foreign exchange movements (Euro -502 million); and
  - Capital flows (Euro -322 million), including dividend payments and capital injections.
- **VIF** increased by Euro 71 million to Euro 6,014 million, with the contribution of new business, a more favorable economic variance, partly offset by the negative impact of assumption changes in **Japan**, and of the exchange movements.

The **IDR** of **Japan** increased compared to 2012 driven by modeling refinements in Group Pension Business.

The **IDR** of **Hong Kong** was stable compared to 2012.

[12] *FY12 was restated according to the change in EEV rollforward presentation described in page 2 and the Appendix 3 and 4*

LIFE AND SAVINGS NEW BUSINESS

NEW BUSINESS METRICS *Euro million - Group share*	2012	2013	Japan	Hong Kong	SEA, India & China
Regular premiums	1,246	1,263	439	414	410
Single premiums	2,227	1,479	654	291	534
ANNUALIZED PREMIUM EQUIVALENT (APE)	**1,469**	**1,411**	**504**	**443**	**463**
Capitalization factor	7.3	7.4	10.3	7.2	4.5
Present Value of Expected Premiums (PVEP)	11,354	10,780	5,163	3,254	2,363
NEW BUSINESS VALUE (NBV)	**908**	**1,031**	**550**	**295**	**187**
o/w Certainty Equivalent PVFP less Strain	998	1,126	554	345	228
o/w Time Value of O&G	(71)	(75)	0	(39)	(36)
o/w CoC/NFR	(19)	(20)	(4)	(11)	(6)
NBV/APE	**61.8%**	**73.1%**	**109.0%**	**66.5%**	**40.3%**
NBV/PVEP	**8.0%**	**9.6%**	**10.7%**	**9.1%**	**7.9%**
NEW BUSINESS IRR	**19.7%**	**20.2%**	**12.4%**	**22.3%**	**47.7%**
APE change at comparable basis (*)		2%	-17%	12%	21%
PVEP change at comparable basis (*)		-3%	-18%	7%	34%
NBV change at comparable basis (*)		17%	10%	25%	28%

(*) comparable basis: at constant scope,FX rate and accounting period
The figures in this table exceptionally covered a period of fifteen months of AXA Life Japan

APE increased by 2%, at a comparable basis, to Euro 1,411 million, mainly due to following evolutions:

- Japan: APE decreased by 17% to Euro 504 million following low sales of the recently redesigned GMiB product (lower guarantees and commissions), partly offset by the successful launch of Disability Income products.
- Hong Kong: APE increased by 12% to Euro 443 million mostly due to high sales of Unit-Linked through the broker channel.
- SEA, India & China: APE increased by 21% to Euro 463 million reflecting positive progression in emerging countries notably China (+77%) following the launch of AXA-ICBC venture, Thailand (+22%) following the continuing growth in Protection & Health, and Singapore (+48%) with newly launched participating products.

ANALYSIS OF CHANGE IN NBV *Euro Million - Groupe share*	ASIA - PACIFIC	Japan	Hong Kong	SEA, India & China
2012 LIFE & SAVINGS NBV	**908**	**486**	**242**	**179**
Modeling changes and opening adjustments	118	144	(4)	(22)
Change in scope and acquisitions	1	0	-	1
Currency movements impact	(110)	(87)	(7)	(16)
Business-driven evolution:	115	7	64	45
o/w Volume	(19)	(66)	27	20
o/w Business mix	164	107	51	6
o/w Expenses	(31)	(30)	(9)	7
o/w Investment assumptions	3	8	(14)	10
o/w Actuarial assumptions and others	(2)	(12)	8	1
2013 LIFE & SAVINGS NBV	**1 031**	**550**	**295**	**187**

NB IMPLIED DISCOUNT RATE		Japan	Hong Kong
2013	Reference rate	1,7%	3,3%
	Total IDR	2,3%	5,1%
2012	Reference rate	1,5%	2,1%
	Total IDR	3,1%	5,2%

NBV increased by 17% to Euro 1,031 million with the evolution by countries as follow:

- Japan: NBV increased by 10% to Euro 550 million driven principally by an improved business mix with low sales of GMxB and high sales of the newly launched Disability Income product, partly offset by lower volumes, resulting in increased unit costs and higher incentive commissions in order to shift the business to more Protection & Health production. The FY13 NBV included the three additional months of NBV and the extension of projection period from 30 years to 40 years (to align with inforce projections) booked in modeling changes and opening adjustments.
- Hong Kong: NBV increased by 25% to Euro 295 million due to the re-pricing of Smart Series, higher volumes and a decrease in unit costs. The increased interest rates had a negative impact mostly in Protection business (small investment margin) through the higher discount rate.
- SEA, India & China: NBV increased by 28% to Euro 187 million mainly driven by higher volumes and the related decrease in unit costs, improved investment conditions and more favorable business mix following the shift from Unit-Linked to Protection & Health.

This resulted in a NBV margin of 73.1% (compared to 61.8% in 2012).

IRR increased by 0.5pt to 20.2%, driven by:

- Japan: IRR increased by 0.6pt to 12.4%, driven by improved product mix (3.8pts), partly offset by higher required capital for GMxB following a modeling enhancement (-2.3pts), higher commissions and unit costs (-0.7pts).
- Hong Kong: IRR increased by 0.4pt to 22.3%, driven by the re-pricing of Smart Series (4.0pts), partly offset by a higher shares of Unit-Linked and a lower share of Protection & Health (-1.3pts), higher strain (-1.7pts), and higher premium holiday rate for some Unit-Linked products.
- SEA, India & China: IRR decreased by 3.7pts to 47.7%, driven by a less favorable country mix with the increased contribution of China (still in development phase hence less profitable than the region level), partly offset by the product shift from Unit-Linked to Protection & Health.

New business IDR of Hong Kong slightly reduced by 0.1pt to 5.1%, mainly due the narrowing gap between risk neutral scenarios and management's expectations of economic conditions in future periods, and lower time value of options and guarantees as a result of higher interest rates and lower volatility for both interest rates and equity. The IDR of Japan decreased by 0.8pt to 2.3% mainly due to a lower gap between risk neutral scenario and management expectations'.

LIFE AND SAVINGS SENSITIVITIES

EEV & NBV SENSITIVITIES *(Euro million, Group share)*	EEV		NBV	
CLOSING 2013 ORIGINAL AMOUNTS	**10 320**	**100%**	**1 031**	**100%**
Upward parallel shift of 100 basis points in reference interest rates	465	5%	42	4%
Downward parallel shift of 100 basis points in reference interest rates	(1 020)	-10%	(112)	-11%
10% higher value of equity markets	147	1%	1	0%
10% lower value of equity markets	(205)	-2%	(1)	0%
10% higher value of real estate	3	0%	-	0%
10% lower value of real estate	(3)	0%	-	0%
Overall 10% decrease in lapse rates	367	4%	57	6%
Overall and permanent decrease of 10% in expenses	207	2%	22	2%
5% lower mortality rate for annuity business	(48)	0%	0	0%
5% lower mortality rate for life business	163	2%	10	1%
Upward parallel shift of 25% of the volatility on equity markets	(83)	-1%	(4)	0%
Upward parallel shift of 25% of the volatility on interest rates	(122)	-1%	(12)	-1%
50 basis points higher in credit spreads	(288)	-3%	0	0%
50 basis points lower in credit spreads	279	3%	(0)	0%

Sensitivities do not include South East Asia and China, where the full market consistent methodology is not applied.

EEV interest rates sensitivity was lower compared to 2012 mainly due to the rise in interest rates mostly relieving the General Account Savings business in **Japan**. The reduction in sensitivity to interest rates was also driven by new business which was much less interest rate – sensitive than last year due to the low sales of GMiB and higher sales of Protection & Health in **Japan**.

NBV sensitivities to interest rates were lower compared to 2012 as product mix shifted to Protection & Health with a lower share of GMiB in **Japan** and Unit-Linked in **South East Asia**.

Other sensitivities remained in line with 2012.

2.5. MEDITERRANEAN AND AMERICAN LATIN REGION

LIFE AND SAVINGS EEV

EEV ANALYSIS OF CHANGE *Euro million, Group share*	Free surplus	+	Required capital	=	ANAV	+	VIF	=	EEV 2013	EEV 2012
OPENING EEV	**378**		**968**		**1,346**		**153**		**1,498**	**1,005**
Modeling changes and opening adjustments	(182)		91		(91)		(142)		(233)	(83)
ADJUSTED OPENING EEV	**195**		**1,060**		**1,255**		**11**		**1,265**	**922**
New business value	(111)		89		(22)		160		138	113
Expected existing business contribution	291		(114)		178		(61)		117	169
o/w Expected return on surplus	6		-		6		-		6	(2)
o/w Expected return on VIF	-		-		-		110		110	171
Current year operating variance	63		(5)		58		2		59	48
Change in operating assumptions	-		-		-		(25)		(25)	(8)
OPERATING RETURN ON EEV	**244**		**(30)**		**214**		**75**		**288**	**322**
Economic variance	(46)		(11)		(57)		273		216	236
Other non-operating variance	(33)		2		(31)		25		(6)	(1)
TOTAL RETURN ON EEV	**165**		**(39)**		**125**		**373**		**498**	**556**
Exchange rate movements impact	(7)		(5)		(12)		(4)		(16)	9
EEV of acquired business/others	4		-		4		-		4	12
Capital injections	14		-		14		-		14	20
Dividends paid/received	(128)		-		(128)		-		(128)	(20)
CLOSING EEV	**243**		**1,015**		**1,258**		**380**		**1,638**	**1,498**
Closing VIF									380	153
o/w Certainty equivalent PVFP									588	368
o/w Time value of O&G									(144)	(163)
o/w CoC/NFR									(64)	(52)
OPERATING RETURN ON EEV									**23%**	**35%**
TOTAL RETURN ON EEV									**39%**	**60%**

IMPLIED DISCOUNT RATE	2013	2012
Reference rate	4.5%	2.8%
Total IDR based on distributable earnings	10.9%	13.0%

The table above is based on the new format of EEV rollforward as described in Appendix 3 and 4.

Modeling changes and opening adjustments of Euro -233 million primarily reflected the impact of improvement in guaranteed rates modeling of products indexed to Spanish government bonds, and an enhanced methodology to determine longevity best estimate assumptions on Annuity products in Spain.

Operating return on EEV of 23% (Euro 288 million) was lower compared to 35%[13] in 2012 (Euro 322 million), mainly driven by a lower expected existing business contribution as 2012 IDR (13.0%) was lower than 2011 IDR (15.2%).

[13] *FY12 was restated according to the change in EEV rollforward presentation described in page 2 and the Appendix 3 and 4*

Total return on EEV of 39% (Euro 498 million) decreased versus last year, benefiting from a positive economic variance with narrowing sovereign bonds spreads in the Euro zone peripheral countries, as well as the recovery in corporate spreads.

Closing EEV was Euro 1,638 million, and composed of the following elements:

- **Required capital** increased by Euro 47 million to Euro 1,015 million, driven by the refinement in capital requirement modeling of products previously non-modelled and capital requirement to support new business. This was partly offset by the release of capital from inforce;
- **Free surplus** decreased by Euro 134 million to Euro 243 million, as a consequence of the opening adjustment on capital requirement for products which were previously non-modelled, new business investment, and dividends payments. This was partly offset by the expected contribution of inforce;
- **VIF** increased by Euro 227 million to Euro 380 million, with the contribution of new business, and a positive economic variance with lower sovereign bond spreads.

IDR decreased by 2.1pts to 10.9%, mainly driven by higher interest rates more than offset by lower gap between the current environment and the management case scenario.

LIFE AND SAVINGS NEW BUSINESS

NEW BUSINESS METRICS *Euro million - Group share*	2012	2013
Regular premiums	170	159
Single premiums	2,319	2,832
ANNUALIZED PREMIUM EQUIVALENT (APE)	**402**	**443**
Capitalization factor	4.2	4.2
Present Value of Expected Premiums (PVEP)	3,040	3,496
NEW BUSINESS VALUE (NBV)	**113**	**138**
o/w Certainty Equivalent PVFP less Strain	125	150
o/w Time Value of O&G	(7)	(6)
o/w CoC/NFR	(5)	(6)
NBV/APE	**28.0%**	**31.2%**
NBV/PVEP	**3.7%**	**3.9%**
NEW BUSINESS IRR	**14.4%**	**18.3%**
APE change at comparable basis (*)		10%
PVEP change at comparable basis (*)		15%
NBV change at comparable basis (*)		23%

ANALYSIS OF CHANGE IN NBV *Euro Million - Group share*	
2012 LIFE & SAVINGS NBV	**113**
Modeling changes and opening adjustments	5
Change in scope and acquisitions	0
Currency movements impact	(0)
Business-driven evolution:	20
o/w Volume	21
o/w Business mix	(2)
o/w Expenses	(2)
o/w Investment assumptions	6
o/w Actuarial assumptions and others	(7)
2013 LIFE & SAVINGS NBV	**138**

NB IMPLIED DISCOUNT RATE	2012	2013
Reference rate	2.6%	3.4%
Total IDR Based on distributable earnings	3.8%	4.5%

(*) Comparable basis: at constant scope, FX rate and accounting period

APE increased by Euro 42 million (+10%) to Euro 443 million mainly due to mature markets (Euro +39 million) reflecting a strong performance of Unit-Linked products (+17% or Euro +35 million) mainly at AXA MPS, and G/A Savings (+9% or Euro +11 million) mainly in Spain as a result of lower competition from the banks. **NBV** increased by 23% to Euro 138 million, mainly due to higher volumes, more favorable investment conditions with higher interest rates and lower government bonds' spread. This was partly offset by higher lapse assumptions in Spain.

This resulted in a significantly higher **NBV margin** at 31.2%.

IRR increased by 3.9pts to 18.3%, driven by an increasing contribution of Unit-Linked product (mostly from MPS) with high profitability (low strain and required capital) and lower volumes of General Account Saving product (2.3pts), better investment conditions (1.2pts), lower acquisition and administrative expenses (1.4pts). This was partly offset by higher lapse rate assumptions in Spain (-0.6pt).

New business IDR increased by 0.7pt to 4.5% mainly driven by higher interest rates. The gap between IDR and reference rate narrowed from 1.2pts to 1.1pts due to the closer gap between risk neutral scenarios and management's expectations of future economic conditions.

LIFE AND SAVINGS SENSITIVITIES

EEV SENSITIVITIES *(Euro million, Group share)*	EEV		NBV	
CLOSING 2013 ORIGINAL AMOUNTS	**1,638**	**100%**	**138**	**100%**
Upward parallel shift of 100 basis points in reference interest rates	(34)	-2%	(7)	-5%
Downward parallel shift of 100 basis points in reference interest rates	17	1%	9	6%
10% higher value of equity markets	9	1%	0	0%
10% lower value of equity markets	(7)	0%	(0)	0%
10% higher value of real estate	6	0%	0	0%
10% lower value of real estate	(6)	0%	(0)	0%
Overall 10% decrease in lapse rates	45	3%	14	10%
Overall and permanent decrease of 10% in expenses	46	3%	4	3%
5% lower mortality rate for annuity business	(29)	-2%	0	0%
5% lower mortality rate for life business	42	3%	4	3%
Upward parallel shift of 25% of the volatility on equity markets	(6)	0%	(1)	0%
Upward parallel shift of 25% of the volatility on interest rates	(37)	-2%	(2)	-2%
50 basis points higher in credit spreads	(89)	-5%	(2)	-1%
50 basis points lower in credit spreads	51	3%	1	1%

As opposed to 2012, 2013 **EEV** was inversely sensitive to interest rates. In an upward interest rate scenario, the increase in VIF was more than offset by the decrease in ANAV. The increase of VIF due to higher interest rates was also less significant than last year due to rising interest rates causing financial guarantees of General Account Investment & Savings products to be less in the money and efforts of the region to reduce the duration gap between assets and liabilities. The same mechanism explained the positive sensitivity of EEV to downward interest rates.

EEV exhibited limited sensitivity to interest rate variations due to the offsetting effect between savings and pure protection business.

The evolution of **NBV** sensitivities to interest rates was in line with EEV. The increase in NBV in an upward interest rate scenario was more than offset by the negative impact of higher discount rates in Protection & Health.

Other sensitivities remained in line with 2012.

3. METHODOLOGY

3.1. COVERED BUSINESS

AXA's Life & Savings segment offers a broad range of life insurance products including retirement and health products, for both group and individuals. This segment accounted for 61%, or Euro 55 billion of AXA's consolidated IFRS gross revenues for the year ended December 31, 2013.

Cash flows projected in the VIF are from the following entities, which represented 99.5 % of the total Life & Savings technical reserves and 100% of total Life & Savings revenues (smaller entities included in EEV are accounted for using equity method in IFRS and therefore do not contribute to revenues) as of December 31, 2013:

- United States
- France
- United Kingdom
- Northern and Central Eastern Europe (Germany, Belgium, Switzerland, and Central & Eastern Europe : Hungary, Czech Republic and Poland)
- Mediterranean and Latin American Region (Italy, Spain, Portugal, Greece, Turkey and Mexico)
- Japan
- Hong Kong
- Southeast Asia India & China (China, Indonesia, Thailand, Philippines, India and Singapore)

Some entities are not taken into account for the VIF and NBV calculations, but have their Life & Savings business operations included in the Life ANAV. Their ANAV represented Euro 159 million, or 0.8% of the total ANAV as of December 31, 2013.

3.2. VALUATION DATE

Life & Savings EEV is determined using data and assumptions as of December 31, 2013 for all covered business including Japan where consistent with the IFRS accounts. AXA Life Japan aligned its closing date with the Group calendar year starting with the 2013 annual accounts while in prior years the closing date was September 30. Therefore, its contribution to AXA Life & Savings EEV for the 2013 annual accounts covered a period of fifteen months. The conversion of local EEV into the reporting currency (Euro) is performed using exchange rates consistent with the IFRS accounts.

3.3. ANAV, VIF AND NBV METHODOLOGY

ANAV METHODOLOGY

The Life & Savings ANAV can be reconciled to the IFRS shareholders' equity based on the following main adjustments:

- Addition of unrealized capital gains/losses on asset classes for which the IFRS balance sheet does not reflect current market values
- Elimination of the value of intangibles (*Goodwill, VBI, DAC, DOC ...)*, conceptually to be replaced by VIF for business inforce, thereby excluding any value for future business.
- Adjustment for differences between local regulatory and IFRS values of assets and liabilities
- Subtraction of unrealized capital gains included in the projection of future cash-flows (VIF)

AXA's IFRS Shareholders' Equity already includes the full impact of any actuarial gains or losses on employee benefit plans, so no adjustment is needed in EEV for employee benefits.

The ANAV for each entity includes the book value of any shares it holds in other AXA Group entities that are outside the Life & Savings segment, although any crossholdings within the Life & Savings segment are eliminated locally. The book value of crossholdings outside the Life & Savings segment is eliminated in the Holdings segment for Group EV purposes.

AXA has chosen to exclude the profits earned by its investment management companies on managed assets for Life & Savings operations from Life & Savings EEV, and in that respect is not compliant with the CFO Forum EEV Guidance 9.11. This choice is linked to the commercially sensitive nature of disclosing margins for companies that also manage third-party assets, and because Alliance Bernstein units are publicly-traded. It is also noteworthy that the units of Alliance Bernstein held by US Life entities in the Group are not valued at their December 31, 2013 market value of Euro 1.4 billion (gross of tax) in the Life & Savings EEV; instead, these units are carried at their cost basis of Euro 1.0 billion. This treatment is consistent with other cross-shareholdings of entities within the AXA Group.

REQUIRED CAPITAL DEFINITION

Required capital represents the amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to shareholders is restricted as a result of local solvency requirements.

In AXA's methodology since 2012, required capital is set up at such level that the local solvency coverage ratio is at least 1.5 times the minimum coverage ratio required in the local solvency framework.

Starting from this capital requirement, a "hard capital" level is determined. Hard capital is the amount of capital effectively locked in the company, after allowance for funding sources other than shareholder resources (notably potentially future profits, unrealized capital gains, subordinated debts, reinsurance treaties, etc…), known as "soft capital", and that can support capital requirements according to the local solvency framework rules. Soft capital limits the amount of shareholder's resources to be immediately locked-in. In AXA's methodology in order to assure a certain stability of locked-in capital and also to better reflect additional constraints in terms of capital management a floor is applied to hard capital. As a result, hard capital is at least equal to the amount of capital corresponding to a coverage ratio of 0.75 times the local solvency minimum coverage ratio.

The "hard capital" resulting from those two constraints is the amount of required capital that is reflected in the EEV movement analysis, and the basis on which CoC/NFR is calculated.

VIF METHODOLOGY

The Life & Savings VIF is valued in the following three step process:

- the base value is a **certainty equivalent present value of future profits (PVFP)**, which is the value of the business considered without taking credit for any future investment risk premia (which are the expected excess returns of equities, corporate bonds, etc. over the reference interest rate). This value includes the intrinsic value of the options and guarantees embedded in the contract (O&G) but not their time value nor the value of non-financial risks, except for Accumulator-type products where the full policyholder charges less hedging costs for guarantees are reflected here rather than a portion in Time Value of O&G
- the base value is then reduced by an allowance for the **Time Value of O&G**, which is valued in a manner consistent with the approach used in financial markets to value O&G: the net value is therefore a **risk neutral value**, it is the value of the business adjusted for all financial risks
- a final reduction is made for the **CoC/NFR**, which is the cost of locked-in capital and provision for other operational and insurance risks (i.e. non-financial risks)

In practical terms, the VIF is derived for most business from a 30 to 60 years projection of statutory earnings, and includes a provision for the remaining shareholder profits (non-material amount) beyond that term.

RISK NEUTRAL VALUE AND TIME VALUE OF OPTIONS AND GUARANTEES (O&G)

The O&G valued in the EEV cover all material O&G embedded in AXA's Life and Savings business - consistent with the requirements of the European Embedded Value Principles. The key O&G considered are:

- the interest rate guarantees on traditional products (such as guaranteed cash values, guaranteed annuity options (GAOs), etc.)
- the profit sharing rules (bonus rates, credited interest rates, policyholder dividends, etc), which combined with guarantees can create asymmetric returns for shareholders
- the guaranteed benefits (GMDB, GMIB and similar) on Unit-Linked annuity products and no lapse guarantees[14] in life insurance contracts (although note that as mentioned above the hedging costs for guarantees on Accumulator-type business are reflected in the Certainty Equivalent PVFP rather than in the Time Value of O&G)
- the dynamic policyholder behavior, that is, the options (such as full or partial surrender, premium discontinuance, annuitization, etc.) that policyholders can elect at a time that disadvantages the company.

The risk neutral value includes (i.e. is net of) the required allowance for all such financial O&G. The calculation of the base certainty equivalent value of the businesses enables us to separate the Time Value of O&G from the intrinsic value:

Time Value of O&G = Risk neutral value less Certainty Equivalent PVFP

METHODOLOGY FOR CALCULATING THE RISK NEUTRAL VALUE

The risk neutral value is evaluated using a set of specific stochastic models (entirely designed for the purpose of valuation under a risk neutral framework), 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 (lapses, etc.) and for some management actions (dynamic investment strategy, varying credited rate, etc.).

The economic scenarios are constructed using a proprietary economic scenario generator developed by Barrie & Hibbert. A number of asset classes and economic assumptions are modeled 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+) and 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 to underlying market parameters to ensure that the valuation replicates the prices of market assets. Three key areas of calibration are the initial yield curves, the implied market consistent volatility, and the correlations between asset classes and economies. The model calibration is described further under Economic Assumptions. The interest rate model considers both parallel shifts and twists to the yield curve.

METHODOLOGY FOR CALCULATING THE COC/NFR

CoC/NFR can be considered as a provision for two elements: 1) a cost of locked-in capital, and 2) an additional provision for other non-financial risks.

The cost of capital is the economic cost incurred through the payment of investment expenses and taxes on investment income of 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

[14] *No lapse guarantees' are guarantees on insurance contracts that the contract will remain inforce so long as the contract holder pays a predetermined level of premia, even if the investment performance is lower than expected and insufficient funds are present to keep the contract inforce in the absence of the guarantee.*

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 non-financial risks represent the economic cost incurred through the exposure of the company to insurance and operational risks. As of today, there is no established market practice for the estimation of the non-financial risks in the EEV framework. Hence, AXA has calculated the allowance for non-financial risks by assuming a higher locked-in capital base, corresponding to a solvency coverage ratio of 1.5 times the minimum solvency coverage ratio (with allowance for the use of soft capital up to 75% of the capital requirement) required by the local regulator. The CoC/NFR was approximately Euro 1.0 billion higher than the cost of minimum local regulatory capital (and corresponding level of required capital in 2013 AXA Life & Savings EEV was Euro 10.7bn higher than the minimum solvency requirement).

One Hong Kong entity is the exception to this treatment: because tax is paid on premium rather than income, there would be no non-financial risk provision under this methodology. A provision has been made, applying the Group average tax rate to an estimated capital level for this entity.

NEW BUSINESS METHODOLOGY

The value of new business sold during the calendar year is determined consistently with the methodology outlined for the VIF. The new business value will include both the initial cost (or “strain”) of selling the business and the future earnings and return of capital to the shareholder.

It should also be noted that the value of the inforce includes all business as at the year-end date. This includes the business written during the year.

No value is placed on future new business sales. Inforce cash flows may include certain renewals flows from existing contracts as well as some future flexible premium receipts when consistent with pricing, commercial and Asset/Liability Management practices.

The assumptions for valuing the new business VIF are consistent with overall inforce VIF, and economic assumptions are set to reflect year-end conditions. Unit-linked products are a special case in NBV, with year-end conditions used for future asset returns but fund performance from point of sale to year-end based on beginning-of-year expectations in order to avoid distortion by market performance relative to potential future profitability.

New business includes new contracts written in the current year. If future flexible premia and expected renewal flows from new contracts written in the year 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. That is, they are included in the calculation of VIF, and to the extent they are related to contracts sold in the current year, they are part of NBV. 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 premia 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.

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

3.4. OTHER DEFINITIONS (SENSITIVITIES AND IDR)

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 VIF 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 2013 but in a new market environment.

Sensitivities do not include the impact on ANAV from employee benefits plans, and do not include South East Asia and China, where the full market consistent methodology is not applied.

Upward parallel shift of 100 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 and the volatility on interest rates are not changed.

Downward parallel shift of 100 basis points in reference rates is the same as above but with a shift downward. Where the shift of 100 basis points would drop rates below 0%, they are floored at zero.

10% higher value of equity markets simulates a shock to the initial conditions just for equities. Listed equities and private equities 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.

10% lower value of equity markets same as above but a decrease.

10% higher value of real estate simulates a shock to the initial conditions just for real estate. 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 as above but a decrease.

The sensitivities to initial values of equity and real estate only change the initial values of assets, and so new scenarios are not needed. However, stochastic runs are needed for business subject to stochastic modeling.

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.

50 basis point instantaneous decrease in credit spreads is the same as above but 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 on embedded value 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 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 5% lower mortality rate. The base assumption in VIF for annuity business may already reflect expected mortality improvement (note that mortality improvement hurts annuity profits).

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

Reference rate without liquidity premia reflects what would be the value if no liquidity premium had been considered in the reference interest rates.

Reference rate with liquidity premia 10bps higher reflects the impact, for economies where a liquidity premium is already considered, of using a 10bps higher liquidity premium in the projections (before considering any varying allowance by product).

IMPLIED DISCOUNT RATES

In a market consistent EEV, the value of the projected earnings, allowing for financial risks (Time Value of O&G) and non-financial risks is the result of a stochastic valuation technique. As a consequence, the equivalent implied risk discount rate (IDR) can be derived from a bottom up assessment of the risk. It is the discount rate that would reproduce the VIF from a deterministic projection of statutory distributable cash flows (earnings less movement in required capital) in the scenario reflecting management's expectations of economic conditions in future periods. In no circumstances, is it an assumption used to determine the value.

The IDR represents a useful measure of the risk reflected in the overall value estimate given a set of assumptions about future asset returns. The IDR will vary depending on the economic assumptions but it does not affect the market consistent value.

IDRs are disclosed on the basis of discounted distributable cash flows including the impacts of required capital which is roughly comparable to the deterministic discount rates used in Traditional EV.

In particular it allows comparison across countries of the components of EEV.

The total implied risk discount rate therefore reflects:

- the reference interest rate of the local economy
- a margin for financial risks
- an allowance for the Time Value of O&G
- an allowance for the cost of capital and non-financial risks.
- the required capital flows

IDR is used to determine the expected existing business contribution for the following year.

The implied risk discount rate will differ for each country, and between inforce and new business. The scenario that reflects management's expectations of economic conditions in future periods used in calculating Implied Discount Rates can be found in Appendix 1.

4. ASSUMPTIONS

4.1. FINANCIAL ASSUMPTIONS

INVESTMENT 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. Described below are the target conditions for the modeling. 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'.

Consistent with the CFO Forum MCEV Principles clarified in 2009, AXA has used since 2008, as part of its market-consistent methodology, a **reference interest rate** which includes, where appropriate, a premium over swap rates. This premium reflects the nature of certain types of long term insurance liabilities, which allow insurers to capture, either fully or partially, liquidity premia notably on credit assets such as corporate bonds.

In line with industry's research, notably in the context of Solvency II and following industry's converging practices, AXA considers in its market-consistent methodology an allowance for a liquidity premium (varying by product) and an extrapolation of risk free rates to the Ultimate Forward Rate for long term maturities where not enough liquid data is available in the market.

The liquidity premium allowance is based on a two-step approach:

- The first step consists in measuring the liquidity premium available in the markets by economy. In line with the industry research and QIS5, the liquidity premium is calibrated using the so called 50/40 formula corresponding to a liquidity premium equal to Maximum (0; 50%*(corporate spread – 40bps)) where the corporate spread is measured with appropriate market indices for each economy.
- As a second step, a ratio is applied to the measure obtained in the first step to reflect the nature of the liabilities and, consequently, AXA's ability to capture the liquidity premium. In line with market converging practices, AXA considers four buckets:
  - 100% liquidity premium for Annuities in payment including assumed future conversions
  - 75% liquidity premium for all General Account business with participating features or with guaranteed rates higher than current 10 year rate
  - 50% liquidity premium for all other General Account business and mainly capturing Pure Protection business with annually renewal premia
  - 0% liquidity premium for all Unit-Linked business including Variable Annuities

For each bucket the liquidity premium is added to the forward rate until the last liquid forward rate observable in the market.

A macroeconomic approach is used to derive the reference rate structure beyond the last available data point. This approach requires the following:

- Determination of the ultimate forward rate (UFR)
- Interpolation method between the last observable liquid forward rate and the ultimate forward rate.

The ultimate forward rate is a macroeconomic rate specified as the sum of long-term inflation and the expected real rate of interest.

The interpolation method is based on the Smith-Wilson technique with the alpha parameter, reflecting the speed of convergence, set equal to 0.2, and the maturity at which the forward rate reaches the UFR set equal to 40 years after the entry point to extrapolation, representing the last liquid maturity.

These parameters have been adjusted compared to the previous year, where the alpha parameter was set equal to 0.6 and the maturity at which the forward rate reaches the UFR was set equal to 10 years for all currency. The change was driven by the current expectations for Solvency II illustrated by the recent agreement on Omnibus 2. Solvency II is expected to define an active, deep, liquid and transparent market in which the market price of assets is to be reproduced. The resulting opening adjustment amounted to Euro -485 million in EEV (details by region are provided in each relevant section of this report).

The following table shows all parameters considered to build the full reference yield curves for main currency:

LIQUIDITY PREMIUM, UFR & EXTRAPOLATION

Currency	Dec 31, 2012 liquidity premium (Bucket 100%)	Dec 31, 2013 liquidity premium (Bucket 100%)	UFR (%)	Extrapolation entry point
EUR	46 bps	30bps	4.2%	20
GBP	75 bps	44bps	4.2%	50
USD	64 bps	49bps	4.2%	30
JPY	0 bps	0bps	3.2%	20
CHF	0 bps	0bps	3.2%	15
HKD	64 bps	49bps	4.2%	15

The following table shows the reference yield curves as of 31 December 2012 and 31 December 2013 corresponding to buckets 0% and 100%.

0% bucket	EUR		USD		GBP		JPY (*)		CHF		HKD	
maturity	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
1	0.33%	0.40%	0.33%	0.31%	0.67%	0.71%	0.30%	0.21%	0.05%	0.09%	0.39%	0.45%
2	0.38%	0.54%	0.39%	0.49%	0.71%	1.03%	0.28%	0.21%	0.07%	0.16%	0.39%	0.64%
3	0.47%	0.78%	0.48%	0.88%	0.78%	1.45%	0.28%	0.25%	0.11%	0.30%	0.45%	1.00%
5	0.77%	1.27%	0.84%	1.82%	1.03%	2.18%	0.34%	0.40%	0.34%	0.76%	0.70%	1.86%
7	1.14%	1.72%	1.30%	2.56%	1.39%	2.65%	0.48%	0.62%	0.61%	1.22%	1.02%	2.48%
10	1.61%	2.23%	1.87%	3.24%	1.93%	3.11%	0.79%	0.95%	0.98%	1.68%	1.42%	3.02%
15	2.09%	2.71%	2.49%	3.84%	2.58%	3.48%	1.28%	1.43%	1.33%	2.11%	1.71%	3.36%
20	2.26%	2.85%	2.76%	4.08%	2.94%	3.58%	1.59%	1.79%	1.72%	2.31%	2.19%	3.51%
25	2.57%	2.98%	2.90%	4.18%	3.14%	3.59%	1.87%	2.03%	2.01%	2.47%	2.58%	3.63%
30	2.83%	3.15%	2.98%	4.22%	3.23%	3.56%	2.09%	2.21%	2.21%	2.58%	2.85%	3.72%

100% bucket	EUR		USD		GBP		JPY (*)		CHF		HKD	
maturity	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
1	0.79%	0.70%	0.97%	0.80%	1.43%	1.16%	0.30%	0.21%	0.05%	0.09%	1.04%	0.94%
2	0.84%	0.84%	1.04%	0.98%	1.47%	1.48%	0.28%	0.21%	0.07%	0.16%	1.04%	1.13%
3	0.93%	1.08%	1.13%	1.37%	1.54%	1.90%	0.28%	0.25%	0.11%	0.30%	1.10%	1.49%
5	1.24%	1.57%	1.49%	2.32%	1.79%	2.63%	0.34%	0.40%	0.34%	0.76%	1.35%	2.36%
7	1.61%	2.02%	1.95%	3.06%	2.15%	3.11%	0.48%	0.62%	0.61%	1.22%	1.68%	2.98%
10	2.08%	2.53%	2.53%	3.75%	2.70%	3.56%	0.79%	0.95%	0.98%	1.68%	2.07%	3.52%
15	2.56%	3.01%	3.16%	4.35%	3.35%	3.93%	1.28%	1.43%	1.33%	2.11%	2.37%	3.86%
20	2.74%	3.15%	3.43%	4.59%	3.72%	4.04%	1.59%	1.79%	1.72%	2.31%	2.73%	3.96%
25	2.97%	3.26%	3.56%	4.69%	3.92%	4.05%	1.87%	2.03%	2.01%	2.47%	3.02%	4.02%
30	3.17%	3.39%	3.65%	4.73%	4.01%	4.02%	2.09%	2.21%	2.21%	2.58%	3.21%	4.05%

(*) 2012 AXA Japan results are based on end of September 2012 economic assumptions in line with their IFRS accounting closing date. AXA Life Japan aligned its closing date with the Group calendar year starting with 2013 annual accounts.

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, 10, and 15 for each of the major areas.

Some specific adjustments in relation to the liquidity premium allowance are made when setting the market consistent targets:

- Corporate credit spreads targets, driving the volatility of the credit component of the asset returns, are set consistently with the calibration of the liquidity premium; and
- Swaption implied volatility targets, used in the models, are adjusted for each liquidity premium bucket in order to maintain the relationship between interest rates and swaption implied volatility in line with observed market data. .As in 2012, AXA used at year-end 2013 spot daily at-the-money forward volatility for both equities and swaptions.

	Equities			10 yr Swaptions		
2012 TARGET VOLATILITIES	**year 5**	**year 10**	**year 15**	**year 5**	**year 10**	**year 15**
USD	23,74%	26,55%	29,71%	27,21%	23,51%	22,49%
EUR	23,99%	24,42%	24,68%	27,20%	24,00%	24,90%
JPY (*)	21,05%	23,62%	25,48%	26,83%	22,03%	23,60%
GBP	22,82%	25,58%	26,99%	22,70%	16,48%	15,20%
CHF	17,75%	18,83%	n/a	42,00%	42,60%	40,90%
HKD	22,90%	24,50%	n/a	32,92%	38,43%	n/a

	Equities			10 yr Swaptions		
2013 TARGET VOLATILITIES	**year 5**	**year 10**	**year 15**	**year 5**	**year 10**	**year 15**
USD	20,43%	24,91%	28,25%	20,13%	16,37%	14,92%
EUR	19,74%	20,66%	21,44%	25,01%	22,47%	23,30%
JPY (*)	22,53%	25,36%	26,80%	28,50%	22,67%	22,05%
GBP	18,66%	22,14%	24,10%	19,94%	16,30%	15,44%
CHF	17,25%	18,37%	n/a	27,40%	28,30%	30,40%
HKD	20,29%	21,37%	n/a	21,37%	23,05%	n/a

Correlations measure the extent to which various asset classes and economies move together over time. The correlation of equity returns, inflation, bond yields, and economies, 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 20%.

Inflation rates targets in a risk neutral calculation are based on market implied inflation. For economies where data is not available a management’s expectations of inflation in future period is considered. Inflation is mainly impacting the EEV through expenses, premiums and some benefits indexations. The table below shows the average implied inflation rates for economies where the information is available (for others please refer to Appendix 1).

INFLATION RATE	2013	2012
EUR	1.9%	2.4%
USD	1.0%	2.9%
GBP	2.9%	3.3%

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 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.

ASSET MIX (fixed-income/equity/others)	2013	2012
United States	89/0/11	89/4/7
France	87/7/6	89/6/5
United Kingdom	59/32/8	62/33/5
Switzerland	76/6/18	78/4/17
Japan	86/8/6	79/8/13
Belgium	89/4/7	84/4/12
Hong Kong	74/17/9	68/25/7
Germany	91/3/5	90/3/6
MedLA	92/4/5	92/3/5
CEE	55/37/8	68/25/7

EXCHANGE RATES

ANAV and VIF are calculated using end of year exchange rates (like the previous year, Japan was also converted with end of year rates instead of end of September, due to a significant variation).

New business metrics as well as all the variations impacting the returns on EEV are calculated using average exchange rates over the year.

EXCHANGE RATES	2013		2012	
LOCAL CURRENCY V.S. EURO	Year-end	Average	Year-end	Average
United States	1.378	1.327	1.318	1.288
United Kingdom	0.832	0.846	0.811	0.814
Switzerland	1.226	1.229	1.207	1.207
Japan	144.8	128.1	114.0	102.6
Hong Kong	10.68	10.29	10.22	9.99
Czech Republic	27.37	25.92	25.10	25.17
Hungary	297.1	296.1	291.2	290.5
Poland	4.158	4.188	4.080	4.205
Singapore	1.740	1.657	1.610	1.614
Philippines	61.16	56.21	54.14	54.53
Thailand	45.28	40.78	40.33	40.03
Indonesia	16770	13795	12706	12024
China	8.342	8.165	8.214	8.130
Turkey	2.961	2.518	2.353	2.326

4.2. OPERATING ASSUMPTIONS

ACTUARIAL ASSUMPTIONS

All cash flows (premia, expenses, commissions, death and surrender claims, etc...) are included on a best estimate basis up until the termination of AXA's obligations towards the policyholder and beneficiaries. AXA's embedded value uses an active basis where the assumptions are notably 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. 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. The tax recoverability of any resulting deferred tax asset is evaluated in accordance with current IFRS principles at the level of each tax group using the best estimate of future taxable profits consistent with the assumptions reflecting management's expectations in Appendix 1. Moreover, the impact of the 3% French tax to be paid on cash dividends distributed to shareholders is reflected in the Group EV.

TAX RATES	2013	2012
United States	35%	35%
France	34%	34%
United Kingdom	19%	18%
Switzerland	21%	21%
Japan	31%	33%
Belgium	34%	34%
Hong Kong	0,875% of premia	0,875% of premia
Germany	32%	32%
MedLA	32%	32%
CEE	19%	19%

EXPENSES

The EEV methodology makes full provision for all expenses. Consistently with IFRS disclosures, operating entities are recharged with most holding companies' expenses, which therefore are included in local unit costs. The VIF includes the present value of future projected expenses related to Life & Savings business. No productivity gains are built into the projected future expenses, and a provision is made for future inflation. Base inflation rates may be increased for some specific areas such as healthcare costs or salaries.

The expense basis used to estimate projected unit costs does not include productivity-oriented and one-off expenses, although they are naturally considered in the current year's result impacting the movement in ANAV. Productivity oriented expenses are those incurred investing in and developing projects that will give rise to future benefits. As those benefits are excluded from projections in accordance with CFO Forum EEV Principles and Guidance, the related expense is also excluded. One-off expenses might not lead to future benefits, but are not expected to be repeated in future years, hence also are excluded from the expense basis for VIF.

EXCLUDED EXPENSES *(Euro million, Group share, pre-tax)*	2013	2012
United Kingdom	38	57
Germany	34	48
United States	133	44
France	0	32
Belgium	14	7
MedLA	-2	6
CEE	4	7
Other countries	10	1
TOTAL EXCLUDED EXPENSES	**233**	**202**

The level of excluded expenses increased in 2013 compared to 2012, driven mainly by the US, partly offset by the UK and Germany.

The increase in excluded expenses in the US was linked mostly to the restructuring costs. The decrease in UK was mainly driven by lower project development and restructuring costs this year.

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 return does not achieve the minimum performance, the shareholder will bear the cost of maintaining the guaranteed level;
- generally bonuses and crediting rates will exceed minimum guaranteed levels. The amount credited will be based on profit sharing rules as well as the performance of the investment markets and will involve a degree of management discretion;
- given the above, it is essential in a stochastic framework, when future expected performance varies, that the value reflects how bonuses and crediting rates are determined. 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 will impact the certainty equivalent value;
- the profit sharing rule will impact the Time Value of O&G depending on the market performance. In cases where the market performs well the policyholder will participate in the investment profits while in case of negative market performance the shareholder will bear a higher portion if not all of the loss. The level of the Time Value of O&G will reflect the likelihood of these additional payments being made, net of the amount reflected as intrinsic value in the certainty equivalent value.

The participating features of businesses are usually a combination of contractual / legal, and management discretion based on competitors' pressure 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 modeled to reflect contractual and regulatory constraints, in addition to how AXA manages the business.

Where there are participating funds that can be apportioned between shareholders and policyholders, the limited residual funds at the end of the projection period are apportioned between shareholders and policyholders.

APPENDIX 1: DETAILS ON THE IMPLIED DISCOUNT RATES

As explained previously in the report, the risk-neutral valuation method applied in AXA's EEV means that future returns of different asset classes are directly derived from the reference rate and market implied volatility assumptions. The methodology is equivalent mechanically to assuming that the expected return on all asset classes is in average the reference forward rate. However, to facilitate comparisons to other companies (especially those not following a market consistent basis), and to Traditional EV, we have made calculations with future investment returns based on management's expectations of economic conditions in future periods, and derived implied risk discount rates. The management's expectations for 2012 and 2013 are shown in the tables below. It is important to always view IDRs in the context of their expected scenario, because a change in assumptions will change IDR.

2012 ASSETS RETURN & IDR	FI* Return	Equity*** Return	Cash Return	RE** Return	"Other" Return	Inflation Rate	Life VIF IDR	Life NBV IDR
France	4,7%	6,7%	3,6%	5,9%	n/a	2,0%	5,4%	4,4%
United States	6,6%	7,5%	4,0%	n/a	7,7%	2,5%	20,4%	7,5%
Germany	5,5%	6,7%	3,6%	6,0%	n/a	2,9%	4,5%	4,3%
Switzerland	3,7%	5,8%	3,2%	4,8%	3,3%	1,5%	3,9%	4,1%
Belgium	4,5%	6,7%	3,8%	6,0%	6,5%	2,0%	9,4%	5,9%
CEE	4,1%	9,4%	3,1%	2,0%	0,2%	2,6%	4,9%	4,0%
United Kingdom	6,3%	6,6%	4,0%	7,7%	n/a	4,5%	4,3%	4,2%
Japan	3,2%	4,0%	n/a	n/a	2,1%	0,5%	4,3%	3,1%
Hong Kong	4,1%	9,4%	3,1%	2,0%	0,2%	2,6%	6,8%	5,2%
MedLA	5,2%	6,7%	3,5%	6,0%	5,0%	2,0%	13,0%	3,8%
TOTAL LIFE & SAVINGS	**4,6%**	**6,4%**	**3,0%**	**3,9%**	**2,3%**	**2,0%**	**7,0%**	**4,5%**
2013								
France	4,7%	6,7%	3,6%	6,0%	n/a	4,5%	6,1%	4,8%
United States	6,8%	7,5%	4,0%	n/a	7,7%	2,5%	12,6%	5,5%
Germany	5,5%	6,7%	3,6%	6,0%	8,0%	2,0%	4,8%	5,9%
Switzerland	3,4%	5,8%	3,2%	4,8%	3,3%	1,5%	3,8%	4,8%
Belgium	4,4%	6,7%	3,7%	6,0%	6,5%	2,0%	11,3%	6,5%
CEE	6,2%	9,4%	4,0%	7,0%	8,8%	2,7%	5,4%	4,0%
United Kingdom	6,0%	7,0%	4,4%	7,7%	n/a	4,1%	3,9%	5,1%
Japan	3,2%	4,5%	n/a	n/a	2,2%	1,5%	4,7%	2,3%
Hong Kong	6,2%	9,4%	4,0%	7,0%	8,8%	2,7%	6,9%	5,1%
MedLA	5,4%	6,7%	3,5%	6,0%	4,6%	2,0%	10,9%	4,5%
TOTAL LIFE & SAVINGS	**4,8%**	**6,6%**	**3,2%**	**4,3%**	**4,1%**	**2,6%**	**7,0%**	**4,4%**

**Fixed-income **Real-estate ***Including both pricing return and dividend return*

Fixed income returns vary even within one economy due to different durations and average quality of fixed income holdings.

The drivers of the evolution of the Total IDR for each country are described in the Detailed Results section of this report. IDRs are disclosed on the basis of discounted distributable cash flows including the impacts of required capital which is roughly comparable to the discount rates used in Traditional EV.

APPENDIX 2: RECONCILIATION OF THE IFRS SHAREHOLDERS EQUITY TO GROUP EV

FY13 Group Embedded Value ("Group EV") was calculated as the sum of the Life & Savings EEV and the IFRS Tangible Net Asset Value (TNAV) plus the mark-to-market of debts for other businesses (referred to as AXA methodology in the bottom table). The following table shows reconciliation from the shareholders' equity to the Group EV.

IFRS SHAREHOLDER'S EQUITY TO GROUP EV *Euro million, group share*	2013			2012		
	Life & Savings	Other Segments	Total Group	Life & Savings	Other Segments	Total Group
IFRS SHAREHOLDERS' EQUITY	**42 306**	**10 617**	**52 923**	**45 449**	**8 215**	**53 664**
Net URCG not included in shareholders' equity (*)	956	2 515	3 471	1 031	2 520	3 551
Excluded TSS/TDI	-	(7 786)	(7 786)	-	(7 812)	(7 812)
Excluded Intangibles	(17 031)	(9 480)	(26 511)	(17 915)	(9 851)	(27 766)
GROUP IFRS TNAV	**26 231**	**(4 133)**	**22 097**	**28 565**	**(6 929)**	**21 637**
Other stat/GAAP adjustments	(1 931)	-	(1 913)	(675)	-	(675)
Mark-to-market debt / other	-	(715)	(715)	-	29	29
Elimination of UCG projected in L&S VIF	(4 238)	-	(4 238)	(6 247)	-	(6 247)
Life & Savings VIF	27 793	-	27 793	22 581	-	22 581
GROUP EV	**47 873**	**(4 848)**	**43 025**	**44 224**	**(6 900)**	**37 324**

(*) Net UCG on assets and liabilities related to banking activities is excluded.

APPENDIX 3: CHANGE IN EEV ROLLFORWARD

The EEV analysis of change presentation was modified in 2013, notably to reflect operating investment experience in *Operating return.* Operating investment experience is the difference between (i) realized investment income and realized gains and losses over the year and (ii) those expected at the end of the prior year which are included in *Expected existing business contribution*. The operating investment experience had previously been included in *Investment experience* and therefore only part of *Total return.* The change was implemented to better reflect the operating performance of the Group as the operating investment experience is regarded as a component of the business operations. The *Total return* includes (i) *Economic Variance* which reflects unrealized investment experience, the impact of the update of economic assumptions and market consistent scenarios on Embedded Value, and (ii) *Other non-operating variance* that mainly includes the impact of changes in regulatory environment and tax variations.

GROUP - EEV ANALYSIS OF CHANGE *Euro million, Group share*	Restated EEV 2012	GROUP - EEV ANALYSIS OF CHANGE *Euro million, Group share*	Publised EEV 2012
OPENING EEV	**38 154**	**OPENING EEV**	**38 154**
Modeling changes and opening adjustments	1 098	Modeling changes and opening adjustments	1 098
ADJUSTED OPENING EEV	**39 252**	**ADJUSTED OPENING EEV**	**39 252**
New business value	1 928	New business value	1 928
Expected existing business contribution	3 735	Expected existing business contribution	3 735
Current year operating variance	819	Current year operational experience	657
Change in operating assumptions	(1 585)	Change in operational assumptions	(1 574)
OPERATING RETURN ON EEV	**4 897**	**OPERATING RETURN ON EEV**	**4 746**
Economic variance	1 284	Current year investment experience	1 554
Other non-operating variance	119		-
TOTAL RETURN ON EEV	**6 299**	**TOTAL RETURN ON EEV**	**6 299**
Exchange rate movements impact	(870)	Exchange rate movements impact	(870)
EEV of acquired & business/others	(94)	EEV of acquired & business/others	(94)
Capital injections	1 137	Capital injections	1 137
Dividends paid/received	(1 500)	Dividends paid/received	(1 500)
CLOSING EEV	**44 224**	**CLOSING EEV**	**44 224**
OPERATING RETURN ON EEV	**12%**	**OPERATING RETURN ON EEV**	**12%**
TOTAL RETURN ON EEV	**16%**	**TOTAL RETURN ON EEV**	**16%**

As a consequence of the new presentation, all entities have restated their 2012 EEV rollforward with no impact on the *Total return on EEV* or on the bottom line EEV. The comparison of the new presentation with the previous one for 2012 comparatives is as above with only the highlighted zone being impacted:

- The *Current year operating variance* was at Euro 819 million compared to Euro 657 million of *Current year operational experience* in the previous presentation mainly due to the reclassification of realized gains and losses in excess of expectation previously recognized in *Current year investment experience*, and tax variations were reclassified from *Current year operational experience* of the previous presentation to *Other non-operating variance* of the current presentation.
- *Change in operating assumptions* was at Euro -1,585 million, slightly lower than in the previous presentation, mainly due to the reclassification of tax assumptions impact in the UK to *Other non-operating variance*.
- The *Economic variance* of the current presentation was at Euro 1,284 million, lower than Euro 1,554 million of the previous *Current year investment experience* of the previous presentation mainly due to realized gains and losses in excess of expectation now booked in *Current year operating variance*.
- *Other non-operating variance* was at Euro 119 million, mainly including the impact of tax variations coming from the *Current year operational experience* and *Change in operating assumptions*.

APPENDIX 4: GLOSSARY

[Based on the new presentation described in Appendix 3]

Adjusted opening Life & Savings EEV: the balance published for previous year closing, adjusted by modeling and opening adjustments. It serves as the basis for calculating the Operating return and Total return on Life & Savings EEV.

ANAV (Adjusted Net Asset Value): the tangible net assets on a mark to market-value basis derived equivalently either from the consolidating statutory (local regulatory) balance sheet or adjusting the consolidated IFRS balance sheet. It excludes a portion of unrealized capital gains and losses which is projected in the VIF.

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.

Capitalization factor: the multiple of regular premium verifying single premium plus capitalization factor times regular premium equals PVEP; it is a rough measure of the duration of regular premia business.

Certainty Equivalent 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 investments are assumed to earn the reference interest rate.

Change in operating assumptions: the impact on the VIF of changes in future assumptions for items such as mortality, expenses, lapse rates, as well as the impact of actual versus expected experience.

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.

Current year operating variance: an element of the EEV rollforward which reflects the variation of year-end EEV versus the expected one due to the difference between the realization and the expectation of technical factors such as mortality or surrender, investment incomes, gains and losses or due to management initiatives during the year.

Economic variance: an element of the EEV rollforward including the variance in experience during the year from that expected in the management case scenario at the end of the previous year, and the change in value created by reflecting the current market conditions in the VIF rather than those of last year. It differs notably from prior year Current year investment experience as excluding realized capital net gains and losses.

Expected existing business contribution: the movements in EEV related to the business inforce at the beginning of the year in the management case scenario and operational assumptions used in the previous year.

Expected return on surplus: an element of the EEV rollforward which reflects the expected after-tax profit earned on the end of prior year free surplus, estimated using the management case scenario.

Expected return on VIF: an element of the EEV rollforward which reflects a mechanical change in VIF, when moving one year forward, as a result of unwinding implied discount rate from statutory distributable earning flows in the management case scenario.

Free surplus: the assets not supporting policyholders' liabilities and required capital.

Group EV (Group embedded value): the Life & Savings EEV plus IFRS shareholders' equity net of items presented in the Appendix 2.

IDR (Implied Discount Rate): discount rate at which the market consistent VIF is equal to the present value of future statutory distributable earnings in the management case scenario.

Implicit items: the amounts allowed by local regulators to be deducted from the required capital when determining hard capital.

NBV (New Business Value): the value of newly issued contracts during the current year. It consists of the VIF of new business at the end of the year plus the statutory profit result of the business during the year. Usually the first year statutory profit is negative due to the costs of acquiring business; this negative profit at the point of sale is commonly referred to as "new business strain." AXA calculates this value net of tax.

NBV margin: NBV divided by APE.

NBV/PVEP Margin: Equals NBV divided by PVEP.

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 premium. In the EEV framework, the management case scenario is notably used to establish the expected part of the EEV rollforward.

Other non-operating Variance: an element of the EEV rollforward which reflects the variation of year-end EEV versus the expected one due to changes in regulatory environment or tax variation.

Operating return on EEV: the change in the EEV from the beginning to the end of the year, excluding the following elements the impact of:

- modeling changes and opening adjustments;
- economic variance and other non-operating variance;
- exchange rate movements;
- acquisitions;
- capital flows into or out of Life & Savings segment;

This therefore includes the impact of:

- expected return on VIF or unwind of previous year Implied Discount Rate on VIF + Required Capital;
- expected return on free surplus assets (i.e. those not supporting policy liabilities and required capital);
- new business value;
- operating variance and change in operating assumptions.

PVEP (Present value of expected premia): a measure of new business volume, equal to the present value at time of issue of the total premia 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.

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. The level of capital held is at least the amount necessary to maintain a solvency coverage equal to 1.5 times the local minimum solvency ratio net of implicit items. The amount of required capital net of implicit items (the "hard capital") is at least the amount corresponding to a coverage ratio equal to 0.75 times the local minimum solvency coverage ratio.

Reference interest rate: the risk free rate proxy used as the basis for the market-consistent valuation. It is the sum of swap rates and a premium over swap rates to reflect the ability, for insurers with long term liabilities to earn risk free returns in excess of swaps by investing notably in credit assets as corporate bonds

Risk neutral value: the sum of Certainty Equivalent PVFP and Time Value of O&G.

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 allow the total value of the O&G to be determined. The difference represents the Time Value.

Total return on EEV: the Operating Return on EEV, plus the impact of economic and non-operating variance during the year. Total return on Life & Savings European Embedded Value (EEV) excludes the impact of capital transfers, modeling changes, EEV of acquired business and foreign exchange effect.

VIF (Value of inforce): The discounted value of after-tax statutory profits projected over the future duration of existing liabilities. This is equal to the sum of Certainty Equivalent PVFP, Time Value of O&G and CoC/NFR.

APPENDIX 5: REPORT ON EMBEDDED VALUE

To the AXA Group Chief Financial Officer

As statutory auditors of AXA Group and in accordance with your request, we have examined the Life & Savings European Embedded Value (EEV) information regarding the EEV and its components, the new business value, the analysis of movement in EEV and the sensitivities (hereinafter referred to as "the EEV Information") at December 31, 2013 of the AXA Group contained in the attached document ("Embedded Value 2013 Report" hereinafter referred to as "the EV Report").

The EEV 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 EV Report.

We are responsible for expressing a conclusion on the compliance of the results of the EEV 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, 2013.

Our work, which does not constitute an audit, has been performed in accordance with the professional standards applicable in France, 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 EEV Information.
- A review of the "market consistent" approach adopted by management, and described in the EV Report for consistency with the European Embedded Value Principles and Guidance defined by the European Insurance CFO Forum.
- A review of the consistency of the methodology used and implemented by management with that described in the EV 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 EEV Information.
- Checking by review and reconciliation the consistency of the EEV Information with the methodology and assumptions in the EV Report.
- Checking the consistency of the accounting information and other relevant underlying data used in preparing the EEV Information with the annual financial statements and underlying accounting records at December 31, 2013.
- Obtaining the information and explanations as deemed necessary to deliver our conclusion.

We note that, due to the uncertain nature of estimation, actual outcomes can differ, perhaps significantly, from those expected in the EEV 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 EEV Information at December 31, 2013 that AXA Group presented in the EV Report with the AXA Group's market consistent methodology and assumptions adopted by management and described in the EV Report which are consistent 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, 2013, on which we expect to issue our audit report on the 20 March 2014.

Neuilly-sur-Seine and Courbevoie, February 20, 2014

PricewaterhouseCoopers Audit		Mazars	
Michel Laforce	David Rogers	Gilles Magnan	Maxime Simoen