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Embedded Value
2014 Report

February 25, 2015

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 2014 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.

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1. HIGHLIGHTS

1.1. KEY FIGURES

- **2014 Life & Savings European Embedded Value (EEV) was up by Euro 1.7 billion to Euro 49.5 billion**, with a strong operating return of Euro 6.1 billion and an unfavorable economic variance of Euro -3.7 billion mainly reflecting lower interest rates and higher volatilities. The end of year EEV also included:
  - Euro -0.7 billion impact of modeling changes and opening adjustments including a change in reference rate curve definition reflecting current developments of Solvency II (see section 4.1 of this report), and other model refinements;
  - Euro 1.8 billion impact of foreign currencies appreciation (mainly USD, HKD, CHF) versus Euro;
  - Euro -2.2 billion of dividend payments from Life & Savings Entities to other segments of the Group, including **France** (Euro -0.7 billion), **Japan** (Euro -0.6 billion), the **US** (Euro -0.3 billion), **Germany** (Euro -0.2 billion) and **MedLA** (Euro -0.1 billion). The dividend payments by the Group are presented in the Group EV (Section 1.5).

- **Operating return on Life & Savings European Embedded Value (EEV) was 13% in 2014** (compared to 11% in 2013) or Euro 6.1 billion (Euro 4.7 billion in 2013), mainly driven by strong expected business and new business contributions, as well as a favorable impact of assumptions changes mainly from Switzerland (lapse assumptions in Group life) and from the non-repeat of unfavorable assumptions changes in Japan (longevity) and the US (mortality) last year.

  The expected existing business contribution, calculated based on the Implied Discount Rate (IDR) of the previous year, slightly increased in 2014 (Euro 3.1 billion) as notably the opening VIF was higher in 2014 compared to 2013 and as the IDR was stable: 2013 and 2012 IDR were at 7.0%.

- **Total return on Life & Savings European Embedded Value (EEV) was 5% in 2014** (compared to 21% in 2013) or Euro 2.5 billion (Euro 9.2 billion in 2013), driven by the strong operating return partly offset by the unfavorable economic variance mainly reflecting lower interest rates and higher volatilities.

- **FY14 Implied Discount Rate (IDR) was at 6.6%** (compared to 7.0% in 2013)**,** mainly driven by the lower interest rates environment and the lower management's expectations for future economic conditions partly offset by higher volatilities.

- **2014 Life & Savings New Business Value (NBV) increased by 10%** on a comparable basis to **Euro 2.2 billion** driven by an improved business mix and higher volumes, partly offset by lower interest rates. 2014 NBV included a negative impact of foreign exchange (Euro -75 million) mainly coming from the depreciation of Japanese Yen versus Euro on a yearly average basis.

- **The NBV margin increased by 1.3pts** on a comparable basis **to 34.3%** mainly driven by an improved business mix, and lower expenses following higher volumes, partly offset by lower interest rates and foreign exchange impacts.

- **2014 Life & Savings New Business Internal Rate of Return (IRR) was stable at 14.2%,** driven by a better product mix mostly due to the launch of new products, and lower unit costs, partly offset by lower management expectations for future economic conditions. These expectations take into account the Swiss National Bank (SNB)'s decision of January 15, 2015 to discontinue the minimum exchange rate of 1.20 franc per euro and lower interest rate on sight deposit balances to -0.75%, with the related Swiss franc sharp increase against the Euro, as well as the European Central Bank (ECB) announcement on January 22, 2015 of an extension of its asset (sovereign bonds, covered bonds and ABS) purchase programme in order to stimulate the economy by encouraging credit creation and risk taking. This last decision is expected to impact sovereign and corporate yields across the Eurozone and foreign currency exchange rates against the Euro. (cf. Activity Report, sections Financial Market Conditions in 2014 and Events Subsequent to December 31, 2014, and Appendix 1 of this report).

- **FY14 Group Embedded Value ("Group EV") increased by Euro 4.1 billion to Euro 47.2 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 +1.7 billion) and the increase in the value of Other than Life businesses (Euro +2.5 billon).

- **Operating return on Group EV increased to 19%** (18% in 2013) or Euro 8.0 billion (Euro 6.6 billion in 2013) driven by a strong operating performance in Life & Savings and higher adjusted earnings of other than Life businesses (Euro 1.8 billion).

- **Total return on Group EV was 12%** (27% in 2013) or Euro 5.3 billion (Euro 10.0 billion in 2013), driven by a strong operating return of both Life & Saving and Other than Life & Savings businesses partly offset by the non-operating variance mainly due to the impact of the change in market conditions mostly in Life & Savings.

1.2. LIFE & SAVINGS EEV

EEV ANALYSIS OF CHANGE *Euro million, Group share*	Free surplus	+	Required capital	=	ANAV	+	VIF	=	EEV 2014	EEV 2013
OPENING EEV	**5,345**		**14,735**		**20,080**		**27,793**		**47,873**	**44,224**
Modeling changes and opening adjustments	51		(124)		(73)		(580)		(653)	(924)
ADJUSTED OPENING EEV	**5,395**		**14,612**		**20,007**		**27,213**		**47,221**	**43,299**
New business value	(1,963)		748		(1,216)		3,435		2,220	2,193
Expected existing business contribution	4,452		(602)		3,850		(763)		3,087	2,883
o/w Expected return on surplus	235		-		235		-		235	255
o/w Expected return on VIF	-		-		-		2,853		2,853	2,628
Current year operating variance	(516)		41		(475)		763		288	367
Change in operating assumptions	-		-		-		538		538	(711)
OPERATING RETURN ON EEV	**1,973**		**187**		**2,160**		**3,973**		**6,133**	**4,732**
Economic variance	2,613		753		3,366		(7,031)		(3,665)	4,959
Other non-operating variance	-		-		-		7		7	(458)
TOTAL RETURN ON EEV	**4,586**		**940**		**5,526**		**(3,051)**		**2,475**	**9,233**
Exchange rate movements impact	256		476		732		1,098		1,830	(2,270)
EEV of acquired business/others	(339)		325		(14)		-		(14)	615
Capital injections	213		-		213		-		213	67
Dividends paid/received	(2,190)		-		(2,190)		-		(2,190)	(3,072)
CLOSING EEV	**7,922**		**16,352**		**24,274**		**25,261**		**49,535**	**47,873**
Closing VIF									25,261	27,793
o/w Certainty equivalent PVFP									32,573	33,609
o/w Time value of O&G									(5,321)	(3,840)
o/w CoC/NFR									(1,990)	(1,975)
OPERATING RETURN ON EEV									**13%**	**11%**
TOTAL RETURN ON EEV									**5%**	**21%**

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 -653 million in 2014 mainly consisted of:

- Euro -749 million impact on VIF due to a change in reference rate reflecting current developments of Solvency II (see section 4.1 of this report);
- Other modeling changes notably:
  - **Switzerland** (Euro 131 million) reflecting enhanced modeling of investment strategy and shareholder's equity;
  - **Germany** (Euro 113 million) mainly driven by the refinement of the future premiums indexation for Life products partly offset by the modeling of the change in regulation in Life as well as the enhanced modeling of management rules in Health;
  - **MedLA** (Euro -76 million) reflecting the improvement of the corporate bonds modeling at AXA MPS;
  - **France** (Euro -83 million) illustrating a refinement of the liabilities granularity, partly offset by an improved modeling of expenses on Group pension.

Operating return on Life & Savings EEV of 13% (Euro 6,133 million) was higher by Euro 1,401 million as compared to 11% in 2013 (Euro 4,732 million). The increase was mainly driven by higher expected business contribution, and the favorable impact of operating assumptions changes. The details are as follow:

- **New Business Value** increased by 10% on a comparable basis to Euro 2,220 million while new business APE grew by 6% on a comparable basis, reflecting a profitability improvement.

- **Expected existing business contribution** of Euro 3,087 million, was the sum of the expected earnings on surplus (Euro 235 million) and the expected return on VIF (Euro 2,853 million). The expected return on VIF, calculated based on Implied Discount Rate of the previous year (2013 IDR at 7% stable compared to 2012), and on the opening VIF plus Required Capital, was higher compared to 2013.
- **Current year operating variance** of Euro 288 million, included the following impacts:
  - **The US** (Euro 240 million), reflecting a benefit from a tax settlement, the positive impact of the GMxB buyout and higher investment margin, partly offset by higher expenses
  - **Switzerland** (Euro 91 million), reflecting the change in projected benefits in adverse scenarios due to the lower reserving technical rate;
  - **CEE** (Euro 76 million), reflecting higher than expected retention of policyholders in the Polish pension fund following the change in regulation last year as well as higher investment margin;
  - **MedLA** (Euro 45 million), reflecting favorable lapse variance on Unit-Linked products at Italy, and positive contribution of management actions on the Annuity portfolio in Spain;
  - **Japan** (Euro 44 million), mainly reflecting higher than expected investment margin due to high dividends from equity funds;

  partly offset by:
  - **France** (Euro -55 million), mainly driven by lower renewals on Group Protection & Health business partly offset by a better than expected technical margin on Individual Protection business;
  - **The UK** (Euro -75 million), mainly driven by higher one off expenses, adverse variance on lapse as well as reduced investment margins on asset management;
  - **Germany** (Euro -92 million), due to lower investment margin and the change in corporate bonds asset allocation partly offset by favorable technical variance on Health products;
- **Changes in operating assumptions** amounted to Euro 538 million, mainly reflecting the following impacts:
  - **Switzerland** (Euro 488 million), mainly reflecting a change in policyholder's target bonus assumptions and revised lapse rates in Group Life business;
  - **Germany** (Euro 259 million), mainly reflecting the increase in target shareholder participation in margins, the favorable impact of inforce management measures, lower unit costs and the update of actuarial assumptions in Health and Life businesses;
  - **Hong Kong** (Euro 82 million), mainly reflecting the update of mortality and medical expense assumptions;
  - **UK** (Euro 49 million), mainly reflecting the update of unit costs and mortality assumptions;
  - **MedLA** (Euro 47 million), mainly reflecting the update of lapse assumptions and lower unit costs in Spain.
  - **Japan** (Euro 42 million), mainly driven by the update of mortality/morbidity assumptions for Life and Health products, the update of longevity assumptions for Annuities, partly offset by the unfavorable update of lapse assumptions;

  partly offset by:
  - **CEE** (Euro -43 million), mainly reflecting the update of unit costs as well as the review of actuarial assumptions;
  - **Belgium** (Euro -129 million), mainly driven by the revised assumptions related to the magnitude and pattern of the low interest rates statutory reserve and the impact of higher projected expenses;
  - **The US** (Euro -255 million), mainly reflecting the review of lapse assumptions for certain Life products, the update of Variable Annuity assumptions including the GMxB buyout, and higher projected expenses;
- **Economic variance** of Euro -3,665 million represented the variation in EEV due to unfavorable changes in economic environment, mainly the interest rates decrease and higher volatilities.

The total impact of **marked-to-market investment return** on the Life & Savings EEV in 2014 amounted to Euro -402 million, split into:

- **Expected existing business contribution** (Euro 3,087 million);
- **Economic variance** (Euro -3,665 million) and **operating investment variance** (Euro 175 million) reported in the operating variance.

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

- Euro 2.0 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 - 4.6 billion due to the decrease in swap rates;
- Euro 1.2 billion reflecting equity, real estate and hedge funds' performance over the cash return;
- Euro -1.3 billion impact from increases in equity and interest rates volatilities;
- Euro 2.3 billion impact from the tightening of corporate credit spreads and Eurozone sovereign bonds spreads, net of the liquidity premium.

Other non-operating variance of Euro 7 million related to a change in tax rate in Spain;

Total Return on Life & Savings EEV was Euro 2,475 million or 5% over the Adjusted opening Life & Savings EEV significantly decreasing by 16% versus 2013, as a result of the impacts described above.

Exchange rate movement impact amounted to Euro 1,830 million, reflecting the main foreign currencies appreciation versus the Euro (Closing US Dollar parity moved from 1,378 to 1,210, Swiss Franc parity from 1,226 to 1,202);

EEV of acquired business/other amounted to Euro -14 million mainly from capital movement following a transaction in **South-East Asia, India & China**;

Capital injections of Euro 213 million were mainly used to sustain business growth in the **UK, South-East Asia, India** & **China,** and capital upstream in **CEE**.

Dividends paid/received reflected the net dividends of Euro 2,190 million paid by the Life & Savings segment to Other than Life segments in 2014.

Closing Life & Savings EEV of Euro 49,535 million was comprised of Life & Savings required capital, free surplus and VIF.

Life & Savings required capital increased by Euro 1,617 million to Euro 16,352 million, driven by:

- **Opening adjustments** (Euro -124 million), mainly driven by revised modeling of Variable Annuities;
- **New business** capital requirement (Euro 748 million), increasing compared to 2013 as a result of the overall higher sales, mainly in France, Hong Kong and MedLA;
- **Expected capital release from existing business** (Euro -602 million);
- **Operating variance** (Euro 41 million), reflecting higher capital requirement in the current regime following the increase in the low interest rate statutory reserve in France and Belgium;
- **Economic variance** (Euro 753 million), mainly in Switzerland (Euro 388 million) as a consequence of the higher capital requirement mainly due to the decrease in interest rates under the Swiss Solvency Test;
- **Foreign exchange impact** (Euro 476 million) reflecting the main foreign currencies appreciation versus the Euro (Closing US Dollar parity moved from 1,378 to 1,210, Swiss Franc parity from 1,226 to 1,202);
- **EEV of acquired business/ Other** (Euro 325 million) mainly driven by the change in local solvency in the US following the reimbursement of a surplus note.

Life & Savings free surplus amounted to Euro 7,922 million, Euro 2,577 million higher as compared to 2013 despite the increase in required capital. Free surplus represents the net asset value in excess of the shareholders' 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, 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) at the end of 2014 amounted to Euro 3.4 billion, located mainly in Switzerland (Euro 1.1 billion), France (Euro 1.0 billion) and Japan (Euro 0.9 billion).

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 be released 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 or could be made fungible using through means.

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

- **Opening adjustments** (Euro 51 million), mainly driven by **the US** reflecting the impact of the update of Variable Annuity GMxB reserve (with the corresponding release in VIF) partly offset by **Japan** reflecting revised modeling of Variable Annuities projections (with the corresponding offset in Required Capital).
- **Operating** movements over the period (Euro 1,973 million) included:
  - **New business** (Euro -1,963 million), including both the statutory earnings impact (or "strain") and the required capital to support the new contracts, lower than last year despite an increase in NBV;
  - **Expected existing business contribution** (Euro 4,452 million), reflecting the expected statutory earnings and the capital expected to be released from the inforce business;
  - **Operating variance** (Euro -516 million), mainly driven by the increase in statutory reserve due to the low interest rates environment in **Belgium** (Euro -324 million) and in **France** (Euro -124 million) (both offset by a release in VIF), **the US** (Euro -104 million) driven by higher than expected expenses and the negative impact on ANAV of the GMxB buyout (offset by a release in VIF), partly offset by **MedLA** (Euro 133 million) reflecting the increase in investment margin and the positive impact of in-force management actions in Spain, and **Japan** (Euro 103 million) reflecting a better than expected investment margin;
- **Economic variance** (Euro 2,613 million) mainly driven by higher unrealized gains across all countries mainly in **Japan**, **France** and **the US,** as well as the gains of Variable Annuity GMxB hedge assets in statutory local accounting only partially offset by a statutory reserve release (due to an accounting mismatch) driven by the low interest rate environment, partly offset by **Switzerland** where the free

surplus decrease was a direct consequence of higher capital requirements primarily due to the lower interest rates;

- **Foreign exchange impact** (Euro 256 million) reflecting the main foreign currencies appreciation versus the Euro (Closing US Dollar parity moved from 1,378 to 1,210, Swiss Franc parity from 1,226 to 1,202);
- **EEV of acquired business/other** (Euro -339 million) reflecting the decrease of the soft capital following the repayment of a surplus note in **the US**;
- **Capital injections** (Euro 213 million), mainly in **South-East Asia India & China**;
- **Dividends paid** (Euro -2,190 million) by the Life & Savings segment.

Life & Savings VIF of Euro 25,261 million (down by Euro 2,532 million vs. 2013) which was explained by the following movements:

- **Opening adjustments** (Euro -580 million), driven by the impact on Life & Savings entities of the change in reference rate curve following current developments in Solvency II (Euro -749 million), and the increase of TVoG due to the implementation of stochastic inflation and the update of Variable Annuity GMxB reserve (with the corresponding release in VIF) in **the US,** partly offset by the positive impact of Variable Annuities projection update in **Japan**, as well as the enhanced modeling of investment strategy and shareholders' equity in **Switzerland,** and the refinement of stochastic modeling in **France** and **Germany**;
- **New business** contribution (Euro 3,435 million);
- **Operating variance** (Euro 763 million), mainly in **Belgium** and **France** from the release in VIF of the low interest rate statutory reserves recognized in free surplus, and in **the US** mainly driven by the impact of GMxB buyout program;
- **Assumptions changes** (Euro 538 million) mainly driven by the review of lapse assumptions for Group Life products and the update of expenses assumptions in **Switzerland**, by the increase in target shareholder participation in margins, the favorable impact of inforce management measures, lower unit costs and the update of actuarial assumptions in Health and Life businesses in **Germany,** partly offset by the revised assumptions related to the magnitude and pattern of the low interest rates statutory reserve, and the impact of higher projected expenses in **Belgium,** and the update of Variable Annuity GMxB assumptions including the buyout in the **US**;
- **Economic variance** (Euro -7.0 billion) reflecting the deterioration of economic conditions, mainly in the **US**, **Japan**, **France, Belgium** and **Hong Kong**;
- **Non-operating variance** (Euro 7 million) reflecting a change in tax rate in MedLA (Spain);
- **Foreign currency appreciation** (Euro 1,098 million).

Life & Savings VIF can be decomposed as:

- **Certainty Equivalent PVFP** decreased by Euro 1,036 million to Euro 32,573 million, mainly driven by the decrease in interest rates;
- **The Time Value of O&G** increased by Euro -1,481 million to Euro -5,321 million, primarily driven by the worsening of economic conditions and the refinement of stochastic modeling in **France, Germany** and in the **US**;
- **CoC/NFR** slightly increased by Euro -15m to Euro -1,990 million.

RECONCILIATION OF LIFE & SAVINGS IFRS SHAREHOLDERS' EQUITY TO ANAV

SHAREHOLDER'S EQUITY TO ANAV *(Euro million, Group share)*	2014	2013
LIFE & SAVINGS IFRS SHAREHOLDERS' EQUITY	**50,388**	**42,306**
Net URCG not included in Shareholders' equity	1,085	956
Goodwill	(6,205)	(5,817)
Deferred Acquisition & Origination Costs (DAC & DOC)	(10,031)	(8,769)
Value of Business Inforce (VBI)	(1,807)	(1,818)
Other intangibles	(570)	(609)
UCG projected in PVFP	(8,579)	(4,238)
other Stat-GAAP adjustments	(6)	(1,931)
LIFE & SAVINGS NET AJUSTED ASSET VALUE (ANAV)	**24,274**	**20,080**

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 shareholders' 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, Germany and France** to a lower extent.

VIF RISK-NEUTRAL MATURITY PROFILE

GROUP VIF PROFILE *(Euro million, Group share)*	Amount	Share
1 to 5 years	11,034	44%
6 to 10 years	4,190	17%
11 to 15 years	3,682	15%
16 to 20 years	1,500	6%
more than 20 years	4,854	19%
TOTAL	25,261	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 44% of the VIF should emerge in the first five years and 61% during the first ten 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 2014 **expected free cash flows** amounted to Euro 2,489 million, as shown in the EEV movement analysis presented on page 6 in the free surplus dedicated column. Projections of inforce future expected free cash flows for years beyond 2014 are disclosed in the appendix presentation to FY14 earnings as additional information, supplementary to this report.

IMPLIED DISCOUNT RATE

IMPLIED DISCOUNT RATE	2014	2013	2012
Reference rate	1.9%	2.9%	2.3%
Total IDR based on distributable earnings	6.6%	7.0%	7.0%

The **reference rate** reflects the average yield used for the certainty equivalent valuation, estimated over the whole projection. It decreased in 2014, reflecting the lower interest rates environment.

The **IDR** equals to the reference rate plus a spread reflecting the gap between risk neutral and real world (management case) projections. This gap is mainly due to risky assets' premium which does not exist in risk neutral projections, and to the time value of options and guarantees which is not captured in real world cash-flow projections.

The **IDR** decreased by 0.4pts to 6.6%. The evolution of IDR may be different from one country to another, but the decrease in total IDR was mainly driven by the lower interest rate environment and the lower management expectations for future economic conditions, partly offset by the increased volatilities. These expectations take into account the Swiss National Bank (SNB)'s decision of January 15, 2015 to discontinue the minimum exchange rate of 1.20 franc per euro and lower interest rate on sight deposit balances to -0.75%, with the related Swiss franc sharp increase against the euro.as well as the European Central Bank (ECB) announcement on January 22, 2015 of an extension of its asset (sovereign bonds, covered bonds and ABS) purchase programme in order to stimulate the economy by encouraging credit creation and risk taking. This last decision is expected to impact sovereign and corporate yields across the Eurozone and foreign currency exchange rates against the Euro. (cf. Activity Report, sections Financial Market Conditions in 2014 and Events Subsequent to December 31, 2014, and Appendix 1 of this report).

2014 IDR will be the basis for calculating the 2015 expected return on VIF – an item in the expected evolution part of the 2015 EEV analysis of change.

1.3. LIFE & SAVINGS NBV

NEW BUSINESS METRICS *Euro million - Group share*	2013	2014
Regular premiums	3,345	3,378
Single premiums	29,900	30,991
ANNUALIZED PREMIUM EQUIVALENT (APE)	**6,335**	**6,477**
Capitalization factor	9.8	10.3
Present Value of Expected Premiums (PVEP)	62,595	65,935
NEW BUSINESS VALUE (NBV)	**2,193**	**2,220**
o/w Certainty Equivalent PVFP less Strain	2,530	2,616
o/w Time Value of O&G	(227)	(309)
o/w CoC/NFR	(110)	(86)
NBV/APE	**34.6%**	**34.3%**
NBV/PVEP	**3.5%**	**3.4%**
NEW BUSINESS IRR	**14.2%**	**14.2%**
APE change at comparable basis (*)		6%
PVEP change at comparable basis (*)		8%
NBV change at comparable basis (*)		10%

ANALYSIS OF CHANGE IN NBV *Euro Million - Group share*	
2013 LIFE & SAVINGS NBV	**2,193**
Modeling changes and opening adjustments	(107)
Change in scope and acquisitions	(1)
Currency movements impact	(75)
Business-driven evolution:	209
o/w Volume	79
o/w Business mix	114
o/w Expenses	43
o/w Investment assumptions	(45)
o/w Actuarial assumptions and others	19
2014 LIFE & SAVINGS NBV	**2,220**

NB IMPLIED DISCOUNT RATE	2013	2014
Reference rate	2.7%	1.9%
Total IDR Based on distributable earnings	4.4%	4.5%

(*) 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 in 2013

Life & Savings new business APE increased by 6% on a comparable basis to Euro 6,477 million. APE developments over the year by country are described in the 2014 Activity Report.

Life & Savings new business present value of expected premiums (PVEP) increased by 8% to Euro 65,935 million. The increase in PVEP was more significant than the increase in APE due to the discounting impact of lower rates on future premiums.

Life & Savings new business value (NBV) increased by 10%, on a comparable basis, to Euro 2,220 million. This improvement was mainly driven by:

- successful launch of new products in **Japan** and **Germany**, a complete shift to products re-priced in 2013 in **the US** and the continued selectivity focus in **Hong Kong**.;
- higher volumes in **Hong Kong**, **France**, **MedLA**, and **South-East Asia, India & China**, partly offset by lower volumes in Switzerland following the product mix repositioning in Group Life business;
- lower unit costs driven by higher volumes;
- favorable updates of actuarial assumptions in **MedLA**, **Switzerland**, and **France**; partly offset by
- lower interest rates which negatively impacted **Japan**, **Switzerland** and **South-East Asia, India & China**.

2014 NBV included Euro -107 million impact of modeling changes opening adjustments, corresponding mainly to the removal of the three additional months' of **Japan** NBV in 2013, and Euro -75 million impact of the depreciation of local currencies notably Japanese Yen against the Euro.

NBV grew faster than **APE**. This resulted in a **NBV margin** at 34.3%, up 1.3pts on a comparable basis.

The internal rate of return (**IRR**) was stable at 14.2%.

Despite the successful launch of new products, an improved business mix and higher volumes, the **IRR** was negatively impacted by unfavorable investment assumptions reflecting lower management's expectations for future economic conditions. These expectations take into account major economic events in January, 2015 described in Appendix 1 of this report. The IRR of the **US** significantly improved in 2014, following both the complete shift to products re-priced in 2013 and an improvement in the first year technical margin. New business **IDR** increased by 0.1pts to 4.5%, reflecting limited sensitivity of new business to the lower management's expectations for future economic conditions.

1.4. LIFE & SAVINGS SENSITIVITIES

EEV & NBV SENSITIVITIES *(Euro million, Group share)*	**EEV**		**NBV**	
CLOSING 2014 ORIGINAL AMOUNTS	**49,535**	**100%**	**2,220**	**100%**
Upward shift of 100 basis points in reference interest rates	2,020	4%	1	0%
Downward shift of 100 basis points in reference interest rates	(4,904)	-10%	(144)	-6%
10% higher value of equity markets	1,606	3%	69	3%
10% lower value of equity markets	(1,732)	-3%	(68)	-3%
10% higher value of real estate	628	1%	19	1%
10% lower value of real estate	(695)	-1%	(7)	0%
Overall 10% decrease in lapse rates	865	2%	170	8%
Overall and permanent decrease of 10% in expenses	1,826	4%	127	6%
5% lower mortality rate for annuity business	(512)	-1%	(2)	0%
5% lower mortality rate for life business	866	2%	44	2%
Upward parallel shift of 25% of the volatility on equity markets	(768)	-2%	(40)	-2%
Upward parallel shift of 25% of the volatility on interest rates	(2,013)	-4%	(132)	-6%
50 basis points higher in credit spreads	(1,902)	-4%	(28)	-1%
50 basis points lower in credit spreads	1,838	4%	43	2%
Reference rate without liquidity premium	(3,079)	-6%	(45)	-2%
Reference rate with liquidity premia 10bps higher	831	2%	13	1%

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** because new business has a higher share of General Account Protection & Health, and Unit-Linked products, and a lower share of General Account Savings products. In addition, for EEV both ANAV and future profits are shocked while only future profits are shocked for NBV (there is no ANAV allocated to new business).

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 because of the residual weight of General Account Savings.

2014 EEV sensitivities were globally in line with 2013, but included the following notable evolutions:

- Increase of the sensitivities to interest rates largely driven by:
  - **The US** due to lower interest rates and higher volatilities, leading General Account guarantees and Variable Annuity GMxB rider options to be more in the money;
  - **France, Belgium and Japan** due to policyholder's financial guarantees being more in the money.
- The impact of considering a liquidity premium in the EEV calculation was Euro 3.1 billion. It increased compared to 2013 (Euro 2.2 billion) as a consequence of higher liquidity premia in the US and in Hong Kong and as policyholder's financial guarantees were more in the money;

2014 NBV sensitivities were globally in line with 2013, with the same notable evolutions as for the inforce.

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 shareholders' equity. The reconciliation between the IFRS shareholders equity and the tangible net asset value for other than Life & Savings is available in Appendix 2.

	2014			2013
GROUP EMBEDDED VALUE *Euro million, group share*	**Life & Savings**	**Other Segments**	**Total Group**	**Total Group**
OPENING GROUP EV	**47,873**	**(4,848)**	**43,025**	**37,324**
Modeling changes and opening adjustments	(653)	-	(653)	(989)
ADJUSTED OPENING GROUP EV	**47,221**	**(4,848)**	**42,373**	**36,335**
Operating return	6,133	1,840	7,973	6,610
Current year non-operating variance	(3,657)	938	(2,720)	3,372
TOTAL RETURN	**2,475**	**2,778**	**5,253**	**9,983**
Internal dividends payment	(2,190)	2,190	-	-
Dividend paid by the Group	-	(1,959)	(1,959)	(1,715)
Capital flows	213	(213)	-	-
Exchange rate movements impact	1,830	(315)	1,515	(1,989)
Acquired business and others	(14)	(435)	(449)	(247)
Change in shares issued and treasury shares	-	424	424	659
CLOSING GROUP EV	**49,535**	**(2,379)**	**47,156**	**43,025**
OPERATING RETURN ON GROUP EV	**13%**		**19%**	**18%**
TOTAL RETURN ON GROUP EV	**5%**		**12%**	**27%**

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.

Operating return of Euro 1,840 million for Other than Life segments mainly included the following items:

- Underlying Earnings (Euro 1,928 million);
- Net realized capital gains (Euro 359 million) and restructuring costs (Euro -140 million) and
- Interests on undated subordinated debts (Euro -307 million).

Current year non-operating variance of Euro 938 million for Other than Life businesses mainly included:

- Euro -647 million reflecting the after-tax Net Income less Underlying Earnings, less realized capital gains and restructuring costs, including notably the change in fair value of derivatives not eligible for hedge accounting;
- Euro 1,281 million resulting from the change in fair value of 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) ;
- and Euro 303 million resulting from other items including the impact of corporate spreads on the fair value of debts(recognized at cost in shareholders' equity under IFRS, and as debt at fair value under the Group EV framework), and a favorable change of real estate unrealized capital gains.

Total Return of Euro 2,778 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 & 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 2014 dividend paid by the Group Holding to shareholders.

Capital Flows for Other than Life businesses mainly reflected the capital injection in South-East Asia, India & China in the Life & Savings segment.

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 others for Other than Life businesses of Euro -435 million mainly reflected the completion of the acquisition of 50% of Tian Ping Auto Insurance in China and the acquisition of 51% of Colpatria's insurance operations in Colombia.

Change in shares issued and treasury shares of Euro 424 million mainly reflected 2014 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 2014	EEV 2013
OPENING EEV	**947**		**3,587**		**4,534**		**6,370**		**10,904**	**10,682**
Modeling changes and opening adjustments	(67)		7		(60)		(187)		(248)	(181)
ADJUSTED OPENING EEV	**880**		**3,594**		**4,474**		**6,183**		**10,657**	**10,501**
New business value	(556)		263		(293)		685		392	290
Expected existing business contribution	1,306		(172)		1,134		(495)		639	531
o/w Expected return on surplus	30		-		30		-		30	29
o/w Expected return on VIF	-		-		-		608		608	502
Current year operating variance	(436)		38		(398)		343		(55)	193
Change in operating assumptions	-		-		-		(16)		(16)	92
OPERATING RETURN ON EEV	**314**		**129**		**443**		**516**		**959**	**1,106**
Economic variance	379		3		381		(797)		(416)	230
Other non-operating variance	-		-		-		-		-	(44)
TOTAL RETURN ON EEV	**693**		**131**		**824**		**(281)**		**543**	**1,291**
Exchange rate movements impact	-		-		-		-		-	-
EEV of acquired business/others	-		-		-		-		-	-
Capital injections	-		-		-		-		-	(63)
Dividends paid/received	(664)		-		(664)		-		(664)	(825)
CLOSING EEV	**908**		**3,725**		**4,633**		**5,902**		**10,536**	**10,904**
Closing VIF									5,902	6,370
o/w Certainty equivalent PVFP									7,807	7,841
o/w Time value of O&G									(1,552)	(1,005)
o/w CoC/NFR									(352)	(466)
OPERATING RETURN ON EEV									**9%**	**11%**
TOTAL RETURN ON EEV									**5%**	**12%**

IMPLIED DISCOUNT RATE	2014	2013
Reference rate	1.6%	2.7%
Total IDR based on distributable earnings	5.7%	6.1%

Modeling changes and opening adjustments (Euro -248 million) reflected primarily the impact of the change in reference rate curve (Euro -165 million), and the refinement of the liabilities granularity on Group Pension business partly offset by the impact of improved expenses modeling in Pension business.

Operating return on EEV of 9% (Euro 959 million) compared to 11% in 2013 (Euro 1,106 million), was mainly driven by:

- **New business value** (Euro 392 million) mainly driven by higher volumes, lower expenses and lower interest rates;

- **Expected existing business contribution** (Euro 639 million), calculated on the IDR of the previous year, that was higher than in 2013 (Euro 531 million) notably driven by the increase in IDR (2013 IDR of 6.1% compared to 5.4% in 2012);
- **Operating variance** (Euro -55 million) mainly driven by lower than expected renewals on Group Protection & Health business partly offset by a better than expected technical margin on Individual Protection business;
- **Changes in operating assumptions** (Euro -16 million) reflecting the review of retirement assumptions on Group Pension products and projection of higher loss ratios for Group Protection products, partly offset by the update of unit costs.

Total return on EEV of 5% was unfavorably impacted by the **economic variance** (Euro -416 million), mainly reflecting the negative impact of lower interest rates and higher volatilities, partly offset by the tightening of corporate and sovereign spreads. Lower interest rates had a positive impact on ANAV due to the increase in unrealized capital gains on bonds.

Capital flows of Euro -664 million reflected net dividends paid in 2014.

Closing EEV was Euro 10,536 million, composed of the following elements:

- **Required capital** increased by Euro 138 million to Euro 3,725 million mainly as a result of the capital requirement for new business partly offset by the expected release from inforce business;
- **Free surplus** decreased by Euro 39 million to Euro 908 million, with a positive contribution from the existing business, and the increase of unrealized capital gains in economic variance partly offset by the new business investments, the increase in statutory reserves due to the low interest rates environment (offset by a release in VIF) and the dividend paid. Investment in new business only slightly increased, while new business value significantly grew;
- **VIF** decreased by Euro 468 million to Euro 5,902 million, mainly driven by the adverse impact of market conditions. This was partly offset by the new business profitability and the positive effect of the strengthening of statutory reserve.

IDR decreased by 0.4pts to 5.7% mainly driven by the lower interest rates environment and the lower management expectations for future economic conditions (these expectations took into account major economic events in January, 2015, described in Appendix 1 of this report, partly offset by the increased volatilities.

LIFE AND SAVINGS NBV

NEW BUSINESS METRICS *Euro million - Group share*	2013	2014
Regular premiums	749	841
Single premiums	6,821	7,429
ANNUALIZED PREMIUM EQUIVALENT (APE)	**1,431**	**1,584**
Capitalization factor	10.6	11.7
Present Value of Expected Premiums (PVEP)	14,729	17,263
NEW BUSINESS VALUE (NBV)	**290**	**392**
o/w Certainty Equivalent PVFP less Strain	370	477
o/w Time Value of O&G	(44)	(61)
o/w CoC/NFR	(35)	(25)
NBV/APE	**20.3%**	**24.7%**
NBV/PVEP	**2.0%**	**2.3%**
NEW BUSINESS IRR	**9.7%**	**9.7%**
APE change at comparable basis (*)		11%
PVEP change at comparable basis (*)		17%
NBV change at comparable basis (*)		35%

ANALYSIS OF CHANGE IN NBV *Euro Million - Group share*	
2013 LIFE & SAVINGS NBV	**290**
Modeling changes and opening adjustments	(6)
Change in scope and acquisitions	-
Currency movements impact	-
Business-driven evolution:	107
o/w Volume	30
o/w Business mix	10
o/w Expenses	44
o/w Investment assumptions	21
o/w Actuarial assumptions and others	3
2014 LIFE & SAVINGS NBV	**392**

NB IMPLIED DISCOUNT RATE	2013	2014
Reference rate	2.8%	1.6%
Total IDR Based on distributable earnings	4.8%	3.8%

APE increased by 11% on a comparable basis to Euro 1,584 million, reflecting strong developments in both Individual and Group Protection & Health, and higher volumes from hybrid products, partly offset by a decrease in sales in Individual Health ahead of a change in regulation (implementation of the Accord National Interprofessionnel starting January 1st, 2016).

NBV increased by 35% on a comparable basis to Euro 392 million, mainly driven by higher volumes and the related decrease in unit costs, lower acquisition expenses, and the positive impact of low interest rates in discounting future profits.

NBV margin increased by 4.5pts to 24.7%,mainly due to lower unit costs, lower acquisition expenses, and the positive impact of low interest rates in discounting future profits.

IRR was stable at 9.7%. The positive impact of lower acquisition expenses and lower unit costs following higher volumes was offset by the lower management expectations for future economic conditions.

IDR decreased by 1.0pts to 3.8% mainly driven by the low interest rates environment and the lower management expectations for future economic conditions partly offset by the increased volatilities.

LIFE AND SAVINGS SENSITIVITIES

EEV SENSITIVITIES *(Euro million, Group share)*	EEV		NBV	
CLOSING 2014 ORIGINAL AMOUNTS	**10,536**	**100%**	**392**	**100%**
Upward shift of 100 basis points in reference interest rates	369	4%	(34)	-9%
Downward shift of 100 basis points in reference interest rates	(1,362)	-13%	9	2%
10% higher value of equity markets	290	3%	14	4%
10% lower value of equity markets	(313)	-3%	(14)	-4%
10% higher value of real estate	207	2%	5	1%
10% lower value of real estate	(234)	-2%	(5)	-1%
Overall 10% decrease in lapse rates	270	3%	50	13%
Overall and permanent decrease of 10% in expenses	724	7%	50	13%
5% lower mortality rate for annuity business	(43)	0%	1	0%
5% lower mortality rate for life business	39	0%	7	2%
Upward parallel shift of 25% of the volatility on equity markets	(171)	-2%	(8)	-2%
Upward parallel shift of 25% of the volatility on interest rates	(691)	-7%	(45)	-11%
50 basis points higher in credit spreads	(355)	-3%	(13)	-3%
50 basis points lower in credit spreads	330	3%	12	3%

Compared to 2013, **EEV** was more sensitive to interest rates as the lower interest rate environment caused policyholders' financial guarantees to be more 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. EEV was positively sensitive to the increase in interest rates as financial margins improved as policyholders' financial guarantees are less in the money partly offset by profit sharing mechanism and dynamic lapse.

The sensitivity to increased volatilities on interest rates and equity increased as a consequence of a higher base level of volatilities and because policyholders' financial guarantees are more in the money.

Other **EEV** sensitivities were globally in line with 2013.

As in 2013 NBV sensitivity to interest rates were inverted as compared to the EEV ones due to the positive (respectively negative) impact of lower (respectively higher) interest rates on the future profits discount on General Account Protection and Unit-Linked products and the lower impact of in-the-money of General Account Savings products with lower guarantees.

2014 NBV sensitivities other than interest rates ones were globally in line with 2013, with the same notable evolutions as for the inforce.

2.2. UNITED STATES

LIFE AND SAVINGS EEV

EEV ANALYSIS OF CHANGE *Euro million, Group share*	Free surplus	+	Required capital	=	ANAV	+	VIF	=	EEV 2014	EEV 2013
OPENING EEV	**294**		**1,602**		**1,896**		**4,859**		**6,755**	**4,848**
Modeling changes and opening adjustments	222		-		222		(207)		15	(386)
ADJUSTED OPENING EEV	**516**		**1,602**		**2,118**		**4,651**		**6,769**	**4,462**
New business value	(165)		78		(88)		465		378	356
Expected existing business contribution	707		(173)		534		336		870	910
o/w Expected return on surplus	99		-		99		-		99	150
o/w Expected return on VIF	-		-		-		771		771	760
Current year operating variance	(104)		108		5		236		240	(42)
Change in operating assumptions	-		-		-		(255)		(255)	(677)
OPERATING RETURN ON EEV	**438**		**13**		**451**		**782**		**1,233**	**547**
Economic variance	1,429		52		1,481		(2,909)		(1,428)	3,306
Other non-operating variance	-		-		-		(2)		(2)	(54)
TOTAL RETURN ON EEV	**1,867**		**65**		**1,932**		**(2,129)**		**(197)**	**3,799**
Exchange rate movements impact	195		261		457		431		888	(288)
EEV of acquired business/others	(325)		325		-		-		-	-
Capital injections	-		-		-		-		-	-
Dividends paid/received	(315)		-		(315)		-		(315)	(1,219)
CLOSING EEV	**1,939**		**2,253**		**4,192**		**2,953**		**7,145**	**6,755**
Closing VIF									2,953	4,859
o/w Certainty equivalent PVFP									4,091	5,921
o/w Time value of O&G									(798)	(766)
o/w CoC/NFR									(340)	(296)
OPERATING RETURN ON EEV									**18%**	**12%**
TOTAL RETURN ON EEV									**-3%**	**85%**

IMPLIED DISCOUNT RATE	2014	2013
Reference rate	2.5%	3.7%
Total IDR based on distributable earnings	14.3%	12.6%

Modeling changes and opening adjustments of Euro 15 million mainly included:

- the change in reference rate curve (Euro -27 million);
- the impact of the more granular mortality projections for Variable Annuity GMxB products and the implementation of stochastic inflation.

Operating return on EEV of 18% (Euro 1,233 million) compared to 12% in 2013 (Euro 547 million) included the following impacts:

- **New business value** (Euro 378 million), higher than 2013 NBV, largely driven by the positive effect of product re-pricing combined to higher volumes;
- **Expected existing business contribution** (Euro 870 million), calculated based mainly on IDR of the previous year, was lower compared to 2013 as 2013 IDR (12.6%, applicable to 2014) is lower than 2012 IDR (20.4%, applicable to 2013); the strong decrease from 20.4% to 12.6% was due to a strong increase in the VIF and its components, which were less sensitive to economic scenarios. The

high IDR reflected potential future increases of the US EEV notably if interest rates come back to their historical level.

- **Operating variance** (Euro 240 million) mainly including a favorable tax settlement, higher than expected investment income, the positive impact of the GMxB buyout, partly offset by higher expenses;
- **Operating assumptions changes** (Euro -255 million) driven by lapse assumptions on Term business, the update of assumptions following the GMxB buyout, and the update of unit costs.

Total return on EEV was -3%, mainly driven by the unfavorable **economic variance**.

Economic variance amounted to Euro -1,428 million, primarily driven by the negative impact of the economic conditions on the value of inforce business, which was partly offset by gains on Variable Annuity Accumulator GMxB hedges and the increase in unrealized capital gains in ANAV.

Capital flows of Euro -315 million reflected dividends paid by AXA Equitable to its parent company AXA Financial Holding.

Foreign exchange impact was Euro 888 million, reflecting the appreciation of US Dollar versus Euro.

ANAV increased by Euro 2,296 million to Euro 4,192 million, mainly reflecting:

- the gains of GMxB hedge derivatives that more than offset the statutory reserve strengthening in a decreasing interest rate environment;
- the increase in unrealized capital gains reflecting the decrease of interest rate on the bonds portfolio;
- the favorable impact of a tax settlement;
- the impact of the update of Variable Annuity GMxB reserve (with the corresponding release in VIF)
- the expected 2014 statutory earnings, and the forex impact;

partly offset by

- dividends paid.

Required capital increased by Euro 651 million to Euro 2,253 million, mainly driven by the repayment of a surplus note and the effect of the foreign exchange rate.

Free surplus increased by Euro 1,645 million to Euro 1,939 million despite the increase in required capital, which includes:

- inforce earnings contribution;
- the impact of the update of Variable Annuity GMxB reserve (with the corresponding release in VIF)
- the Variable Annuity GMxB hedge gains that more than offset the statutory reserve strengthening;
- dividend payments during the year;
- the change in required capital following the reimbursement of surplus notes;
- the investment in new business lower compared to 2013, reflecting a higher technical result in the first year.

As mentioned on page 9, the free surplus represents the net asset value held in excess of the shareholders' 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 AB which is excluded from the Life & Savings EEV scope).

VIF decreased by Euro 1,906 million to Euro 2,953 million, mainly driven by the adverse impact of low interest rate and higher volatilities on the economic variance, the impact of the update of Variable Annuity GMxB reserve (with the corresponding release in VIF), the impact of assumptions changes following the update of lapse rates, partly offset by the increase in the new business value and the positive effect of US Dollar appreciation against the Euro.

IDR increased from 12.6% to 14.3% mainly driven by the decrease in VIF due to the lower interest rates environment and higher volatilities causing General Account guarantees and GMxB Variable Annuity rider option to be more in the money which more than offset the impact of lower management expectations for future economic conditions.

LIFE AND SAVINGS NEW BUSINESS

NEW BUSINESS METRICS *Euro million - Group share*	2013	2014
Regular premiums	329	312
Single premiums	9,936	10,430
ANNUALIZED PREMIUM EQUIVALENT (APE)	**1,322**	**1,355**
Capitalization factor	8.9	12.2
Present Value of Expected Premiums (PVEP)	12,850	14,219
NEW BUSINESS VALUE (NBV)	**356**	**378**
o/w Certainty Equivalent PVFP less Strain	397	439
o/w Time Value of O&G	(24)	(50)
o/w CoC/NFR	(17)	(11)
NBV/APE	**27.0%**	**27.9%**
NBV/PVEP	**2.8%**	**2.7%**
NEW BUSINESS IRR	**16.4%**	**24.2%**
APE change at comparable basis (*)		3%
PVEP change at comparable basis (*)		11%
NBV change at comparable basis (*)		6%

ANALYSIS OF CHANGE IN NBV *Euro Million - Group share*	
2013 LIFE & SAVINGS NBV	**356**
Modeling changes and opening adjustments	(13)
Change in scope and acquisitions	-
Currency movements impact	(1)
Business-driven evolution:	36
o/w Volume	10
o/w Business mix	26
o/w Expenses	4
o/w Investment assumptions	(2)
o/w Actuarial assumptions and others	(2)
2014 LIFE & SAVINGS NBV	**378**

NB IMPLIED DISCOUNT RATE	2013	2014
Reference rate	2.9%	2.0%
Total IDR Based on distributable earnings	5.5%	8.6%

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

APE increased by 3% on a comparable basis to Euro 1,355 million, driven by sales growth in floating rate Variable Annuity GMxB products, the successful launch in November 2013 of a non-GMxB investment product only, higher advisory account sales, partly offset by a volume decrease in General Account Protection.

NBV increased by 6% on a comparable basis to Euro 378 million, mainly driven by a complete shift toward products re-priced in 2013, a higher share in products with lower guarantees, and higher volumes.

NBV margin increased by 0.9pts to 27.9%.

IRR increased by 7.8pts to 24.2%, driven by a complete shift to products re-priced in 2013, a higher share in products with lower guarantees and lower first year strain. Unlike NBV, the IRR depends on the pattern on which the profits emerge and sensitive to the first year's profit. For the same discounted future profits, a pattern with significant profits emerging in early years will have a higher IRR than a pattern with significant profits emerging in later years.

New business IDR increased by 3.1pts to 8.6%, reflecting higher volatilities and a limited sensitivity of new business to the lower management's expectations for future economic conditions.

LIFE AND SAVINGS SENSITIVITIES

EEV SENSITIVITIES *(Euro million, Group share)*	EEV		NBV	
CLOSING 2014 ORIGINAL AMOUNTS	**7,145**	**100%**	**378**	**100%**
Upward shift of 100 basis points in reference interest rates	299	4%	5	1%
Downward shift of 100 basis points in reference interest rates	(1,092)	-15%	(17)	-4%
10% higher value of equity markets	748	10%	62	16%
10% lower value of equity markets	(797)	-11%	(63)	-17%
10% higher value of real estate	6	0%	-	0%
10% lower value of real estate	(6)	0%	-	0%
Overall 10% decrease in lapse rates	(141)	-2%	12	3%
Overall and permanent decrease of 10% in expenses	321	4%	22	6%
5% lower mortality rate for annuity business	(283)	-4%	(3)	-1%
5% lower mortality rate for life business	512	7%	12	3%
Upward parallel shift of 25% of the volatility on equity markets	(352)	-5%	(23)	-6%
Upward parallel shift of 25% of the volatility on interest rates	(403)	-6%	(30)	-8%
50 basis points higher in credit spreads	(516)	-7%	(7)	-2%
50 basis points lower in credit spreads	535	7%	7	2%

EEV became more sensitive to interest rates and equity markets, mainly driven by the lower interest rates environment and higher volatilities causing General Account guarantees and Variable Annuity GMxB riders option to be more in the money.

The deterioration of economic conditions resulted in a higher sensitivity of Annuities to a decrease in mortality rates and to a decrease in lapse rates.

With respect to a particular shock, **NBV** sensitivities moved in the same direction as last year. **NBV** became notably more sensitive to a downward shock of interest rates as the decrease in interest rates in 2014 brought the options and guarantees closer to the money.

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 2014	EEV 2013
OPENING EEV	**1,637**		**6,289**		**7,926**		**10,171**		**18,097**	**16,738**
Modeling changes and opening adjustments	(29)		12		(17)		(103)		(120)	(33)
ADJUSTED OPENING EEV	**1,609**		**6,301**		**7,910**		**10,068**		**17,978**	**16,704**
New business value	(457)		180		(276)		646		370	368
Expected existing business contribution	1,279		(236)		1,043		(99)		944	803
o/w Expected return on surplus	64		-		64		-		64	35
o/w Expected return on VIF	-		-		-		880		880	768
Current year operating variance	(232)		9		(223)		250		27	(88)
Change in operating assumptions	-		-		-		623		623	386
OPERATING RETURN ON EEV	**591**		**(47)**		**544**		**1,420**		**1,964**	**1,468**
Economic variance	(147)		612		465		(1,446)		(980)	237
Other non-operating variance	-		-		-		1		1	(299)
TOTAL RETURN ON EEV	**445**		**565**		**1,009**		**(25)**		**985**	**1,407**
Exchange rate movements impact	37		74		110		131		241	(196)
EEV of acquired business/others	-		-		-		-		-	644
Capital injections	64		-		64		-		64	(36)
Dividends paid/received	(333)		-		(333)		-		(333)	(426)
CLOSING EEV	**1,820**		**6,939**		**8,760**		**10,174**		**18,934**	**18,097**
Closing VIF									10,174	10,171
o/w Certainty equivalent PVFP									13,028	12,287
o/w Time value of O&G									(1,972)	(1,305)
o/w CoC/NFR									(881)	(811)
OPERATING RETURN ON EEV									**11%**	**9%**
TOTAL RETURN ON EEV									**5%**	**8%**

Modeling changes and opening adjustments of Euro -120 million included:

- the change in reference rate curve (Euro -294 million);
- other model refinements in **Switzerland** (Euro 131 million) reflecting the enhanced modeling of investment strategy and shareholders' equity and in **Germany** (Euro 113 million) mainly driven by the refinement of the future premiums indexation mechanism on Life partly offset by the impact of the modeling of the change in regulation in Life and the enhanced modeling of management rules in Health;

Operating return on EEV was 11% (Euro 1,964 million) compared to 9% (Euro 1,468 million) in 2013 following higher inforce contribution and the positive impact of assumptions changes. The details by country were as follow:

EEV ANALYSIS OF CHANGE *Euro million, Group share*	Switzerland	Germany	Belgium	CEE	UK
OPENING EEV	**8,511**	**4,440**	**3,068**	**834**	**1,245**
Modeling changes and opening adjustments	(124)	101	(78)	(32)	12
ADJUSTED OPENING EEV	**8,387**	**4,541**	**2,990**	**802**	**1,257**
New business value	172	115	25	26	32
Expected existing business contribution	335	209	329	27	45
o/w Expected return on surplus	72	(15)	5	1	0
o/w Expected return on VIF	263	224	324	25	44
Current year operating variance	91	(92)	26	76	(75)
Change in operating assumptions	488	259	(129)	(43)	49
OPERATING RETURN ON EEV	**1,087**	**491**	**250**	**86**	**50**
Economic variance	(376)	(10)	(532)	(34)	(27)
Other non-operating variance	-	-	-	1	-
TOTAL RETURN ON EEV	**710**	**481**	**(283)**	**53**	**23**
Exchange rate movements impact	168	1	-	(20)	92
EEV of acquired business/others	-	-	-	-	-
Capital injections	-	25	56	(54)	37
Dividends paid/received	(102)	(161)	(26)	(14)	(31)
CLOSING EEV	**9,163**	**4,887**	**2,738**	**766**	**1,379**
Closing ANAV	5,149	1,232	1,820	228	330
o/w Free surplus	1,908	(673)	389	127	69
o/w Required capital	3,241	1,906	1,431	102	261
Closing VIF	4,015	3,654	918	538	1,049
o/w Certainty equivalent PVFP	5,007	4,875	1,518	562	1,066
o/w Time value of O&G	(697)	(886)	(371)	(18)	-
o/w CoC/NFR	(295)	(335)	(229)	(6)	(17)
OPERATING RETURN ON EEV	**13%**	**11%**	**8%**	**11%**	**4%**
TOTAL RETURN ON EEV	**8%**	**11%**	**-9%**	**7%**	**2%**

IMPLIED DISCOUNT RATE		Switzerland	Germany	Belgium	CEE	UK
2014	Reference rate	1.7%	2.0%	1.2%	2.0%	2.2%
	Total IDR	3.9%	3.7%	9.7%	4.4%	4.8%
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%

Switzerland had a 13% **operating return** (8% in 2013), due to:

- **New business value** of Euro 172 million, lower than in 2013 (Euro 209 million), mainly reflecting the repositioning of the Group Life product mix;
- **Operating variance** (Euro 91 million), reflecting the change in projected benefits in adverse scenarios from the lower reserving technical rate;
- **Operating assumptions changes** (Euro 488 million), mainly reflecting a change in policyholder's target bonus assumptions in Group life, lower projected expenses and a favorable update of lapse rates in Group Life business;

Germany had a 11% **operating return** (7% in 2013), driven by:

- **New business value** (Euro 115 million), higher than in 2013 (Euro 76 million), mainly reflecting the successful launch of a new hybrid Savings product and the contribution of a new Health product;

- **Operating variance** (Euro -92 million), reflecting lower investment income, the negative impact of the corporate bonds strategic asset allocation partly offset by favorable technical variance on Health products;
- **Operating assumptions changes** (Euro 259 million), mainly reflecting the increase in target shareholder participation in margins, the favorable impact of inforce management measures, lower unit costs and the update of actuarial assumptions in Health and Life businesses.

Belgium had a 8% **operating return** (16% in 2013), including:

- **New business value** (Euro 25 million), lower than in 2013 (Euro 39 million), mainly driven by lower volumes in Savings;
- **Operating variance** (Euro 26 million), reflecting higher than expected realized investment margin partly offset by a deviation on expenses and on lapse. In 2014 an additional statutory reserve strengthening was required by the regulator as a consequence of the low interest rate environment (Euro -324 million on ANAV with the offset in VIF). This reserve strengthening was fully offset by a released in VIF and its impact on EEV consisted in the cost of capital;
- **Operating assumptions changes** (Euro -129 million), mainly due to revised assumptions related to magnitude and pattern of the low interest rate statutory reserve, higher projected expenses and the update of mortality assumptions;

CEE had a 11% **operating return** (8% in 2013), impacted by:

- **New business value** (Euro 26 million), higher than in 2013 (Euro 24 million), mainly driven by the favorable impact on Unit-Linked business of low interest rates in discounting future profits and lower lapse rates. This was partly offset by lower volumes;
- **Operating variance** (Euro 76 million), mainly reflecting higher investment margin and favorable development in the Polish Pension Fund reflecting higher retention following the change in Pension Fund regulation last year;
- **Changes in operating assumptions** (Euro -43 million), mainly reflecting the update of unit costs assumptions as well as the review of actuarial assumptions;

The UK had a 4% **operating return** (4% in 2013), as a result of:

- **New business value** (Euro 32 million), higher than in 2013 (Euro 21 million), mainly driven by expense savings;
- **Operating variance** (Euro -75 million), mainly driven by higher one off expenses, reduced investment margins on asset management and adverse variance on lapse;
- **Changes in operating assumptions** (Euro 49 million), mainly reflecting the update of unit costs and mortality assumptions.

The total return of NORCEE/UK decreased to 5% (8% in 2013), due to the adverse impact of market conditions, mainly the decrease in interest rates and increase in volatilities in all countries, and the widening of spreads on USD invested assets in **Switzerland**.

The **capital flows** (Euro -270 million) at the NORCEE/UK region level were due to:

- dividend payments from Life & Savings entities;
- internal capital transfers from the P&C segment in **Belgium** and in **Germany;**
- capital upstream from **CEE** entities;
- and internal capital transfers between **the UK** entities to support new business development.

2014 EEV was Euro 18,934 million and was composed of the following elements:

- **Required capital** increased by Euro 650 million to Euro 6,939 million, mainly driven by **Switzerland** reflecting the rise in capital requirement in low interest rate environment, **Germany** reflecting the growth of the Health business, **Belgium** with the additional required capital on the statutory low interest rate reserve, the **UK** reflecting the increase in capital requirement due to higher new business volumes, partly offset by **CEE** reflecting lower required capital in Pension Fund business in Poland and Czech Republic;

- **Free surplus** increased by Euro 183 million to Euro 1,820 million, primarily driven by :
  - the contribution of inforce business;
  - the increase of unrealized capital gains in **Belgium** and in **Switzerland** following the drop in interest rates;

  partly offset by
  - new business capital consumption;
  - the strengthening of the local statutory low interest rate reserve (Euro -324 million) fully released in VIF in **Belgium**;
  - the increase in capital requirement in the low interest rate environment in **Switzerland** (Euro -388 million);
  - the increase in Unit-Linked required capital (Euro -151 million), mainly in **Germany** from Variable Annuity GMxB statutory reserves in the low interest rate environment as well as the decrease in investment margin due to lower income and to a higher share allocated to policyholders (Euro -41 million);
  - the impact of higher than expected expenses reflecting investments in the **UK**;
  - the dividends paid by Life & Savings entities and capital upstream in **CEE**.
- **VIF** slightly increased by Euro 3 million to Euro 10,174 million, mainly driven by new business value, the positive impact on VIF of the release of higher statutory reserve in **Belgium**, a more favorable than expected experience in **CEE** in the Polish Pension Fund following the change in regulation in 2013, favorable impact of inforce measures, assumptions changes on lapse, lower projected unit costs and higher shareholders' target participation in margins **in Germany** and the review of lapse assumptions in Group Life and the update of the policyholder bonus distribution rates in **Switzerland.** These effects were offset by lower future profits embedded in the VIF due to the low interest rate environment combined with higher volatilities across all countries, unfavorable assumptions changes related to the magnitude and pattern of the low interest rate statutory reserve in **Belgium**, and the update of unit costs as well as the review of actuarial assumptions in **CEE**.

In **Switzerland**, the IDR slightly increased to 3.9% compared to 3.8% in 2013.

In **Germany**, the IDR slightly decreased to 3.7% compared to 4.8% in 2013, mainly driven by the lower interest rates environment and the lower management expectations for future economic conditions partly offset by higher volatilities.

In **Belgium**, the IDR decreased to 9.7% compared to 11.3% in 2013, reflecting the lower interest rates environment and the lower management expectations for future economic conditions partly offset by higher volatilities.

In **CEE,** the IDR decreased to 4.4% compared to 5.4% in 2013 in line with the decrease in interest rates reflecting the lower interest rates environment and the lower management expectations for future economic conditions.

In the **UK**, the IDR increased to 4.8% compared to 3.9% in 2013.

LIFE AND SAVINGS NEW BUSINESS

NEW BUSINESS METRICS *Euro million - Group share*	2013	2014	Switzerland	Germany	Belgium	CEE	UK
Regular premiums	838	812	178	318	61	60	195
Single premiums	8,831	8,007	1,511	552	640	221	5,083
ANNUALIZED PREMIUM EQUIVALENT (APE)	**1,721**	**1,613**	**329**	**373**	**125**	**82**	**704**
Capitalization factor	14.2	14.3	26.4	16.3	10.5	6.6	3.7
Present Value of Expected Premiums (PVEP)	20,741	19,650	6,206	5,740	1,278	619	5,808
NEW BUSINESS VALUE (NBV)	**369**	**370**	**172**	**115**	**25**	**26**	**32**
o/w Certainty Equivalent PVFP less Strain	479	478	209	171	39	26	33
o/w Time Value of O&G	(78)	(82)	(28)	(44)	(10)	(0)	0
o/w CoC/NFR	(32)	(26)	(9)	(12)	(4)	(0)	(1)
NBV/APE	**21.4%**	**22.9%**	**52.3%**	**30.8%**	**19.9%**	**31.8%**	**4.5%**
NBV/PVEP	**1.8%**	**1.9%**	**2.8%**	**2.0%**	**1.9%**	**4.2%**	**0.5%**
NEW BUSINESS IRR	**9.5%**	**9.5%**	**11.8%**	**10.5%**	**12.9%**	**10.6%**	**6.3%**
APE change at comparable basis (*)		-8%	-24%	-3%	-17%	-18%	4%
PVEP change at comparable basis (*)		-7%	-14%	7%	-9%	-22%	-8%
NBV change at comparable basis (*)		0%	-18%	51%	-36%	14%	40%

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

APE decreased by 8%, mainly driven by:

- **Switzerland:** APE decreased by 24% on a comparable basis to Euro 329 million, following the strategic product mix repositioning in Group Life business, partly offset by higher volumes in Individual Protection business.
- **CEE:** APE decreased by 18% on a comparable basis to Euro 82 million, mainly driven by Czech Republic, due to the non-repeat of accelerated sales in General Account Savings business in 2013, in anticipation of the Pension Funds reform.
- **Belgium:** APE decreased by 17% on a comparable basis to Euro 125 million, reflecting lower volumes of Oxylife hybrid products, partly offset by higher sales in Group Life Protection.
- **Germany:** APE decreased by 3% on a comparable basis to Euro 373 million, mainly due to the non-repeat of strong sales in Health in 2013 following the introduction of unisex tariffs, partly offset by the launch of a new hybrid Savings product.
- **UK:** APE increased by 4% on a comparable basis to Euro 704 million, driven by higher sales in the Corporate Pension Investment business, partly offset by the exit from the Bancassurance channel in 2013.

NBV was stable at Euro 370 million, mainly driven by a higher NBV in Germany, offset by a lower NBV in Switzerland.

ANALYSIS OF CHANGE IN NBV *Euro Million - Groupe share*	NORCEE UK	Switzerland	Germany	Belgium	CEE	UK
2013 LIFE & SAVINGS NBV	**369**	**209**	**76**	**39**	**24**	**21**
Modeling changes and opening adjustments	15	22	(5)	(1)	(0)	(0)
Change in scope and acquisitions	(1)	-	-	-	(1)	-
Currency movements impact	3	2	-	-	(0)	1
Business-driven evolution:	(17)	(61)	44	(13)	4	9
o/w Volume	(68)	(57)	(2)	(7)	(3)	0
o/w Business mix	23	5	23	2	(0)	(6)
o/w Expenses	16	1	10	(6)	(1)	13
o/w Investment assumptions	(12)	(15)	2	(3)	6	(1)
o/w Actuarial assumptions and others	24	6	11	1	2	4
2014 LIFE & SAVINGS NBV	**370**	**172**	**115**	**25**	**26**	**32**

NB IMPLIED DISCOUNT RATE		Switzerland	Germany	Belgium	CEE	UK
2014	Reference rate	1.6%	2.1%	1.4%	1.7%	2.2%
	Total IDR	4.2%	4.1%	8.3%	3.4%	4.2%
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%

The contributors to NBV were:

- **Germany:** NBV increased by 51% on a comparable basis to Euro 115 million mainly driven by the successful launch of a new hybrid Savings product, the contribution of a new Health product and lower lapse assumptions in Savings business.
- **UK:** NBV increased by 40% on a comparable basis to Euro 32 million mainly driven by cost savings, partly offset by lower contribution of SunLife high margins Protection business, and lower interest rates.
- **Switzerland:** NBV decreased by 18% on a comparable basis to Euro 172 million mainly driven by the strategic shift from full protection schemes to semi-autonomous employee benefit solutions and lower interest rates. This was partly offset by lower lapse assumptions.
- **Belgium:** NBV decreased by 36% on a comparable basis to Euro 25 million mainly driven by lower volumes and higher expenses.
- **CEE**: NBV increased by 14% on a comparable basis to Euro 26 million, mainly driven by the favorable impact on Unit-Linked business of low interest rates in discounting future profits and lower lapse rates. This was partly offset by lower volumes.

The NBV margin increased by 1.5pts to 22.9%.

The **IRR** of the region was stable at 9.5% with the following evolution by country:

- **CEE:** IRR increased by 3.4pts to 10.6%, mainly driven by lower lapse rates**.**
- **UK:** IRR increased by 0.3pts to 6.3%, in line with developments in NBV with notably the positive impact of expense savings.
- **Belgium**: IRR decreased by 0.4pts to 12.9 %, mainly driven by higher expenses.
- **Germany:** IRR decreased by 0.5pts to 10.5%, driven by lower expected future economic conditions, partly offset by the successful launch of a new hybrid Savings product, and the contribution of a new Health product.
- **Switzerland:** IRR decreased by 3.1pts to 11.8% driven by lower expected future economic conditions, partly offset by the product mix repositioning in Group Life.

The **IDR** of Belgium's new business increased by 1.8pts to 8.3% reflecting higher volatilities partly offset by the low interest rates environment and the lower management's expectations for future economic conditions. Other countries' IDR decreased reflecting the lower interest rates environment and the lower management expectations for future economic conditions.

LIFE AND SAVINGS SENSITIVITIES

EEV SENSITIVITIES *(Euro million, Group share)*	EEV		NBV	
CLOSING 2014 ORIGINAL AMOUNTS	**18,934**	**100%**	**370**	**100%**
Upward shift of 100 basis points in reference interest rates	478	3%	(4)	-1%
Downward shift of 100 basis points in reference interest rates	(971)	-5%	(57)	-15%
10% higher value of equity markets	399	2%	(7)	-2%
10% lower value of equity markets	(407)	-2%	9	3%
10% higher value of real estate	397	2%	13	4%
10% lower value of real estate	(435)	-2%	(2)	0%
Overall 10% decrease in lapse rates	348	2%	36	10%
Overall and permanent decrease of 10% in expenses	483	3%	26	7%
5% lower mortality rate for annuity business	(99)	-1%	0	0%
5% lower mortality rate for life business	73	0%	8	2%
Upward parallel shift of 25% of the volatility on equity markets	(152)	-1%	(4)	-1%
Upward parallel shift of 25% of the volatility on interest rates	(658)	-3%	(36)	-10%
50 basis points higher in credit spreads	(612)	-3%	(9)	-2%
50 basis points lower in credit spreads	534	3%	23	6%

EEV sensitivities were globally in line with 2013 sensitivities.

The sensitivities to interest rates and credit spreads were lower than in 2013 mainly driven by the changes to management rules in Health in **Germany** that decrease the sensitivity to market movements partly offset by the decrease in interest rates and the increase in shareholders' participation in margins.

NBV became more sensitive to a decrease in interest rates, mostly driven by the low interest rates level in Switzerland.

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 2014	EEV 2013
OPENING EEV	**2,065**		**2,242**		**4,306**		**6,014**		**10,320**	**10,347**
Modeling changes and opening adjustments	(63)		(158)		(221)		2		(219)	(91)
ADJUSTED OPENING EEV	**2,001**		**2,084**		**4,085**		**6,016**		**10,101**	**10,256**
New business value	(616)		90		(526)		1,422		896	1,031
Expected existing business contribution	868		81		948		(420)		529	523
o/w Expected return on surplus	35		-		35		-		35	35
o/w Expected return on VIF	-		-		-		494		494	488
Current year operating variance	122		(77)		45		(12)		33	254
Change in operating assumptions	-		-		-		139		139	(487)
OPERATING RETURN ON EEV	**373**		**94**		**467**		**1,129**		**1,597**	**1,322**
Economic variance	851		130		981		(1,910)		(929)	921
Other non-operating variance	-		-		-		-		-	(54)
TOTAL RETURN ON EEV	**1,224**		**224**		**1,448**		**(780)**		**668**	**2,189**
Exchange rate movements impact	23		139		161		536		697	(1,770)
EEV of acquired business/others	(12)		-		(12)		-		(12)	(33)
Capital injections	148		-		148		-		148	152
Dividends paid/received	(730)		-		(730)		-		(730)	(474)
CLOSING EEV	**2,654**		**2,447**		**5,101**		**5,771**		**10,872**	**10,320**
Closing VIF									5,771	6,014
o/w Certainty equivalent PVFP									6,955	6,972
o/w Time value of O&G									(810)	(620)
o/w CoC/NFR									(374)	(339)
OPERATING RETURN ON EEV									**16%**	**13%**
TOTAL RETURN ON EEV									**7%**	**21%**

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 -219 million included :

- the change in reference rate curve (Euro -258 million);
- the impact in **Japan** of the revision of Variable Annuities projections which generated a decrease of ANAV (Euro -224 million) and an increase in VIF (Euro +224 million), and various offsetting impacts due to modeling refinements in the region.

Operating return on EEV of 16% (Euro 1,597 million) compared to 13% in 2013 (Euro 1,322 million) was mainly driven by the favorable impact of operating assumptions changes in 2014 (Euro 139 million) as compared to unfavorable changes in operating assumptions changes (Euro -487 million) in 2013. These changes were partly offset by the decrease in new business value and the more favorable operating variance in 2013.

EEV ANALYSIS OF CHANGE *Euro million, Group share*	**Japan**	**Hong Kong**	**SEA, India & China**
OPENING EEV	**5,749**	**3,546**	**1,026**
Modeling changes and opening adjustments	(202)	(1)	(16)
ADJUSTED OPENING EEV	**5,547**	**3,545**	**1,010**
New business value	369	352	176
Expected existing business contribution	196	256	76
o/w Expected return on surplus	27	(6)	14
o/w Expected return on VIF	169	262	62
Current year operating variance	44	25	(36)
Change in operating assumptions	42	82	16
OPERATING RETURN ON EEV	**650**	**714**	**232**
Economic variance	(795)	(164)	30
Other non-operating variance	-	-	-
TOTAL RETURN ON EEV	**(145)**	**550**	**262**
Exchange rate movements impact	13	538	146
EEV of acquired business/others	-	-	(12)
Capital injections	-	-	148
Dividends paid/received	(585)	(87)	(58)
CLOSING EEV	**4,831**	**4,546**	**1,495**
Closing ANAV	3,407	950	744
o/w Free surplus	2,213	(67)	507
o/w Required capital	1,194	1,017	236
Closing VIF	1,423	3,596	752
o/w Certainty equivalent PVFP	1,713	4,368	874
o/w Time value of O&G	(163)	(549)	(98)
o/w CoC/NFR	(127)	(223)	(25)
OPERATING RETURN ON EEV	**12%**	**20%**	**23%**
TOTAL RETURN ON EEV	**-3%**	**16%**	**26%**

IMPLIED DISCOUNT RATE		**Japan**	**Hong Kong**
2014	Reference rate	0.4%	2.8%
	Total IDR	5.8%	6.5%
2013	Reference rate	1.5%	3.5%
	Total IDR	4.7%	6.9%

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 12% operating return versus 9% in 2013 (6 % on a comparable scope with 12 months accounting period instead of 15 months) including strong **expected existing business** and **new business** contributions, and the following items:

- **Operating variance** (Euro 44 million), reflecting higher than expected investment income boosted by exceptional dividends from equity funds in a rising Japanese stock market, the positive effect of management actions on Medical and Protection products, partly offset by the unfavorable increase of annuitization in Annuity business;
- **Change in operating assumptions** (Euro 42 million), reflecting the update of mortality/morbidity assumptions for Life and Health products, the update of longevity assumptions for Annuities, partly offset by the unfavorable update of lapse assumptions.

Hong Kong had a 20% **operating return** (17% in 2013), driven by **existing business**, **new business** contributions, and the following items:

- **Operating variance** (Euro 25 million) reflecting overall better persistency and favorable mortality experience, partly offset by higher expenses than expected;
- **Assumptions changes** (Euro 82 million) mainly reflecting the update of mortality and medical expense assumptions.

South-East Asia, India & China had a 23% **operating return** (25% in 2013), driven by **new business value,** the increase in **existing business** contribution and the following items:

- **Operating variance** (Euro -36 million), reflecting unfavorable lapse experience in Indonesia, Singapore, and Thailand, the impact of expenses overruns in India and China which were partly offset by underruns in Thailand and Indonesia;
- **Changes in operating assumptions** (Euro 16 million), reflecting the favorable revision of asset management fees and the update of actuarial assumptions.

Total return on EEV was 7%, as the strong operating return was partly offset by the unfavorable economic variance.

Economic variance of Euro -929 million was mainly driven by **Japan** and **Hong Kong** reflecting the decrease of interest rates.

Exchange rate movement impact was Euro 697 million, driven by the appreciation of currencies against the Euro in **Hong Kong** and in **Sea, India & China**.

The **EEV of acquired business/other** (Euro -12 million) reflecting the impact in **South-East Asia, India & China** of additional payment following a transaction in prior year and other capital movements.

Capital flows were Euro -583 million, reflecting a dividend payment of Euro 585 million by Japan, Euro 87 million by Hong Kong, Euro 58 million by **South-East Asia, India & China**, and capital injections (Euro 148 million) in China, Singapore and India.

Closing EEV was Euro 10,872 million and was composed of the following elements:

- **Required capital** increased by Euro 205 million to Euro 2,447 million, mainly reflecting the new business capital requirement, the impact of foreign exchange rates and higher capital requirements from higher reserves in low interest rate environment in **Hong Kong,** partly offset by the decrease of capital requirement following the revised modeling of Variable Annuities projections in **Japan**.
- **Free surplus** increased by Euro 589 million to Euro 2,654 million. The evolution was mainly explained by:
  - New business investments (Euro -616 million);
  - Expected existing business contribution (Euro 868 million);
  - Economic variance (Euro 851 million) mainly in **Japan,** driven by strong increase of unrealized gains following the decrease of interest rates and in **Hong Kong** following the favorable performance of equities;
  - EEV of acquired business/other (Euro -12 million) and Capital flows (Euro -583 million), including dividend payments and capital injections.
- **VIF** decreased by Euro 242 million to Euro 5,771 million, driven by the negative impact of economic variance, partly offset by the contribution of new business, and the favorable impact of foreign currencies appreciation versus Euro.

The **IDR** of **Japan** increased by 1.1pts to 5.8% mainly driven by the lower interest rates environment leading the policyholder's financial guarantees to be more in the money.

The **IDR** of **Hong Kong** decreased by 0.4pts to 6.5% mainly driven by the low interest rates environment and the lower management's expectations for future economic conditions.

LIFE AND SAVINGS NEW BUSINESS

NEW BUSINESS METRICS *Euro million - Group share*	2013	2014	Japan	Hong Kong	SEA, India & China
Regular premiums	1,263	1,211	336	482	393
Single premiums	1,479	1,309	251	331	727
ANNUALIZED PREMIUM EQUIVALENT (APE)	**1,411**	**1,342**	**361**	**515**	**466**
Capitalization factor	7.4	7.3	10.7	7.7	3.8
Present Value of Expected Premiums (PVEP)	10,780	10,094	3,836	4,041	2,217
NEW BUSINESS VALUE (NBV)	**1,031**	**896**	**369**	**352**	**176**
o/w Certainty Equivalent PVFP less Strain	1,126	1,007	370	429	208
o/w Time Value of O&G	(75)	(93)	0	(67)	(26)
o/w CoC/NFR	(20)	(18)	(2)	(10)	(7)
NBV/APE	**73.1%**	**66.8%**	**102.2%**	**68.3%**	**37.7%**
NBV/PVEP	**9.6%**	**8.9%**	**9.6%**	**8.7%**	**7.9%**
NEW BUSINESS IRR	**20.2%**	**18.3%**	**11.9%**	**17.0%**	**48.0%**
APE change at comparable basis (*)		12%	3%	17%	16%
PVEP change at comparable basis (*)		10%	5%	25%	0%
NBV change at comparable basis (*)		4%	-7%	20%	5%

(*) 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 in 2013

APE increased by 12% to Euro 1,342 million, mainly driven by:

- **Hong Kong: APE** increased by 17% on a comparable basis to Euro 515 million, mainly due to accelerated sales in Unit-Linked products before the implementation of significant regulatory changes starting from January 1st 2015, successful marketing campaign in General Account Protection & Health business, partly offset by lower Mutual Funds Retirement sales following the planned divestment of the retirement business.
- **South-East Asia, India & China: APE** increased by 16% on a comparable basis to Euro 466 million, mainly due to strong developments of General Account Protection & Health products in **Thailand** and **China**, higher volumes in **Singapore** and **Philippines**, partly offset by a decrease in Unit-Linked sales in **Indonesia**.
- **Japan: APE** increased by 3% on a comparable basis to Euro 361 million, mainly driven by newly launched Protection products, higher sales of Unit-Linked Protection product, partly offset by lower volumes in Variable Annuity products.

NBV increased by 4% on a comparable basis to Euro 896 million.

ANALYSIS OF CHANGE IN NBV *Euro Million - Groupe share*	**Total**	**Japan**	**Hong Kong**	**SEA, India & China**
2013 LIFE & SAVINGS NBV	**1,031**	**550**	**295**	**187**
Modeling changes and opening adjustments	(89)	(110)	22	(1)
Change in scope and acquisitions	0	0	-	0
Currency movements impact	(76)	(62)	(1)	(13)
Business-driven evolution:	29	(9)	36	3
o/w Volume	77	3	49	25
o/w Business mix	62	43	24	(6)
o/w Expenses	(22)	(11)	(17)	6
o/w Investment assumptions	(62)	(41)	1	(22)
o/w Actuarial assumptions and others	(25)	(3)	(21)	0
2014 LIFE & SAVINGS NBV	**896**	**369**	**352**	**176**

NB IMPLIED DISCOUNT RATE		**Japan**	**Hong Kong**
2014	Reference rate	1.1%	2.9%
	Total IDR	2.3%	4.7%
2013	Reference rate	1.7%	3.3%
	Total IDR	2.3%	5.1%

The contributors to NBV were:

- **Hong Kong:** NBV increased by 20% on a comparable basis to Euro 352 million, mainly driven by higher volumes, and an improved business mix following higher sales of Protection & Health products and lower sales of mutual funds and retirement products. This was partly offset by higher lapse, and higher expenses.
- **South-East Asia, India & China:** NBV increased by 5% on a comparable basis to Euro 176 million mainly driven by higher volumes, partly offset by unfavorable market conditions.
- **Japan:** NBV decreased by 7% on a comparable basis to Euro 369 million, mainly driven by lower interest rates, partly offset by sales of new Protection products with high margin. Average depreciation in 2014 of Japanese Yen versus Euro had a negative impact of Euro -62 million.

This resulted in a NBV margin of **66.8%** (compared to 73.1% in 2013).

IRR decreased by 1.9pts to 18.3%, driven by:

- **Japan:** IRR decreased by 0.5pts to 11.9%, driven by lower management expectations for future economic conditions, partly offset by successful new product launch.
- **Hong Kong:** IRR decreased by 5.3pts to 17.0%, driven by lower management expectations for future economic conditions, more unfavorable management scenario and higher expenses.
- **South-East Asia, India & China:** IRR increased by 0.3pts to 48.0%.

New business IDR was stable in Japan and decreased by 0.4pts to 4.7% in Hong Kong mainly driven by the low interest rates environment and the lower management's expectations for future economic conditions.

LIFE AND SAVINGS SENSITIVITIES

EEV & NBV SENSITIVITIES *(Euro million, Group share)*	EEV		NBV	
CLOSING 2014 ORIGINAL AMOUNTS	**10,872**	**100%**	**896**	**100%**
Upward shift of 100 basis points in reference interest rates	872	8%	35	4%
Downward shift of 100 basis points in reference interest rates	(1,396)	-13%	(81)	-9%
10% higher value of equity markets	152	1%	0	0%
10% lower value of equity markets	(199)	-2%	(0)	0%
10% higher value of real estate	14	0%	-	0%
10% lower value of real estate	(15)	0%	-	0%
Overall 10% decrease in lapse rates	319	3%	55	6%
Overall and permanent decrease of 10% in expenses	241	2%	22	2%
5% lower mortality rate for annuity business	(51)	0%	0	0%
5% lower mortality rate for life business	185	2%	12	1%
Upward parallel shift of 25% of the volatility on equity markets	(88)	-1%	(4)	0%
Upward parallel shift of 25% of the volatility on interest rates	(223)	-2%	(16)	-2%
50 basis points higher in credit spreads	(338)	-3%	1	0%
50 basis points lower in credit spreads	357	3%	(1)	0%

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

EEV interest rates sensitivity was higher compared to 2013 mainly due to the decrease in interest rates and the increase in volatilities mostly impacting the General Account Savings business in **Japan**.

NBV sensitivities remained in line with 2013.

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 2014	EEV 2013
OPENING EEV	**243**		**1,015**		**1,258**		**380**		**1,638**	**1,498**
Modeling changes and opening adjustments	(12)		15		3		(85)		(81)	(233)
ADJUSTED OPENING EEV	**231**		**1,030**		**1,261**		**295**		**1,557**	**1,265**
New business value	(169)		137		(32)		215		182	138
Expected existing business contribution	292		(101)		191		(85)		106	117
o/w Expected return on surplus	6		-		6		-		6	6
o/w Expected return on VIF	-		-		-		100		100	110
Current year operating variance	133		(37)		96		(51)		45	59
Change in operating assumptions	-		-		-		47		47	(25)
OPERATING RETURN ON EEV	**256**		**(1)**		**254**		**126**		**380**	**288**
Economic variance	116		(43)		73		30		103	216
Other non-operating variance	-		-		-		8		8	(6)
TOTAL RETURN ON EEV	**372**		**(45)**		**327**		**164**		**491**	**498**
Exchange rate movements impact	1		2		3		1		4	(16)
EEV of acquired business/others	(1)		-		(1)		-		(1)	4
Capital injections	2		-		2		-		2	14
Dividends paid/received	(147)		-		(147)		-		(147)	(128)
CLOSING EEV	**458**		**988**		**1,445**		**461**		**1,906**	**1,638**
Closing VIF									461	380
o/w Certainty equivalent PVFP									692	588
o/w Time value of O&G									(189)	(144)
o/w CoC/NFR									(43)	(64)
OPERATING RETURN ON EEV									**24%**	**23%**
TOTAL RETURN ON EEV									**32%**	**39%**

IMPLIED DISCOUNT RATE	2014	2013
Reference rate	3.2%	4.5%
Total IDR based on distributable earnings	9.5%	10.9%

Modeling changes and opening adjustments of Euro -81 million reflected refinement of the modeling of corporate bonds in Italy, and the change in reference curve in Mexico for USD-denominated liabilities.

Operating return on EEV of 24% (Euro 380 million) was higher compared to 23% in 2013 (Euro 288 million), mainly driven by an increased contribution of the new business, favorable lapse variance on Unit-Linked products in Italy, the positive contribution of management actions on the Annuity portfolio and the favorable impact of the decrease in lapse following retention initiatives for Pure Protection business in Spain, partly offset by the lower expected existing business contribution as 2013 IDR (10.9%) was lower than 2012 IDR (13.0%).

Total return on EEV of 32% (Euro 491 million) decreased compared to last year, as a consequence of a lower positive economic variance. The favorable impact of sovereign bonds spreads tightening in the Euro zone peripheral countries, and the recovery of corporate spreads was partly offset by the unfavorable impact of lower interest rates.

Closing EEV was Euro 1,906 million, and composed of the following elements:

- **Required capital** decreased by Euro 27 million to Euro 988 million, driven by the favorable impact of a reinsurance transaction setup in Italy, in-force management actions in Spain and the expected existing business capital release partly offset by the investment in new business;
- **Free surplus** increased by Euro 214 million to Euro 458 million, as a consequence of high unrealized capital gains, a higher than expected investment income and the favorable lapse variance on Unit-Linked products, partly offset by the new business investments, and dividend payment;
- **VIF** increased by Euro 81 million to Euro 461 million, with the contribution of new business more than offsetting the unfavorable modeling changes following the enhancement of the credit model, the negative impact of the new lapse assumptions methodology and the better modeling of permanent disability for certain life products.

IDR decreased by 1.4pts to 9.5%, mainly driven by the low interest rates environment and the lower management's expectations for future economic conditions partly offset by higher volatilities.

LIFE AND SAVINGS NEW BUSINESS

NEW BUSINESS METRICS *Euro million - Group share*	2013	2014
Regular premiums	159	188
Single premiums	2,832	3,816
ANNUALIZED PREMIUM EQUIVALENT (APE)	**443**	**570**
Capitalization factor	4.2	4.7
Present Value of Expected Premiums (PVEP)	3,496	4,709
NEW BUSINESS VALUE (NBV)	**138**	**182**
o/w Certainty Equivalent PVFP less Strain	150	212
o/w Time Value of O&G	(6)	(23)
o/w CoC/NFR	(6)	(6)
NBV/APE	**31.2%**	**32.0%**
NBV/PVEP	**3.9%**	**3.9%**
NEW BUSINESS IRR	**18.3%**	**16.7%**
APE change at comparable basis (*)		30%
PVEP change at comparable basis (*)		35%
NBV change at comparable basis (*)		33%

ANALYSIS OF CHANGE IN NBV *Euro Million - Group share*	
2013 LIFE & SAVINGS NBV	**138**
Modeling changes and opening adjustments	(7)
Change in scope and acquisitions	0
Currency movements impact	(1)
Business-driven evolution:	52
o/w Volume	29
o/w Business mix	(6)
o/w Expenses	0
o/w Investment assumptions	10
o/w Actuarial assumptions and others	19
2014 LIFE & SAVINGS NBV	**182**

NB IMPLIED DISCOUNT RATE	2013	2014
Reference rate	3.4%	2.1%
Total IDR Based on distributable earnings	4.5%	4.0%

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

APE increased by 30% on a comparable basis to Euro 570 million mainly driven by higher sales of hybrid Savings products at AXA MPS.

NBV increased by 33% on a comparable basis to Euro 182 million mainly driven by higher volumes, lower lapse rates following retention initiatives in Spain, and lower interest rates positively impacting Protection & Health business through discounting mechanism. Business mix was slightly deteriorated as volume growth in hybrid Savings products was relatively higher than that of General Account Protection & Health.

NBV margin increased to 32.0% compared to 31.2% in 2013.

IRR decreased by 1.6pts to 16.7%, mainly driven by a decrease in management's expectations of future market conditions, partly offset by lower lapse assumptions in Spain.

New business IDR decreased by 0.5pts to 4.0%, in line mainly driven by the low interest rates environment and the lower management's expectations for future economic conditions.

LIFE AND SAVINGS SENSITIVITIES

EEV SENSITIVITIES *(Euro million, Group share)*	EEV		NBV	
CLOSING 2014 ORIGINAL AMOUNTS	**1,906**	**100%**	**182**	**100%**
Upward shift of 100 basis points in reference interest rates	3	0%	(1)	-1%
Downward shift of 100 basis points in reference interest rates	(83)	-4%	3	1%
10% higher value of equity markets	17	1%	0	0%
10% lower value of equity markets	(16)	-1%	(0)	0%
10% higher value of real estate	5	0%	0	0%
10% lower value of real estate	(5)	0%	(0)	0%
Overall 10% decrease in lapse rates	69	4%	17	10%
Overall and permanent decrease of 10% in expenses	58	3%	7	4%
5% lower mortality rate for annuity business	(36)	-2%	(0)	0%
5% lower mortality rate for life business	57	3%	5	3%
Upward parallel shift of 25% of the volatility on equity markets	(5)	0%	(1)	0%
Upward parallel shift of 25% of the volatility on interest rates	(38)	-2%	(4)	-2%
50 basis points higher in credit spreads	(81)	-4%	(0)	0%
50 basis points lower in credit spreads	82	4%	2	1%

2014 **EEV** was reversely sensitive to interest rates compared to 2013 and had still a limited sensitivity to interest rates variations due to the offsetting effects between General Account Savings and Pure Protection businesses.

2014 **NBV** interest rates sensitivities magnitude was lower than in 2013 mainly due to the increase in share of Hybrid Savings products compared to the share of Protection & Health business.

Other sensitivities remained in line with the 2013 ones.

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 60%, or Euro 55 billion of AXA's consolidated IFRS gross revenues for the year ended December 31, 2014.

Cash flows projected in the VIF are from the following entities, which represented 99.3% of the total Life & Savings technical reserves and 99.9% 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, 2014:

- 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 143 million, or 0.6% of the total ANAV as of December 31, 2014.

3.2. VALUATION DATE

Life & Savings EEV is determined using data and assumptions as of December 31, 2014 for all covered business including Japan where consistent with the IFRS accounts. In 2013, 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 AB units are publicly-traded. It is also noteworthy that the units of AB held by US Life entities in the Group are not valued at their December 31, 2014 market value of Euro 1.8 billion (gross of tax) in the Life & Savings EEV; instead, these units are carried at their cost basis of Euro 1.4 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 shareholders' 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 tax frictional cost of locked-in required capital , the cost of holding this required capital being the difference between the amount of required capital and the present value of future releases, allowing for future taxed investment return, of that capital.

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[1] 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 (lapse, 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.

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[1] 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.

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 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 2014 AXA Life & Savings EEV was Euro 9.9 billion 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 2014 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 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, the volatility on interest rates and the Ultimate Forward rates are not changed.

Downward 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 lapse 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 (see Appendix 3 of this report) for the definition of the reference interest rate.

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 amount of VIF plus Required Capital from a deterministic projection of statutory distributable cash flows (earnings plus movement in required capital) in the scenario reflecting management's expectations of economic conditions in future periods. In no circumstances, it is 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, fully in line with the EIOPA November 2014 consultation paper regarding the risk free interest rate term structure, 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, being currency specific and equal to the lowest value producing a curve reaching a 1 basis point convergence tolerance of the UFR by the convergence point, and the maturity at which the forward rate reaches the UFR set equal to the maximum of 40 years plus the entry point to extrapolation (representing the last liquid maturity) and 60 years.

These parameters have been adjusted compared to the previous year, where the alpha parameter was set equal to 0.2 and the maturity at which the forward rate reaches the UFR was set equal to 40 years for all currency. The change was driven by the current developments for Solvency II illustrated by the EIOPA November 2014 consultation paper regarding the risk free interest rate term structure,. 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 -749 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 currencies:

LIQUIDITY PREMIUM, UFR & EXTRAPOLATION

Currency	Dec 31, 2013 liquidity premium (Bucket 100%)	Dec 31, 2014 liquidity premium (Bucket 100%)	UFR (%)	Extrapolation entry point - years (*)	Convergence to UFR - years (**)
EUR	30bps	20bps	4.2%	20	60
GBP	44bps	53bps	4.2%	50	90
USD	49bps	61bps	4.2%	50	90
JPY	0bps	0bps	3.2%	30	70
CHF	0bps	0bps	3.2%	25	65
HKD	49bps	61bps	4.2%	15	60

(*) : the extrapolation entry points for USD, JPY and CHF were respectively 30, 20 and 15 years in 2013.

(**) : the convergence to UFR for USD, JPY, CHF and HKD were respectively 70, 60, 55 and 55 years in 2013.

The following table shows the reference yield curves as of 31 December 2013 (used for the public 2013 EEV) and 31 December 2014 corresponding to buckets 0% and 100%.

0% bucket	EUR		USD		GBP		JPY		CHF		HKD	
maturity	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
1	0,40%	0,16%	0,31%	0,44%	0,71%	0,74%	0,21%	0,14%	0,09%	0,00%	0,45%	0,50%
2	0,54%	0,18%	0,49%	0,90%	1,03%	0,93%	0,21%	0,14%	0,16%	0,00%	0,64%	0,97%
3	0,78%	0,22%	0,88%	1,30%	1,45%	1,14%	0,25%	0,15%	0,30%	0,00%	1,00%	1,34%
5	1,27%	0,36%	1,82%	1,80%	2,18%	1,46%	0,40%	0,22%	0,76%	0,06%	1,86%	1,84%
7	1,72%	0,53%	2,56%	2,09%	2,65%	1,66%	0,62%	0,34%	1,22%	0,24%	2,48%	2,09%
10	2,23%	0,82%	3,24%	2,35%	3,11%	1,88%	0,95%	0,53%	1,68%	0,52%	3,02%	2,31%
15	2,71%	1,18%	3,84%	2,59%	3,48%	2,12%	1,43%	0,89%	2,11%	0,81%	3,36%	2,54%
20	2,85%	1,37%	4,08%	2,72%	3,58%	2,26%	1,79%	1,19%	2,31%	1,03%	3,51%	2,76%
25	2,98%	1,65%	4,18%	2,78%	3,59%	2,29%	2,03%	1,33%	2,47%	1,15%	3,63%	2,95%
30	3,15%	1,95%	4,22%	2,80%	3,56%	2,30%	2,21%	1,41%	2,58%	1,30%	3,72%	3,11%

100% bucket	EUR		USD		GBP		JPY		CHF		HKD	
maturity	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
1	0,70%	0,37%	0,80%	1,05%	1,16%	1,27%	0,21%	0,14%	0,09%	0,00%	0,94%	1,11%
2	0,84%	0,38%	0,98%	1,51%	1,48%	1,47%	0,21%	0,14%	0,16%	0,00%	1,13%	1,58%
3	1,08%	0,42%	1,37%	1,92%	1,90%	1,67%	0,25%	0,15%	0,30%	0,00%	1,49%	1,95%
5	1,57%	0,56%	2,32%	2,41%	2,63%	1,99%	0,40%	0,22%	0,76%	0,06%	2,36%	2,46%
7	2,02%	0,74%	3,06%	2,70%	3,11%	2,20%	0,62%	0,34%	1,22%	0,24%	2,98%	2,70%
10	2,53%	1,03%	3,75%	2,96%	3,56%	2,41%	0,95%	0,53%	1,68%	0,52%	3,52%	2,92%
15	3,01%	1,38%	4,35%	3,21%	3,93%	2,66%	1,43%	0,89%	2,11%	0,81%	3,86%	3,16%
20	3,15%	1,57%	4,59%	3,33%	4,04%	2,79%	1,79%	1,19%	2,31%	1,03%	3,96%	3,33%
25	3,26%	1,83%	4,69%	3,39%	4,05%	2,82%	2,03%	1,33%	2,47%	1,15%	4,02%	3,45%
30	3,39%	2,11%	4,73%	3,42%	4,02%	2,83%	2,21%	1,41%	2,58%	1,30%	4,05%	3,55%

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
- Swaptions implied volatility targets, used in the models, are adjusted for each liquidity premium bucket in order to maintain the relationship between interest rates and swaptions implied volatility in line with observed market data. As in 2013, AXA used at year-end 2014 spot daily at-the-money forward volatility for both equities and swaptions.

2013 TARGET VOLATILITIES	Equities year 5	Equities year 10	Equities year 15	10 yr Swaptions year 5	10 yr Swaptions year 10	10 yr Swaptions 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

2014 TARGET VOLATILITIES	Equities year 5	Equities year 10	Equities year 15	10 yr Swaptions year 5	10 yr Swaptions year 10	10 yr Swaptions year 15
USD	21,95%	26,38%	29,48%	28,84%	25,21%	22,08%
EUR	20,51%	20,61%	20,80%	43,57%	38,36%	37,06%
JPY	20,77%	22,38%	23,76%	35,30%	27,75%	25,11%
GBP	19,83%	22,03%	22,88%	32,12%	27,02%	25,14%
CHF	16,97%	18,24%	n/a	56,80%	48,50%	45,50%
HKD	20,66%	20,92%	n/a	27,70%	25,70%	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	2014	2013
EUR	0.0%	1.9%
USD	0.8%	1.0%
GBP	1.6%	2.9%

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)	2014	2013
United States	94/0/6	89/0/11
France	88/6/6	87/7/6
United Kingdom	27/57/16	26/51/24
Switzerland	76/5/19	76/6/18
Japan	86/8/6	86/8/6
Belgium	92/4/4	89/4/7
Hong Kong	77/15/8	74/17/9
Germany	91/3/6	91/3/5
MedLA	93/3/4	92/4/5
CEE	54/38/9	55/37/8

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	2014		2013	
LOCAL CURRENCY V.S. EURO	Year-end	Average	Year-end	Average
United States	1.210	1.332	1.378	1.327
United Kingdom	0.776	0.809	0.832	0.846
Switzerland	1.202	1.215	1.226	1.229
Japan	145.1	140.5	144.8	128.1
Hong Kong	9.38	10.33	10.68	10.29
Czech Republic	27.72	27.53	27.37	25.92
Hungary	315.7	308.0	297.1	296.1
Poland	4.298	4.185	4.158	4.188
Singapore	1.603	1.686	1.740	1.657
Philippines	54.13	59.09	61.16	56.21
Thailand	39.81	43.25	45.28	40.78
Indonesia	14986	15812	16770	13795
China	7.507	8.197	8.342	8.165
Turkey	2.829	2.898	2.961	2.518

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	2014	2013
United States	35%	35%
France	34%	34%
United Kingdom	16%	19%
Switzerland	21%	21%
Japan	31%	31%
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 health care 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)*	**2014**	**2013**
United Kingdom	39	42
Germany	32	34
United States	55	133
France	37	34
Belgium	17	14
MedLA	4	2
CEE	3	4
Other countries	7	10
TOTAL EXCLUDED EXPENSES	**194**	**274**

The level of excluded expenses decreased in 2014 compared to 2013, mainly driven by the US having less restructuring costs.

The level of excluded expenses in the other countries was in line with 2013.

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 AND INTERNAL RATES OF RETURN

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 (IDR) and internal rates of return (IRR) for new business. It is important to always view IDRs in the context of their expected scenario, because a change in assumptions will change IDR.

The management's expectations for 2015 take into account:

- the Swiss National Bank (SNB)'s decision of January 15, 2015 to discontinue the minimum exchange rate of 1.20 franc per euro and lower interest rate on sight deposit balances to -0.75%. As a consequence, the Swiss franc increased sharply against the Euro
- the European Central Bank (ECB) announcement on January 22, 2015 about the extension of its asset (sovereign bonds, covered bonds and ABS) purchase program in order to stimulate the economy by encouraging credit creation and risk taking. This decision is expected to impact sovereign and corporate yields across the Eurozone and foreign currency exchange rates against the Euro.

The pre-tax management's expectations in 2013 for 2014 onward and in 2014 for 2015 onward are shown in the tables below.

	FI* Return		Equity** Return		Cash Return		Real Estate ** Return		"Other" Return		Inflation Rate	
2013	1st year	Ultimate	1st year	Ultimate	1st year	Ultimate	1st year	Ultimate	1st year	Ultimate	1st year	Ultimate
France	3,2%	4,7%	10,0%	6,7%	0,7%	3,6%	5,0%	6,0%	n/a	n/a	1,1%	4,5%
United States	4,2%	6,8%	7,3%	7,5%	0,1%	4,0%	n/a	n/a	7,6%	7,7%	1,0%	2,5%
Germany	3,4%	5,5%	10,0%	6,7%	0,4%	3,6%	5,0%	6,0%	8,0%	8,0%	1,1%	2,0%
Switzerland	1,1%	3,4%	6,8%	5,8%	0,1%	3,2%	4,8%	4,8%	4,0%	3,3%	1,5%	1,5%
Belgium	3,2%	4,4%	10,0%	6,7%	0,1%	3,7%	5,0%	6,0%	6,5%	6,5%	1,5%	2,0%
CEE	2,5%	6,2%	9,3%	9,4%	1,9%	4,0%	6,4%	7,0%	n/a	8,8%	1,5%	2,7%
United Kingdom	2,2%	6,0%	8,5%	7,0%	2,4%	4,4%	6,8%	7,7%	n/a	n/a	2,9%	4,1%
Japan	0,9%	3,2%	6,4%	4,5%	n/a	n/a	n/a	n/a	2,2%	2,2%	2,5%	1,5%
Hong Kong	4,5%	6,2%	9,4%	9,4%	1,0%	4,0%	5,0%	7,0%	7,3%	8,8%	3,5%	2,7%
MedLA	4,1%	5,4%	10,0%	6,7%	0,3%	3,5%	3,0%	6,0%	2,4%	4,6%	1,1%	2,0%
TOTAL LIFE & SAVINGS	**2,8%**	**4,8%**	**8,5%**	**6,6%**	**0,4%**	**3,2%**	**3,6%**	**4,3%**	**3,9%**	**4,1%**	**1,6%**	**2,6%**

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

2014	FI* Return 1st year	FI* Return Ultimate	Equity** Return 1st year	Equity** Return Ultimate	Cash Return 1st year	Cash Return Ultimate	Real Estate ** Return 1st year	Real Estate ** Return Ultimate	"Other" Return 1st year	"Other" Return Ultimate	Inflation Rate 1st year	Inflation Rate Ultimate
France	1,0%	3,8%	13,7%	6,7%	0,1%	3,0%	7,2%	5,0%	n/a	n/a	0,0%	2,0%
United States	3,1%	6,1%	7,0%	7,3%	0,1%	3,5%	n/a	n/a	7,3%	7,6%	0,8%	2,5%
Germany	1,2%	3,8%	13,7%	6,7%	0,2%	3,0%	7,2%	5,0%	8,0%	8,0%	0,0%	2,0%
Switzerland	0,2%	2,8%	-7,0%	5,8%	0,0%	2,3%	4,3%	4,0%	-7,0%	5,8%	0,2%	1,5%
Belgium	0,9%	3,9%	13,7%	6,7%	0,0%	3,1%	7,2%	5,0%	3,5%	8,0%	0,0%	2,0%
CEE	1,8%	4,3%	9,3%	9,1%	2,0%	2,0%	6,4%	6,4%	n/a	n/a	1,0%	2,3%
United Kingdom	-0,3%	4,9%	9,8%	6,8%	0,5%	3,5%	11,0%	6,0%	n/a	n/a	1,6%	3,3%
Japan	0,5%	2,8%	8,5%	4,3%	n/a	n/a	n/a	n/a	2,2%	2,2%	0,5%	2,0%
Hong Kong	2,8%	6,2%	7,6%	8,2%	0,3%	3,5%	5,5%	6,0%	2,9%	7,6%	3,5%	3,0%
MedLA	1,5%	4,5%	13,4%	6,7%	0,0%	2,9%	7,2%	5,0%	0,6%	1,6%	0,0%	2,0%
TOTAL LIFE & SAVINGS	**1,3%**	**4,1%**	**7,4%**	**6,5%**	**0,1%**	**2,7%**	**4,8%**	**3,7%**	**1,3%**	**4,5%**	**0,6%**	**2,1%**

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

Fixed income returns correspond to the average reinvestment rates on the fixed income asset class (mainly sovereign and corporate bonds) that generally depend by economy on the duration of the business and on the average quality of the target credit allocation (except for the UK for which it corresponds to the fixed-income total return).

The drivers of the evolution of the IDR and IRR for each country are described in the Detailed Results section of this report. IDRs and IRRs 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

FY14 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*	2014 Life & Savings	 Other Segments	 Total Group	2013 Life & Savings	 Other Segments	 Total Group
IFRS SHAREHOLDERS' EQUITY	**50,388**	**14,831**	**65,219**	**42,306**	**10,617**	**52,923**
Net URCG not included in shareholders' equity (*)	1,085	3,114	4,199	956	2,515	3,471
Excluded TSS/TDI	-	(9,135)	(9,135)	-	(7,786)	(7,786)
Excluded Intangibles	(18,614)	(10,159)	(28,773)	(17,031)	(9,480)	(26,511)
GROUP IFRS TNAV	**32,859**	**(1,349)**	**31,510**	**26,231**	**(4,133)**	**22,097**
Other stat/GAAP adjustments	(6)	-	(6)	(1,913)	-	(1,913)
Mark-to-market debt	-	(1,030)	(1,030)	-	(715)	(715)
Elimination of UCG projected in L&S VIF	(8,579)	-	(8,579)	(4,238)	-	(4,238)
Life & Savings VIF	25,261	-	25,261	27,793	-	27,793
GROUP EV	**49,535**	**(2,379)**	**47,156**	**47,873**	**(4,848)**	**43,025**

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

APPENDIX 3: GLOSSARY

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 liquidity premium, which is 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 4: REPORT ON EMBEDDED VALUE

Report on the 2014 Embedded Value

To AXA 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, 2014 of the AXA Group contained in the attached document ("Embedded Value 2014 Report" hereinafter referred to as "the EV Report").

The EEV Information and significant underlying 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 with accounting information used in the AXA Group consolidated financial statements at December 31, 2014.

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, 2014.
- 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 underlying 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, 2014 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, 2014, on which we expect to issue our audit report on March 25, 2015.

Neuilly-sur-Seine and Courbevoie, February 25, 2015

PricewaterhouseCoopers Audit		Mazars	
Michel Laforce	David Rogers	Gilles Magnan	Maxime Simoen