SOLVENCY AND FINANCIAL CONDITION REPORT 2016

This report is the Solvency and Financial Condition Report (SFCR) of AXA MPS Financial DAC for the reporting period ended December 31, 2016, pursuant to article 51 of Directive 2009/138/EC (the "Directive") and articles 290 to 298 of Delegated Regulation 2015/35 (the "Regulation", and together with the Directive, the "Solvency II Regulations").

CERTAIN PRELIMINARY INFORMATION ABOUT THIS SFCR REPORT

Presentation of the information

In this Report, unless provided otherwise, (i) the "Company" or "AXA MPS" refer to AXA MPS Financial DAC, a company incorporated in Ireland, which is a indirect subsidiary of AXA SA, a French société anonyme, the publicly traded parent company of the AXA Group, and (ii) "AXA Group", the "Group" or "AXA" refers to AXA SA, together with its direct and indirect consolidated subsidiaries.

SUMMARY

In recent years, the European Union has developed a new regulatory regime for European insurers which became effective on January 1, 2016, following the adoption of the 2009 Solvency II Directive on the taking-up and pursuit of the business of insurance and reinsurance, as amended in 2014 by the 2014/51/EU Directive ("Omnibus II"). The regime is designed to implement solvency requirements that better reflect the risks that insurance companies face and establish a supervisory system that is consistent across all European member States. The Solvency II framework is based on three main pillars: (1) Pillar 1 consists of the quantitative requirements around own funds, valuation rules for assets and liabilities and capital requirements, (2) Pillar 2 sets out qualitative requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers including the requirement for insurers to submit an Own Risk and Solvency Assessment (ORSA) which will be used by the regulator as part of the supervisory review process; and (3) Pillar 3 focuses on enhanced reporting and disclosure requirements. The Solvency II framework covers, among other matters, valuation of assets and liabilities, the treatment of insurance groups, the definition of own funds and the overall level of required capital.

/ Key Figures

(In Euro million except Solvency II ratio data)	2016	2015	Change	% Change
Income Statement Data				
Total Revenues	478	1,756	(1,278)	(73%)
Operating income before investment results	83	135	(52)	(39%)
Net investment results	9	8	1	13%
Net income	80	127	(47)	(37%)
Balance Sheet Data				
Total assets	8,438	9,648	(1,195)	(12%)
Available Financial Resources (AFR)	326	420	(95)	(23%)
Capital Requirement Data				
Solvency Capital Requirement (SCR)	99	114	(15)	(13%)
Solvency II ratio	**329%**	**370%**		**(41%)**

/ Key Highlights

ACTIVITY INDICATORS

- **Total Revenues** were down by €1,278 million (-72.8%) compared to 2015. This was very largely driven by reduced sales volumes. The interest rate environment has meant the cessation of several major product lines and the replacement products have not yet reached similar levels of sales.

- **Total operating income** was down by €52 million (-39%) mainly driven by a reduction in early release of insurance URR and DAC due to very significantly reduced early surrender of insurance products.

- **Total net investment results** were up €1 million (13%). Gains on sales of assets (+€4 million) were partially offset by lower investment returns on cash and by reduced income from shareholder assets (-€3 million).

SYSTEM OF GOVERNANCE

AXA MPS' organisational structure provides the framework within which its activities and objectives are planned, executed, controlled and monitored. AXA MPS strives for a relevant and effective organisational structure with clearly defined roles, responsibilities, reporting lines and authority.

The Board is the primary governance organ within AXA MPS. It provides leadership of the Company within a framework of prudent effective controls which enable risk to be assessed and managed. In conjunction with the AXA MPS Group, the Board sets the Company's strategic aims, ensures that necessary financial and human resources are in place to enable AXA MPS to meet its objectives and reviews management performance. The Board also sets the Company's values and standards and ensures that its obligations to its shareholder and other stakeholders are understood and met.

The Board has four committees:

- Board Audit Committee
- Board Risk Committee
- Board Investment Committee
- Board Remuneration Committee.

The Board owns AXA MPS' Risk Appetite, and shall ensure that management implements appropriate structures and systems to ensure ongoing compliance with the defined appetite. The Risk Appetite statement is documented and regularly (at least annually) reviewed and approved by the Board.

AXA MPS has four key functions, in compliance with the Solvency II Regulations: 1) risk-management; 2) compliance; 3) internal audit and 4) actuarial. Each of these functions has a direct link to one of the persons who effectively run the Company, and each of these functions has direct access to the Board Committees.

AXA MPS is exposed to a variety of risks – insurance risks, financial market risks and other types of risks.

As an integrated part of all business processes, Risk Management is responsible for the definition and the deployment of the Enterprise Risk Management (ERM) framework within AMF, including the conduct of the Own Risk & Solvency Assessment (ORSA). This framework is based on the following four pillars, cemented by a strong risk culture:

1. Risk Management independence and comprehensiveness: the Chief Risk

	Officer is independent from operations ("first line of defense") and Internal Audit Department ("third line of defense"). The Risk Management Department, together with the Legal, Compliance, Internal Financial Control, Human Resources and Security Departments, constitutes the "second line of defense" the objective of which is to develop, coordinate and monitor a consistent risk framework across the Company, 2. Risk appetite framework, 3. Systematic second opinion on key processes, and 4. Robust economic capital model. In order to manage these risks, AXA MPS has put in place a comprehensive system of internal controls designed to ensure that executives are informed of significant risks on a timely and continuing basis, and have the necessary information and tools to appropriately analyse and manage these risks. These mechanisms and procedures principally include: • AXA MPS' corporate governance structures which are designed to ensure appropriate supervision and management of the Company's business as well as clear allocation of roles and responsibilities at the highest level; • management structures and control mechanisms designed to ensure that the executives have a clear view of the principal risks the Company faces and the tools necessary to analyse and manage these risks; • Internal Control Over Financial Reporting (ICOFR), designed to ensure the accuracy, completeness and timeliness of the Group's consolidated financial statements and the Company's financial statements; and • disclosure controls and procedures designed to ensure that executives have the necessary information to make fully informed disclosure decisions on a timely basis and that the Company's disclosures on material information (both financial and non-financial) to the markets and/or regulators (as appropriate) are timely, accurate and complete. These mechanisms and procedures, taken together, constitute a comprehensive control environment that executives believe is appropriate and well adapted to the Company's business. In November 2016, a Board Remuneration Committee was established to assist the Board of Directors in fulfilling its oversight responsibilities, in accordance with sound corporate governance principles.
RISK PROFILE	The Company and the Group are exposed to a variety of risks, including financial, market, liquidity, operational and regulatory risks. AMF is exposed to the following main risks: • Higher than expected lapses, leading to a reduction in future income; • Lower new business volumes than anticipated, leading to a reduction in income; • An increase in the level of expenses, which reduces profitability and future expected income; • Adverse market impacts such as a decrease in equity markets which leads to a reduction in funds under management and consequent reduction in future income; • Similarly rising interest rates which negatively impacts on funds under management, and reduces the value of bonds held in the shareholder fund. • Liquidity constraints as a result of illiquid assets or an increase in sales of products with an initial strain.

VALUATION FOR SOLVENCY PURPOSES	AXA MPS' Solvency II balance sheet is prepared as of December 31 in compliance with the Solvency II Regulations. Assets and liabilities are valued based on the assumption that the Company will pursue its business as a going concern. The Solvency II balance sheet only includes the value of business in force and therefore only presents a partial view of the value of the Company. Technical provisions are recognized with respect to all insurance and reinsurance obligations to policyholders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions corresponds to the current amount that the Company would have to pay if it was to transfer its insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking. Other assets and liabilities are recognized in compliance with IFRS standards and interpretations of the IFRS Interpretations Committee that are endorsed by the European Union as of the December 31 balance sheet date with a mandatory date of January 1, 2016, provided that those standards and interpretations include valuation methods that are in accordance with the following market consistent valuation approach set out in Article 75 of the Directive: ■ Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; and ■ Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction (without adjustment to take account of the Company's own credit standing).
CAPITAL MANAGEMENT	**Solvency II ratio at December 31, 2016** amounted to 249%, net of forecast dividend of €80 million, reduced from 264% at December 31, 2015 as a result of a reduction in AFR. **AFR** decreased by €53 million, to €246 million, during the reporting period. Revenues over the period and new business written were more than offset by the foreseeable dividend of €80 million. **SCR** decreased by €15 million to €99 million, during the reporting period. This was mainly driven by a reduction in interest rate and credit SCR due to lower exposure.

A BUSINESS AND PERFORMANCE

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A.1 BUSINESS

/ General Information

The Company is a subsidiary of AXA Group, a worldwide leader in financial protection. Based on available information at December 31, 2016, the AXA Group was the world's largest insurance group with total assets of €893 billion and consolidated gross revenues of €100.2 billion for the year ended December 31, 2016. AXA operates primarily in Europe, North America, the Asia- Pacific Region and, to a lesser extent, in other regions including the Middle East, Africa, and Latin America.

/ Information on the Company

AXA MPS Financial DAC ("AMF") is an insurance undertaking incorporated in Ireland in 1998 and authorised to sell Class III life assurance business. The Company's registered office is located at 33 Sir John Rogerson's Quay, Dublin 2, Ireland.

Supervisory authority

AXA MPS is regulated by the Central Bank of Ireland (the "CBI").

CENTRAL BANK OF IRELAND

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AXA Group is engaged in regulated business activities on a global basis through numerous operating subsidiaries and the Group's principal business activities of insurance and asset management are subject to comprehensive regulation and supervision in each of the various jurisdictions where the Group operates. Given that the AXA Group is headquartered in Paris, France, this supervision is based to a significant extent on European Union directives and on the French regulatory system. The AXA Group's principal supervisor is the French Autorité de Contrôle Prudentiel et de Résolution (the "ACPR").

AUTORITE DE CONTROLE PRUDENTIEL ET DE RESOLUTION

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Statutory auditors

AXA MPS Financial DAC is audited by PwC.

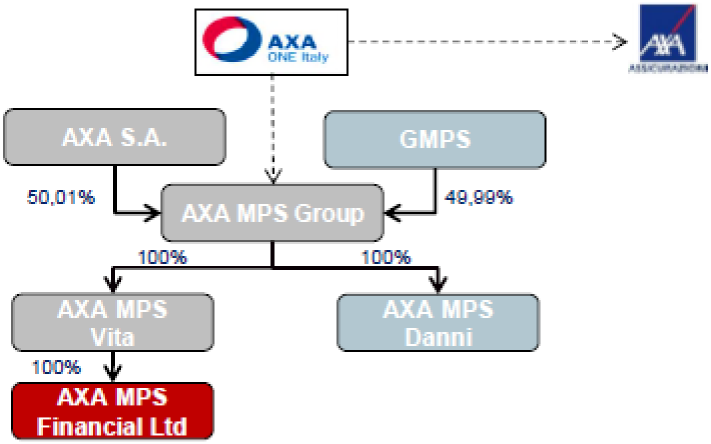
PwC Chartered Accountants and Registered Auditors, One Spencer Dock, North Wall Quay, Dublin 1, Ireland.

/ Major Shareholders and Related parties

Capital ownership

As of December 31, 2016, AXA MPS' issued share capital amounted to €635,000 divided into 635,000 ordinary shares with a par value of €1.

AMF is 100% owned by AXA MPS Assicurazioni Vita (AMAV) who in turn is 50% owned by AXA and 50% owned by Monte dei Paschi di Siena through a joint venture agreement. Through this agreement, AXA owns the majority of the voting rights in the Company.



Material Related companies

AXA MPS Financial DAC does not hold any material participation in any related company.

/ Business Overview

MATERIAL LINES AND GEOGRAPHICAL AREAS OF BUSINESS

AXA MPS Financial DAC is an insurance undertaking incorporated in Ireland in 1998 and authorised to sell Class III life assurance business. The company makes use of the “single passport” provisions of the EU’s life assurance directives to sell its products cross-border from Ireland into other EU member states. The Company’s business to date has mainly been the sale of single premium investment and insurance products. As of December 31, 2016, its business is focused on Italy. It has a range of unit-linked products, which it currently distributes through the Banca Monte dei Paschi di Siena (BMPS) branch network. It has also sold a small amount of business through other banks in Italy.

/ Significant Business and Other Events

There were no significant business or other events that had a material impact on the Company in 2016.

A.2 UNDERWRITING PERFORMANCE

/ Aggregate underwriting performance

(in Euro million except percentages)	December 31, 2016	December 31, 2015
Net Investment Return	9	8
Underlying Fees and Revenues	190	269
Net Technical Margin	6	10
Net Expenses	(115)	(143)
Operational Margin	**91**	**145**
Taxation	**(11)**	**(18)**
Net Income	**80**	**127**

Net Investment Return has increased by €1 million. A €3 million decrease in returns on cash and bonds has been offset by €4 million gains on disposals of assets.

Underlying Fees and Revenues and Net Expenses have both reduced largely due the significant drop in lapse rates releasing much lower levels of URR and DAC.

Net Technical Margin has declined due to reduced levels of gain on covered call and reduced lapse rates for the Accumulator product.

/ Underwriting performance by geographical area

AXA MPS Financial DAC business is focused on Italy. It has a range of unit-linked products, which it currently distributes through the Banca Monte dei Paschi di Siena (BMPS) branch network. It has also sold a small amount of business through other banks in Italy.

The table below summarizes AXA MPS' Life & Savings gross revenues by geographic region for the periods and at the dates indicated:

Gross revenues by geographical area

(in Euro million except percentages)	2016	2015
Italy	100%	100%
TOTAL	**100%**	**100%**

The business is underwritten generally locally depending on the origin of the client and may include risks located in other countries.

/ Underwriting performance by product line

The table below presents gross revenues by major line of business

Gross revenues by product line

(in Euro million except percentages)	2016	2015
Unit-linked	100%	100%
TOTAL	**100%**	**100%**

A.3 INVESTMENT PERFORMANCE

/ Net investment result

Net investment result (excluding financial expenses) from all invested financial assets of AXA MPS was as follows:

(In Euro million)	December 31, 2016				
	Net investment income	Net realized gains and losses	Change in investments impairment	Net investment result	Investment management expenses
Investment in real estate properties	0	0	0	0	0
Debt instruments	5	4	0	9	0
Equity instruments	0	0	0	0	0
Investment funds	0	0	0	0	0
Loans	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	**5**	**4**	**0**	**9**	**0**

(In Euro million)	December 31, 2015				
	Net investment income	Net realized gains and losses	Change in investments impairment	Net investment result	Investment management expenses
Investment in real estate properties	0	0	0	0	0
Debt instruments	8	0	0	8	0
Equity instruments	0	0	0	0	0
Investment funds	0	0	0	0	0
Loans	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	**8**	**0**	**0**	**8**	**0**

/ Gains and losses directly recognized in Equity

The Company reports gains and losses on Shareholder Assets through AFS OCI. The AFS OCI reserve at 31st Dec 2016 stood at €12.9 million, a reduction of €4.8 million during the Financial Year from the 31st Dec 2015 figure of €17.7 million.

This movement represents

- unrealised losses on Government Bonds where the bonds are reducing in value as they approach maturity, but are still considerably higher in value than their accounting carrying value (and therefore have unrealised gains recognised in the AFS OCI Reserve).
- Sales of assets during 2016 realised considerable realised gains but consequently cause the release of the component of the AFS OCI reserve relating to these bonds.

/ Investments in securitization

As of December 31, 2016, the Company had no investment in securitization.

A.4 PERFORMANCE OF OTHER ACTIVITIES

/ Leasing arrangements

AXA MPS has an operating lease in place for its office premises with a lease term of 10 years (with a break option at year 5). This lease expires in 2026 (or 2021 if the break clause is triggered). Further details are provided in the audited financial statements of the company in note 30.

A.5 ANY OTHER INFORMATION

Not applicable

B

SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

B.2 Fit and proper requirements

B.3 Risk management system including the own risk and solvency assessment

B.4 Internal control system

B.5 Internal audit function

B.6 Actuarial function

B.7 Outsourcing

B.8 Any other information

B1 - General information on the system of governance

/ Governance

Board of Directors

ROLE AND POWERS

The Board of Directors (the "Board") is the primary governance organ within AXA MPS Financial DAC. The Board is responsible for setting and overseeing the implementation of the overall strategy of AXA MPS, and is also responsible for ensuring that the Company is managed and controlled in an effective, prudent, ethical and responsible manner incorporating the management of risk and compliance. For this purpose, the Board delegates a wide variety of tasks, but retains ultimate responsibility regarding the affairs and management of AXA MPS Financial DAC as well as the compliance with applicable requirements.

The Board of Directors ensures that the risk management framework allows the Company to identify, assess and monitor, in a forward looking approach, the risks the Company is exposed to, in order to maintain an adequate level of its solvency in a medium-long term view.

OPERATING PROCEDURES

The guidelines governing the operation, organization and compensation of the Board of Directors and its Committees are set out in the Board Charter. The Board meets at least quarterly and more frequently as is necessary to fulfil its responsibilities effectively. The Board shall also meet at the request of any Director. The Constitution of AXA MPS provides that its business shall be managed by the Directors and as such, the Board's duties are concerned with the fulfilment of this general duty to oversee the management of all AXA MPS' activities. The Board delegates some duties to committees (as described in the following sections), to AXA MPS' management and to various Group and third party service providers.

Training sessions may be provided to new and existing members of the Board of Directors to familiarise them with the Company's principal activities and issues. These sessions mainly focus on the specifics of the Company, its business and its industry.

COMPOSITION OF THE BOARD

The Board is comprised of Executive Directors ("ED"), Non-Executive Directors ("NED") and Independent Non-Executive Directors ("INED"). The appointment of Directors is subject to the prior approval of the CBI in accordance with its "Fitness & Probity Standards" ("FPS").

On December 31, 2016, the Board of Directors was comprised of eight members. Six directors were citizens of countries other than Ireland, and two of them were independent. Its members were Beatrice Derouvroy Bernard, Neil Guinan, Fabio Accorinti, Matthieu Andre, Maurizio Pescarini, Bruno Guiot, Jonathan Goold (Independent) and Seamus Hughes (Independent).

BOARD OF DIRECTORS' COMMITTEES

AXA MPS' Board has four Committees to which it delegates the preparation of certain decisions (as noted in the respective Committee charters). However, the Board as the Company's primary governance body retains ultimate responsibility for discharging its duties and obligations. These committees are the following:

- Board Audit Committee
- Board Risk Committee
- Board Investment Committee
- Board Remuneration Committee

Each Committee issues opinions, proposals or recommendations to the Board of Directors on matters within the scope of its responsibilities. Board Committees do not have any formal decision making power.

Each Committee is empowered to undertake or commission specific studies or reviews within the scope of its responsibilities. The Committees may request external consulting expertise if necessary. They may also invite external participants to attend their meetings. Committee Chairpersons report to the Board of Directors at the following Board meeting.

EXECUTIVE MANAGEMENT

AXA MPS' Executive Management is constituted by the Chief Executive Officer and other persons who effectively run the Company. The positions held by those on the Executive Management team are as follows:

- Chief Executive Officer
- Chief Financial Officer
- Chief Risk Officer/Head of Compliance
- Chief Investment Officer
- Head of Actuarial Function
- Head of Market and Distribution
- Head of Products
- Head of Operations

THE CHIEF EXECUTIVE OFFICER

Mr. Neil Guinan was appointed Chief Executive Officer (CEO) by the Board of Directors on September 17, 2012.

AXA MPS is organised according to the principle of separation of the powers of Chairman of the Board of Directors and Chief Executive Officer.

The Chairman of the Board of Directors organises and directs the Board of Directors' work. He ensures the proper operation of the Company's bodies.

The General Management of the Company is the responsibility of the Chief Executive Officer, under the control of the Board of Directors and subject to the guidelines approved by the Board of Directors.

The Chief Executive Officer is appointed by the Board of Directors and is vested with full powers to act on behalf of the Company in all circumstances. He exercises his powers within the limits of the corporate purpose and subject to the powers that the law expressly assigns to the General Meeting and the Board of Directors.

In addition, the Bylaws of the Board of Directors provide for specific limitations of the powers of the Chief Executive Officer and require prior Board approval for certain significant transactions.

Main roles and responsibilities of key functions

The Solvency II Regulations, which became effective on January 1, 2016, require AXA MPS to have in place a governance system designed to guarantee a sound and prudent management. This governance system is based on a clear separation of responsibilities and must be proportionate to the nature, extent and complexity of the Company's operations.

In this context, AXA MPS has (i) put in place a control framework with three lines of defense with boundaries between each of them clearly defined and (ii) established four key functions:

- the risk-management function which is, in particular, responsible for the definition and the deployment of the Enterprise Risk Management (ERM) framework within AXA MPS. In particular, it is in charge of the design, implementation and validation of the internal model, the documentation of this model and any subsequent changes made to it as well as the analysis of the performance of this model and the production of summary reports thereof;
- the compliance function, which is, in particular responsible for advising on compliance with the laws, regulations and administrative provisions regarding insurance and reinsurance activities as well as ensuring that compliance is effective;
- the internal audit function, which is, in particular, responsible for performing an evaluation of the adequacy and effectiveness of AXA MPS' internal control system and other elements of the system of governance. The internal audit function must be objective and independent from the operational functions; and

- the actuarial function, which is, in particular, responsible for overseeing the calculation of technical provisions (including ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions), assessing the sufficiency and quality of the data used in this calculation and comparing best estimates against experience, expressing an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements.

Within AMF, the key functions heads in accordance with the Solvency II Regulations are:

- the Chief Risk Officer,
- the Head of Internal Audit,
- the Head of Compliance,
- the Head of the Actuarial Function

AXA MPS' executive officers and each person in charge of a key function must fulfill the requirements of a fit and proper assessment, as set in the Group's internal procedure, and be notified to the *Central Bank of Ireland* ("CBI"). Solvency II also requires procedures whereby the key function holders must have a direct access to the Board of Directors. In order to ensure the necessary authority and resources to carry out their tasks, the key function holders have a right to report to the Board of Directors directly and at their own initiative when events of a nature to justify such report occur, and have the same direct access to the Chairs of the appropriate Board Committee. In addition, the key functions have available dedicated staffs and other resources appropriate to their tasks.

/ Material changes in the system of governance in 2016

In December 2016, a Remuneration Committee was established to assist the AXA MPS Board in fulfilling its oversight responsibilities, in accordance with sound corporate governance principles and aligned with the requirements of the Corporate Governance Requirements for Insurance Undertakings.

In January 2017, the AXA MPS Actuarial Function Holder took early retirement and the due diligence activities commenced with a view to the appointment of the proposed replacement candidate.

Compensation policy

AXA MPS applies the AXA Group Remuneration policy.

AXA's global executive compensation policy is designed to align the interests of the Company's executives with those of its shareholders while establishing a clear and straightforward link between performance and compensation. In this context, its main objective is to encourage the achievement of ambitious objectives and the creation of long-term value by setting challenging performance criteria.

AXA's executive compensation structure is based on an in-depth analysis of market practices in France and abroad, within the financial services sector (insurance companies, banks, asset managers, etc.) and compared to the compensation practices of other international groups.

AXA's overall policy on executive compensation focuses on the variable part of the compensation package, which is the compensation at risk for beneficiaries. The structure of AXA's executive compensation is composed of a variable portion which represents a significant portion of the aggregate remuneration. This is designed to align executive compensation more directly with the operational strategy of the Group and the interests of the shareholders while encouraging performance:

- both on an individual and collective level; and
- over the short, medium and long term.

REMUNERATION POLICY

AXA Group Remuneration policy became applicable to all AXA Group companies, including AXA MPS, and their employees as of January 1, 2016. AXA MPS' remuneration policy is aligned in all key respects with AXA Group's, and was approved by the Company's Board of Directors on November 14th 2016.

This compensation policy is designed to support the Group's long-term business strategy and to align the interests of its employees with those of the shareholders by (i) establishing a clear link between performance and remuneration over the short, medium and long term, (ii) ensuring that the Group can offer competitive compensation arrangements across the multiple markets in which it operates while avoiding potential conflicts of interest that may lead to undue risk taking for short-term gain, and (iii) ensuring compliance with Solvency II Regulations and any other applicable regulatory requirements.

The AXA Group compensation policy is designed to:

- attract, develop, retain and motivate critical skills and best talents;
- drive superior performance;
- align compensation levels with business performance;
- ensure that employees are not incentivised to take inappropriate and/or excessive risks and that they operate within AXA's overall risk framework; and
- ensure compliance of our practices with all applicable regulatory requirements.

It follows three guiding principles:

- competitiveness and market consistency of the remuneration practices;
- internal equity, based on individual and collective performance, in order to ensure fair and balanced compensation reflecting each employee's individual quantitative and qualitative achievements and impact; and
- achievement of the Group's overall financial and operational objectives over the short, medium and long term as well as execution against medium and long term strategic objectives as a prerequisite to fund any mid-to-long term award.

The requirements set out in the Group remuneration policy may be supplemented where necessary in order to comply with local regulatory requirements or identified best practices.

COMPENSATION OF THE EXECUTIVE OFFICERS

Compensation structure

AXA broadly applies a “pay-for-performance” approach which (i) recognizes achievement of defined financial and operational targets aligned with AXA’s business plan (ii) promotes long-term sustainable performance by incorporating risk adjustment measures in performance metrics (such as cash Return-On-Equity which takes into account the capital required to deliver performance) and (iii) determines individual compensation amounts on the basis of both financial results and demonstrated individual leadership and behaviours.

The overall remuneration structure is based on the following components, which are designed to provide balance and avoid excessive risk taking for short term financial gain:

- a fixed component which comprises guaranteed elements, such as base salary and any other fixed allowances. It takes into account the position, responsibilities, experience, market practices, technical skills and leadership competences, as well as sustained individual performance and criticality or scarcity of skills; and
- a variable component which comprises an upfront cash element (Short Term Incentive) and a deferred element which is awarded through equity based instruments or equivalent such as stock options and/or performance shares (Long Term Incentive). This variable component depends on the AXA Group’s global performance, on the AXA MPS performance, and on the achievement of the executive’s individual objectives including demonstrated abilities for leadership.

AXA ensures suitable balance between fixed and variable components so that the fixed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable components and to allow AXA to operate a fully flexible bonus policy, including the possibility of paying no variable compensation. All variable remuneration amounts are awarded in accordance with performance and there are no minimum payment guaranteed.

The target level of the executives’ compensation and the structure of the elements which compose such compensation are based on a detailed analysis of market practices as well as potentially applicable national and international regulations, and they also take into consideration various other factors including the equity principles within the Group and the previous compensation level of the executive.

Long Term Incentive (LTI) annual allotment

Each year, LTI is granted to the AXA Group executives.

AXA recognizes the importance of aligning remuneration over long term value creation by deferring a substantial portion of the individual’s total variable compensation (i.e. short term incentive (STI) plus LTI). Two main deferred Long Term Incentive instruments are currently used: Performance Shares and Stock Options.

These LTIs are integrally subject to performance conditions and therefore do not guarantee any grant or minimal gain for the beneficiaries.

/ LTI

PERFORMANCE SHARES

Performance Shares are designed to recognize and retain the Group’s best talents and critical skills by aligning the individuals interests with the overall performance of the Group, and the corresponding operational Entity/Business Unit as well as with the stock performance over the medium-term (three to five years).

Performance shares are subject to a minimum deferral period ranging from four to five years[1].

In addition Performance Shares are subject to performance conditions over a period of three-years. The performance indicators measure both (i) the Group's overall financial and operational performance and (ii) the participant's operational Entity/Business Unit performance.

Under the terms of the plan, the initial number of performance shares granted is adjusted to reflect achievement against the defined performance conditions and final individual pay-outs range from 0% to 130% of the initial grant amount depending on the level of achievement against the performance conditions[2].

In the event that no dividend payment is proposed by the Board of Directors with respect to any year during the three year performance period, a malus provision applies and automatically reduces by 50% the number of performance shares that would have otherwise been acquired by the beneficiary at the end of the three year performance period[3].

STOCK OPTIONS

Stock Options are designed to align long term interests of Group Senior Executives with shareholders through the performance of AXA share price.

Stock options are valid for a maximum period of ten years. They are granted at market value, with no discount, and become exercisable by tranches between three and five years following the grant date.

Stock Options granted to members of the Executive Committee as well as the last third of all other grants, are subject to performance conditions. In the event the performance condition is not met during the performance period, all the corresponding Stock Options will be forfeited.

ADDITIONAL PROVISION ON PERFORMANCE CONDITIONS

In addition to the conditions noted above, under the terms of the plans, all unvested Performance Shares and all unexercised Stock Options (both vested and unvested) are automatically forfeited in the event a participant's employment is terminated for any reason including, without limitation:

- Where an employee has materially violated AXA's Code of Conduct or other key Risk and Compliance policies; and
- There is evidence of serious misconduct or misbehaviour and/or the employee causes material detriment to the business or reputation of AXA or one of its subsidiaries.

LTI GRANT PROCEDURE

Within the global cap authorized by the shareholders, AXA Board of Directors approves LTI programs prior to their implementation.

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[1] Participants can receive AXA shares after a three-year acquisition period (four-year acquisition period outside of France) depending on performance achievement. In France, once the shares are acquired, an additional holding period of two years is required. For more details please refer to the Performance Shares detailed plan rules.

[2] The threshold which currently applies is respectively 65% for Group and 60% for Entity performance.

3 The performance score ranging from 0%-130% is divided by two in the event no dividend has been proposed by the Board of Directors during any of the three year performance period, providing the beneficiary with 50% only of the adjusted number of Performance Shares.

Each year, AXA Board of Directors, acting upon recommendation of its Compensation & Governance Committee, approves a global LTI pool to be granted.

The recommendations for individual grants (Performance Shares and Stock-Options) are made by the beneficiary's Entity-level management. These recommendations are reviewed by AXA Executive Management to ensure global coherence and respect of the Group's internal equity principles. Individual grants of Performance Shares are then decided by AXA Board of Directors.

/ Directors' Fees

Independent Non Executive Directors of the Board receive fixed fees. Board members are not covered by incentive programmes and do not receive performance-based remuneration. The basic fees of a Board member is set at a level that is on par with the rest of the market and reflects the qualifications and contribution required in view of AXA MPS' complexity, the extent of the responsibilities and the number of Board meetings. No pension contributions are payable on Board members' fees.

/ Commitments made to executive officers

PENSION SCHEMES

The Company operates a Defined Contribution pension scheme managed by a life office of the Company's choice. Following the successful completion of an employee's probationary period, they may be eligible to become a member of the pension scheme. In the case of qualifying Employees, the Company will contribute a fixed percentage of basic salary into the Pension Scheme. Employees may make additional contributions of their own, in addition to that of the Company, within Revenue limits. The Company reserves the right to make individual arrangements with staff to reflect individual circumstances. The Pension Scheme aims to provide employees with basic cover in the event of illness or death and a pension payment on retirement.

/ Material transactions with shareholders, persons who exercise a significant influence on the Company and corporate officers or executives

SHAREHOLDERS

To the best of the Company's knowledge, based on information reported to it, there were no material transactions between the Company and its sole shareholder as of December 31, 2016.

PERSONS WHO EXERCISE A SIGNIFICANT INFLUENCE ON THE COMPANY

To the best of the Company's knowledge, based on information reported to it, there were no material transactions between the Company and any person who exercise a significant influence on the Company as of December 31, 2016.

EXECUTIVE MANAGEMENT AND DIRECTORS

To the best of the Company's knowledge, based on information reported to it, there were no material transactions between the Company and any members of the Company's Executive Management or Board of Directors as of December 31, 2016.

/ Assessment of the adequacy of the system of governance

The Company believes that its system of governance described herein is adequate in light of the nature, scale and complexity inherent in the Company's business.

Detailed information on the internal control mechanisms and procedures implemented by the Company is provided in Section B.4.

B2 – Fit and proper requirements

/ Fit and Proper assessment process for the persons who effectively run the Compant and key functions holders –

The Solvency II Regulations outline the requirements of fitness and probity, and proof of good repute that apply to persons who effectively run the Company. Additionally, the CBI has outlined Fitness and Probity Standards which must be met by certain positions within regulated financial services providers such as insurance companies. The Standards apply to persons performing:

- Controlled Functions: A function which exercises significant influence on the conduct of affairs of the financial services provider, relates to controlling or monitoring compliance and involves the provision of a financial service (i.e. advice to customers; control over customer property; dealing in / with property on behalf of the financial service provider).

- Pre-approval Controlled Functions: For insurance companies this would specifically include the Board of Directors, Chief Executive Officer and other selected senior management positions. In AXA MPS, these senior management positions are as follows:

    - Head of Actuarial Function
    - Chief Investment Officer
    - Chief Risk Officer
    - Chief Financial Officer
    - Head of Internal Audit

The Company, as a CBI-regulated entity, maintains formal standards of fitness and probity of all relevant staff. In order to do so the Company must conduct due diligence on each individual performing a controlled or pre-approval controlled function to verify that the individual is:

- Competent and capable;
- Honest, ethical and able to act with integrity; and
- Financially sound.

Once the Company has completed the necessary due diligence measures and received CBI approval, where required, the placement can be completed and the Compliance function will update the Fitness & Probity Log with:

- Individuals performing control functions
- Individuals performing pre-approval control functions
- Due diligence measures completed
- Excluded positions

Each employee will be asked to sign a declaration to the effect that they understand the Standards, will comply with these Standards and notify the Company should they become no longer able to comply with the Standards.

The Compliance function is responsible for ensuring that each individual performing a control function completes a declaration certifying their adherence to the Fitness & Probity Standards upon appointment and annually thereafter.

B3 - Risk management system including the own risk and solvency assessment

/ AXA MPS Risk management system

Risk management missions

The Company is in the business of risk. Managing risk well enhances AXA MPS' reputation and creates opportunities to grow the business in a considered, profitable and sustainable way.

The objective of Risk Management is to appropriately understand, control and communicate the nature and significance of the risks which the Company assumes and is exposed to, including its sensitivity to those risks and its ability to mitigate them, via a continuous process that is used in the implementation of the Company's overall strategy.

As an integrated part of all business processes, Risk Management is responsible for the definition and the deployment of the Enterprise Risk Management (ERM) framework within AXA MPS. Risk Management is responsible for developing the Enterprise Risk Management framework in terms of limits/thresholds (covering financial, underwriting and operational risks), policies, guidelines and monitoring of the risk exposure, in accordance with Group standards, and within a clearly defined risk appetite consistent with the Group's risk appetite.

This framework is based on the four following pillars, cemented by a strong risk culture:

1. **Risk Management independence and comprehensiveness**: the CRO is independent from operations ("first line of defense") and Internal Audit Departments ("third line of defense"). Risk Management and Compliance Department, together with Legal, Internal Financial Control, and Human Resources departments constitute the "second line of defense" which objective is to develop, coordinate and monitor a consistent risk framework across the AMF;
2. **Shared risk appetite framework**: the CRO is responsible for ensuring that the Board of Directors and top management review and approve the risks owned by the Company, understand the consequences of an adverse development of these risks, and have action plans that can be implemented in case of unfavourable developments;
3. **Systematic second opinion on key processes**: the CRO ensures a systematic and independent second opinion, on AXA MPS material decision processes, like new product characteristics (risk-adjusted pricing and profitability), economic reserves, Asset and Liability Management studies, asset allocation and new investments, and reinsurance; and
4. **Robust economic capital model**: AXA's economic capital model (AXA's Internal Model) offers a concrete and powerful tool to manage and measure exposure to most risks, in line with the Solvency II Regulations. AXA's Internal Model is designed as a consistent and comprehensive risk management tool, which also forms an important element in the capital management and planning process.

AXA MPS Risk Management

At AXA MPS, Risk Management is a key enabler to the achievement of the company's strategic and business plan objectives, where:

- Sound Risk Management is a critical part of AXA MPS' business. AXA MPS' Risk Management system must be effective and well integrated into the organisational structure and in the decision making processes of the company, with proper consideration of the persons who effectively run the organisation or other key functions;

- AXA MPS pro-actively manages risk rather than reactively responding to it; and

- Risk Management is embedded into AXA MPS' day to day business activities – meaning that the risk management system is integrated into the organisational structure of the Company and into the decision-making processes.

AXA MPS defines an effective Risk Management system as that comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on a continuous basis the risks, at an individual and aggregate level, to which AXA MPS is or could be exposed and their interdependencies.

AXA MPS' Risk Management System comprises the following:

- A Risk Management Strategy and Culture that includes risk management objectives, key risk management principles and is consistent with AXA MPS' overall business strategy;
- A Risk Appetite Framework, including a Board Approved Risk Appetite Statement and reporting against that framework on a timely basis;
- A Risk Assurance Framework to identify, assess, manage, monitor and report on the risks that AXA MPS is or may be exposed to. The Risk Assurance Framework incorporates a risk management governance structure; a risk management and internal control framework; written policies / procedures for the material risks faced by AXA MPS, by type; and Reporting procedures and feedback loops that ensure that information on the Risk Management system is actively monitored and managed.

Other functions

AXA MPS operates the three lines of defense model with clearly defined ownership of risks and splits of responsibility between the three lines:

- **First line of defense** (line management) are the risk owners and are responsible for the identification of risks and implementation of controls. They also own the embedding of relevant policies and standards
- **Second line of defense** (Risk & Compliance Function; Actuarial Function Holder) are responsible for risk oversight over all risks and controls.
- **Third line of defense** (Internal Audit) are responsible for performing independent assessments of the effectiveness of the systems of controls

Risk governance within AXA MPS Financial DAC

The Company's CRO is responsible for ensuring that the Risk Management system is reviewed and reported to the Board Risk Committee formally on at least a quarterly basis to ensure that AXA MPS continues to have adequate measures and procedures in place to identify, monitor and manage those risks.

/ AXA Group Internal Model

AXA has developed and implemented a robust economic capital model since 2007 and the AXA Group's Internal Model has been used since 2009 in the risk management system and decision making processes. AXA main goal in using an internal model as opposed to the standard formula is to better reflect the company's risk profile in the Solvency Capital Requirement (SCR). This is considered from several aspects.

- Taking into account local specificities – AXA is a global company, and caters to a wide range of insurance markets with a variety of products offered targeting certain demographics and with differing risk exposures. It is therefore appropriate, to the extent possible, to calibrate stresses specific for these risk profiles and to allow for the benefits of diversification of risks which arise as a result of being spread over these markets.

- Addressing shortcomings of the standard formula – Based on its expertise, the Group can improve on the approach of the standard formula, which is naturally constrained by its general scope, and have models more appropriate to the scope of the Group.

- Allowing for better evolution of the model over time – As the Group experience increases, business expands to new markets and product innovations create different risks to consider, the flexibility of an internal model allows the specificities of these developments to be reflected.

Internal Model governance

At Group level, the governance bodies involved in the internal model governance are the following ones:

- The Boards of Directors
- The Audit, Risk and Compliance Committee
- The Solvency II committee (Group Model Committee)

At Group level, the internal model is reviewed, challenged and approved on an ongoing basis by the Solvency II Committee, co-chaired by the Group CRO and the Group CFO. The Solvency II Committee is supported by risk technical working groups reviewing changes proposed to the Group internal model and presenting conclusions of these diligences to the Solvency II Committee. The Solvency II Committee also reviews internal model validation and model change processes, including links with local governance of the model. It also reviews the conclusions of the regular validation activities.

The Group results are presented quarterly to the Audit, Risk and Compliance Committee

Group provides guidance on internal model design and operational processes that are defined locally.

At AXA MPS level, the CRO ensures that a local model committee operates involving at least the local CFO and CRO, the heads of risk and head of the Solvency II project, in charge of discussing and validating changes and evolutions in the internal model, to review SCR outputs and to support and promote the development of the internal model in consistency with Group Solvency II governance and the model change policy.

During the clearance process, the CRO provides a sign-off including the fact that they have ensured that all local SCR changes have been shared with the Group Risk Management (GRM) and have been reviewed and approved by the relevant Group and local governances.

Internal model validation

AXA has implemented and documented an overall regular validation process of the internal model to monitor its performance and on-going appropriateness. This process and associated governance are documented in the Group validation policy, endorsed by the Audit, Risk and Compliance Committee.

The Group validation policy is complemented by AXA MPS Validation policy, which specifies the local validation activities and responsibilities.

The AXA MPS Validation policy is endorsed by the Company's Board of Directors.

Validation is processed to all parts of the Internal Model. Hence, it does not only apply to the quantitative aspects of the model (input data, theory & methodology, parameters & assumptions, data, results) but encompasses the qualitative aspects of the model: expert judgment, documentation, model governance, use test, systems/IT.

Risk management is performing regular integrated validation activities, described in the validation policy, mostly organized around:

- validation of the model structure, modelling choices, parameters and assumptions; and

- validation of the internal capital model calculation and results

These tasks are performed mostly within the Risk Management department in charge of the model, through controls and validation activities using validation tools as sensitivity tests, back testing, scenario testing, and stability analysis and any other relevant activity. A four eyes principle is applied for these validation activities where necessary.

These validation procedures are complemented by independent challenge and validation of assumptions, key parameters and results through committees (assumptions committees, calibration committees, clearance committees…) providing the adequate level of expertise and seniority.

In particular, Group Risk Management teams provide to AXA MPS independent challenge of the local model choices, local parameters, assumptions or calibration as well as local results.

Apart from this line-integrated validation, sanctioned by CRO review and sign-off of numbers, a comprehensive independent review process has been defined and implemented to provide adequate confidence to AXA management and Board of Directors on the fit for purpose quality of the model and its outputs.

The independent reviews are performed by two internal teams and by external auditors:

- Internal Financial Control (IFC) team, at local and Group level, responsible for assessing the effectiveness of internal control framework over the Solvency II Regulations, on the basis of the testing of processes and controls over the AFR and SCR, at least annually.
- Internal Model Review (IMR) team, Group team responsible for the in-depth actuarial review of the model under local teams responsibility, the conception and methodology when locally developed, and the local implementation of the Group principles when relevant. IMR controls are performed on a three-year rolling basis, independently from closing agenda.

Both IMR and IFC are fully independent from the development, the governance and the processing of the internal model.

At the end of the annual validation process, the Board of Directors is provided with a report summarizing the conclusions of the internal review by Risk Management and the conclusion of the independent review by IMR and IFC as well as a review by an independent third party.

Material changes to the internal model

There have been no material changes to internal model governance at Company level during 2016.

/ Own Risk and Solvency Assessment

The Own Risk & Solvency Assessment (ORSA) encompasses processes to identify, assess, monitor, manage and report the short to medium term risks of AXA MPS and to ensure the level of own funds adequacy with AXA MPS solvency targets, taking into account the risk profile, approved risk tolerance limits and business strategy. As an important component of the risk management system, it is intended to give a comprehensive and complete vision of the risks embedded in the businesses of AXA MPS.

ORSA mainly encompasses risk management and financial activities, which are organized around the following processes:

- Solvency Capital Requirement (SCR) & Available Financial Resources (AFR) quarterly calculation,
- Liquidity risk reporting,
- Strategic planning and financial projections,
- Risk appetite process,
- Stress and scenario testing analysis and monitoring (Transversal stress scenario and Reverse stress test), and
- Reputation and strategic risk assessment and review.

The Group has established a policy on the Own Risk and Solvency Assessment (ORSA) to set and describe the common framework and rules to consistently run and report on the ORSA across the Group.

The Company's Chief Risk Officer is responsible for developing the ORSA Policy, implementing ORSA process and coordinating ORSA reporting.

Executive Management approves the policy, ensures that procedures are in place to implement and monitor ORSA process and approves the ORSA report.

Board of Directors is presented annually with the results and conclusions of the ORSA for approval.

Board of Directors

ORSA is a top-down process reviewed by the Board. The Company's ORSA report is presented to the Risk Committee to prepare the approval by the Board of Directors. The Board of Directors grants the Management the authorization to file the ORSA report to the supervisor, the CBI.

This review encompasses Solvency II coverage ratio results at end of year and targets, risk and solvency management internal best practices and conclusions on management actions for material risks assessed out of the economic capital requirement.

The risk appetite framework developed by the Executive Management is reviewed by the Risk Committee and endorsed by the Board of Directors.

Executive Committee – Risk Committee

The Risk Committee, which members include the Chief Risk Officer (CRO) and Head of Actuarial Function, has ownership of the ORSA process and validates the ORSA report.

ORSA is a tool of the risk management system contributing to strengthen the culture of risk management and giving a comprehensive and complete vision of the risks embedded in the business of AXA MPS.

The ORSA aims at giving the AXA MPS Board of Directors the maximum level of confidence on risk assessment in compliance with the Solvency II requirements.

The own-risk and solvency assessment is an integral part of the business strategy and is taken into account on an on-going basis in the strategic decisions of the undertaking.

The ORSA report provides assessment on:

a) The assumptions and methodology used for solvency cover projections under the strategic plan horizon and according to different cases and economic scenarios; and
b) The key outcomes and figures of these projections (taking into account that figures are high-level and should themselves be treated tentatively due to the high complexity of the combined metrics. A range of scenarios is considered within the ORSA to assess the risks to which AXA MPS is most exposed).

B4 – Internal control system

Internal control: objectives and organisational principles

AXA MPS is engaged in the financial protection and asset management business. As such, it is exposed to a wide variety of risks – insurance risks, financial market risks and other types of risks.

In order to manage these risks, AXA MPS has put in place a comprehensive system of internal controls designed to ensure that executives are informed of significant risks on a timely and continuing basis, have the necessary information and tools to appropriately analyse and manage these risks, and that Company and Group's financial statements and other market disclosures are timely and accurate.

These mechanisms and procedures principally include:

- the Company's corporate governance structures which are designed to ensure appropriate supervision and management of the Company's business as well as clear allocation of roles and responsibilities at the highest level;
- management structures and control mechanisms designed to ensure that the Company's executives have a clear view of the principal risks the Company faces and the tools necessary to analyse and manage these risks;
- Internal Control Over Financial Reporting (ICOFR), designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of AXA MPS's consolidated financial statements; and
- disclosure controls and procedures designed to ensure that executives have the necessary information to make fully informed disclosure decisions on a timely basis and that the Company's disclosures on material information (both financial and non-financial) to the markets are timely, accurate and complete.

These mechanisms and procedures, taken together, constitute a comprehensive control environment that management believes is appropriate and well adapted to AXA MPS' business.

The internal control framework has been adapted at AXA MPS level through similar mechanisms and procedures to the Group ones, to provide reasonable assurance that the Company's operating efficiency, financial reporting and regulatory compliance goals will be achieved.

The internal control process at AXA MPS primarily relies on:

- The Company's general operating and organisational principles; and
- Controls implemented within each operating, functional and financial department, which contribute to the effectiveness of the permanent control system**;** and
- Control functions that enable an independent and objective assessment of the Company's security and operating quality to be provided to management.

Based on AXA Group corporate governance standards, AXA MPS general organisational principles contributing to the management of the internal control system are primarily based on:

- an organisational structure that respects the segregation of duties;
- AXA MPS' compliance with AXA Group standards, included in the Group Standards Handbook (GSH) and in the Professional Family Policy Manuals (PFPMs). These standards are applied via:
  - the risk management policies, which specify the procedures to be implemented in order to identify, assess, monitor and manage all the risks included in AXA MPS' risk profile (financial risk, insurance risk, operational risk, liquidity risk, emerging risks and reputational risk);
  - the compliance policy, which specifies the role and assignments of the Compliance Function
  - the internal IFC program, which specifies the internal control system for the financial reporting process;

- familiarity with the processes in place through an on-going improvement of operating processes; and
- the introduction of preventive measures such as the promotion of corporate ethics, which aims to encourage all employees to abide by the principles of professional ethics, integrity and fairness.

Corporate governance structures

AXA has taken steps designed to harmonize corporate governance standards throughout the Group. This effort is focused, among other matters, on standardizing, to the extent practicable, principles relating to various corporate governance matters including board composition and size, directors' independence criteria, board committees and their roles, and directors' fees.

The Group Governance Standards are part of a larger set of Group standards that apply to all AXA Group companies (the Group Standards Handbook). These Group Standards are designed to ensure that all the companies of the Group have effective Risk Management processes and appropriate governance structures, and meet the Group's minimum control requirements. The Chief Executive Officer is therefore required to annually certify that AXA MPS is in compliance with the Group Standards.

In order to manage the various risks to which it is exposed, AXA MPS has a management structure and control mechanisms designed to ensure that executives have a clear and timely view of the principal risks facing the Company and the tools necessary to analyse and manage these risks.

These management structures and controls include the following:

BOARD OF DIRECTORS

The Board of Directors determines the Company's business strategy and oversees its implementation. The Board considers all material questions related to the proper functioning of the Company and takes decisions it deems appropriate for the Company's business. The Board of Directors also undertakes all controls and verifications as it deems appropriate from time to time.

The Board of Directors has established four Committees to assist it in fulfilling its responsibilities: an Audit Committee, an Investment Committee, a Risk Committee and a Remuneration Committee. These Committees exercise their activities under the responsibility of the Board of Directors and report regularly to the Board of Directors on matters within the scope of their respective responsibilities.

For additional information on the Board of Directors, please refer to Section B.1.

AUDIT COMMITTEE

All the Board Committees constitute an important part of AXA MPS' overall internal control environment and plays a particularly important role in reviewing internal control and risk related issues.

The audit committee has a critical role in reviewing financial results and other financial information prepared by the management, financial reporting and control processes, critical accounting policies, particular accounting issues, key risks and systems of internal control, fraud and similar issues.

The full scope of the Audit Committee's responsibilities is set out in the Board Audit Committee Charter. For additional information on the Audit Committee, please refer to Section B.1.

RISK COMMITTEE

The Risk Committee assists the Board in fulfilling its oversight responsibilities on the current risk exposures of the Company and future risk strategy. It:

- Advises the Board on risk appetite and tolerance for future strategy, taking account of the board's overall risk appetite, the current financial position of the Company and, drawing on the work of the Audit Committee and the External Auditor, the capacity of the Company to manage and control risks within the agreed strategy.

- Ensures the development and ongoing maintenance of an effective risk management system within the Company that is effective and proportionate to the nature, scale and complexity of the risks inherent in the business;
- Advises the Board on the effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the Company; and
- Oversees the performance of the Company's Risk Management function.

The full scope of the Risk Committee's responsibilities is set out in the Board Risk Committee Charter.

For additional information on the Risk Committee, please refer to Section B.1.

INVESTMENT COMMITTEE

The Investment Committee assists the Board in fulfilling its governance and oversight responsibilities in relation to the investment strategy and policies and investment performance for AXA MPS.

The full scope of the Investment Committee's responsibilities is set out in the Board Investment Committee Charter.

For additional information on the Investment Committee, please refer to Section B.1.

REMUNERATION COMMITTEE

The Remuneration Committee monitors compliance with the remuneration policy, and advises the Board of any material deviations or concerns observed.

For additional information on the Remuneration Committee, please refer to Section B.1.

Chief Executive Officer and other persons who effectively run the Company

Please refer to Section B.1.

Executive Management

The Executive Management team, led by the CEO, plays a key role in determining the corporate culture of AXA MPS and in setting the 'tone at the top'. The primary responsibility for leading and managing AXA MPS' employees lies with the management team. For the composition of the management team, please refer to Section B.1.

/ Risk Management organisation

The Board of Directors is responsible for the internal control framework, ensuring their implementation, maintenance and continuous improvements in order to achieve the business objectives, managing the risks that can affect the key business processes.

With this purpose, a control framework with three lines of defense has been designed and the boundaries between them are clearly defined. The objective is to ensure that this framework is in place to systematically identify measure, manage, and control all the risks that AXA MPS may face.

The control framework with the three lines of defense is illustrated below with Internal Audit (level 3) being the line that provides independent assurance on the effectiveness of the system of internal control.

First line of defense: management and staff

Management and staff are responsible for day to day risk-taking management and decision-making and have primary responsibility for establishing and maintaining and effective control environment. The 1st line of defense is the one responsible for identifying and managing the risks inherent in the products, services and activities for which they are responsible.

Management, as the primary risk owner, should as first line of defense design, implement, maintain, monitor, evaluate, and report on the organization's internal control system in accordance with risk strategy and policies on internal control as approved by the governing body.

Each person within the organization – management and other employees alike – should be held accountable for proper understanding and execution of risk management and internal control within his or her span of authority.

Second line of defense: Risk Management function, Compliance function and Internal Financial Control function

The second line of defense includes the Risk and Compliance Department, the Head of Actuarial function, and the Internal Financial Control (IFC) program. This line of defense is responsible for developing, facilitating and monitor effective risks and control framework and strategies.

Risk Management Department

The Chief Risk Officer is the Head of the Risk Management Department. The CRO reports to AXA MPS' CEO. While the principal responsibility for risk management material to the business activities of AXA MPS lies with the AXA MPS management team, the CRO provides an independent review and challenge to Risk Management activities and an integrated view of all risks of AXA MPS from an identification and quantification standpoint.

The CRO adheres to the CBI "Fitness and Probity Standards", specifically the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and financial soundness.

The role of Risk Management (RM) is to identify, quantify and manage the main risks to which the Company is exposed. To this end, Group Risk Management (GRM) develops and deploys a number of risk measurements, monitoring instruments and methods, including a standardized methodology and framework for stochastic modelling (through AXA's Internal Model) including the ORSA (Own Risk & Solvency Assessment) required under Solvency II. Such framework is fully deployed within AXA MPS by Risk Management department.

The Risk Management activities aim to create and maintain an appropriate risk management system in order to identify, assess, monitor and mitigate the most significant risks to which AXA MPS is exposed, and which could jeopardise its solvency, in accordance with the AXA Group's "Risk Management" standards.

To that end, all the Company's operating technical and cross-divisional functions contribute to this system depending on their expertise and business sector.

When appropriate, this work leads to the implementation of decisions that affect the Company's risk profile, helping to monitor the solvency position and manage the volatility of AXA's earnings through improved understanding of the risks taken and optimization of capital allocation.

The types of risks covered include risks coming from the invested assets, from the insurance liabilities and operational risks. Under the Solvency II Regulations, AXA MPS is required to produce an ORSA Report which is filed with the CBI. GRM has defined and implemented a set of policies and procedures to ensure that all risks embedded in the business processes are appropriately reviewed on a yearly basis.

The Company's ORSA Report is reviewed by the Risk Committee and then presented to the Board of Directors which approves the conclusions of the Company ORSA Report and authorizes the filing of the ORSA Report to the CBI.

Compliance function

The Compliance Department is responsible for identifying and managing the legal, regulatory and compliance risks to which AXA MPS is exposed.

The Compliance function is responsible for advising the entity's management and board on compliance with applicable laws, regulations and administrative provisions adopted in accordance with the Solvency II Regulations and other local laws and regulations, and on the impact of changes in the legal and regulatory environment applicable to AXA MPS' operations. The function provides expertise, advice and support to various departments of the Company to assess situations and compliance matters, analyze compliance risk and contribute to design solutions to mitigate those risks to which AXA MPS is exposed.

The Head of Compliance reports to the CEO. The Head of Compliance is the individual with designated responsibility for overseeing and monitoring compliance activities within AXA MPS and has principal responsibility for the Compliance Function. The Head of Compliance adheres to the CBI's "Fitness and Probity Standards", specifically the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and financial soundness.

The compliance function manages a wide range of compliance related matters including (i) regular reporting on significant compliance and regulatory matters to senior management and to regulators, (ii) financial crime matters (which include anti-corruption, anti-bribery, anti-money laundering programs as well as international sanctions/embargo compliance), (iii) data privacy, (iv) employee Compliance & Ethics Guide, (v) the monitoring of compliance and regulatory risks.

The compliance function undertakes an annual Compliance Risk Assessment to identify the most significant compliance risks to which the business is exposed. Based on this assessment, an Annual Compliance Plan is developed at the end of each year for the following year.

The compliance activities within AXA MPS are articulated around a number of Group Standards and Policies which set the minimum requirements expected to be covered by AMF. The Compliance Group Standards Handbook (GSH) and the Compliance Professional Family Policy Manual (PFPM) contain standards and policies on significant risks affecting the compliance activities as well as the high level control and monitoring principles to which AMF must adhere. Both the standards and policies contained in the GSH and PFPM (e.g. Compliance Governance, Anti-Money Laundering, Sanctions, Anti-Bribery…) are mandatory. In addition, the compliance function has adapted the Group requirements and developed local policies to align with the relevant laws and regulations in the jurisdiction in which AMF operates and conducts business. These local policies are reviewed annually by the Board of Directors and the Board's Audit Committee.

On a quarterly basis, the compliance function reports directly to the Board's Audit Committee on significant compliance matters. These include major regulatory changes that have compliance implications, the results of the Compliance Risk Assessment, the Annual Compliance Plan, outstanding Compliance Support and Development Program (CSDP) remediation plans and any other significant issues that require escalation.

Internal Financial Control (IFC) function

The IFC program is based on AXA's IFC Standard, which is an internal control and governance standard. AXA's IFC Standard is based on the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). It is designed to define the IFC scope and governance, ensure consistency and quality in AXA MPS' and AXA Group financial reporting, and provide an overall framework for the annual IFC program.

In accordance with AXA's IFC Standard, AXA MPS (i) documents significant processes and controls, as well as the rationale of how the associated risk of material misstatement due to error or fraud can be reduced to an acceptable level and (ii) tests the design and operational effectiveness of key controls based on the test plans.

These tests form part of a continuous improvement process in the internal control exercised over financial reporting. Areas for improvement are identified by specific test plans designed by management with insight into the risks covered. These processes then help remediate the identified potential control deficiencies and maintain high standards of internal control within AXA MPS.

Third line of defense: Internal Audit function

Internal Audit provides independent assurance on the effectiveness of the internal control system. Internal Audit exists to help the Board protect the assets, reputation and sustainability of the Company by providing an independent and objective assurance activity designed to add value and improve the Company's operations.

INTERNAL AUDIT

The Head of Internal Audit ("HIA") reports administratively to the Company's CEO and functionally to the Audit Committee. The HIA is responsible for the Internal Audit Function in AXA MPS. The Internal Audit Function role is to provide independent assurance on internal control, risk management and governance processes within AXA MPS. The HIA adheres to the CBI "Fitness and Probity Standards", specifically the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and financial soundness. The HIA completes continuous professional development required by the professional body of which he/she is a member.

Internal audit plays an important role in evaluating the adequacy and effectiveness of Internal Control Systems and contributes to increased effectiveness through the identification of control deficiencies (if any) and provision of recommendations for improvement.

Please refer to Section B.5 for additional information on the Internal Audit function.

/ Financial reporting, disclosure, controls and procedure

Finance Department

The Finance Department's role encompasses the following principal activities:

- producing the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and analyzing key performance indicators;
- producing the economic balance sheet;
- managing the Internal Financial Control (IFC) program;
- developing and using management control tools;
- strategy and budget planning and monitoring of targets;
- coordinating the production of reports filed with the CBI related to Solvency; and
- liaising with the Statutory Auditors and contributing to Audit Committee meetings as required.

Based on group standards, the Finance Department has defined and implemented a set of policies and procedures to ensure that the consolidation process leading to the consolidated financial statements is timely and accurate. This consolidation process is based on the following:

Definition of standards and maintenance of an information system

Group accounting standards, which are consistent with accounting and regulatory principles, are set forth in the "AXA Group Accounting Manual" and updated regularly by PBRC experts. These guidelines are submitted to AXA's Statutory Auditors for review before being made available to AXA subsidiaries.

The information system is based on "Magnitude", a consolidation tool managed and updated by a dedicated team. This system is also used to deliver management reporting information used to produce an economic perspective on the consolidated financial statements and the economic balance sheet. The process through which this management reporting information and the economic balance sheet are produced and validated is the same as the one used to prepare consolidated financial information.

Operating control mechanisms

At entity level, AXA MPS is responsible for entering and controlling accounting and financial data that comply with the "AXA Group Accounting Manual" and reflect consolidation rules under IFRS accounting standards. In this respect, the Chief Financial Officer of the Company signs off on the accuracy of its respective contribution to the consolidated figures reported through Magnitude and their compliance with both the Group accounting manual and instructions in all frameworks produced (IFRS, Embedded Value, actuarial indicators and economic balance sheet) within the internal financial control program.

At PBRC level, accounting, financial and economic information reported by entities are analyzed by teams that liaise with subsidiaries on a full-time basis. In particular, these teams analyze the compliance with the "AXA Group Accounting Manual" and Group actuarial standards.

Internal control over financial reporting

Internal Control Over Financial Reporting (ICOFR) is a process designed under the supervision of Group's Chief Financial Officer (CFO) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the AXA's consolidated financial statements.

AXA's ICOFR includes policies and procedures that provide reasonable assurance that:

- the maintenance of records accurately and fairly reflects the transactions and disposition of Group assets;
- the transactions are recorded as necessary to permit the preparation of financial statements in accordance with the applicable generally accepted accounting principles;
- the receipts and expenditures are being made only in accordance with the authorization of executives of the Group; and
- unauthorized acquisition, use or disposition of Group assets that could have a material effect on the Group's financial statements would be prevented or detected in a timely manner.

Based on Group guidance, AXA MPS has implemented a comprehensive program, managed by the Finance department, entitled Internal Financial Control (IFC), designed to ensure that the AXA MPS Chief Executive Officer has a reasonable basis to conclude that the Company's ICOFR is effective as of the end of each financial year.

The IFC program is based on the Group's IFC Standard, which is an internal control and governance standard based on the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). It is designed to define the IFC scope and governance, ensure consistency and quality in AXA Group's financial reporting, and provide an overall framework for the annual IFC program.

In accordance with the Group's IFC Standard, AXA MPS (i) documents the significant processes and controls, as well as the rationale of how the associated risk of material misstatement due to error or fraud can be reduced to an acceptable level and (ii) tests the design and operational effectiveness of key controls based on the test plans.

These tests form part of a continuous improvement process in internal control over financial reporting. Areas for improvement are identified by specific test plans designed by management with insight into the risks covered. These processes then help remediate the identified potential control deficiencies and maintain high standards of internal control within AXA MPS.

At each year-end, AXA MPS is required to perform an evaluation of its ICOFR as part of an internal certification process. This process involves formal sign-off by the entity's process owners and culminates with a formal management report from the CFO sent to Group PBRC stating their conclusion as to the effectiveness of the Company's ICOFR.

Disclosure controls and procedures

AXA SA has implemented a formal internal review and sign-off process pursuant to which all Executive Committee members, CFOs and certain other senior executives are required to certify various matters covered in AXA's Annual Report.

This process is based on the following four pillars:

1. CFO Sign-Off Certificates required to be submitted by all local CFOs to Group PBRC, together with the required subsidiary financial reporting and consolidation information;
2. IFC Management reports required to be submitted by all CFOs to Group PBRC
3. Disclosure Controls & Procedures Certificates required to be submitted by AXA's Executive Committee members, regional CFOs and certain other senior executives (including heads of General Management Services Departments) pursuant to which each of these executives is required to review the Group's Annual Report and formally certify (i) the accuracy and completeness of the information in the Annual Report with respect to the companies under his/her responsibility, and (ii) the effectiveness of disclosure controls and procedures and ICOFR at

companies under his/her responsibility (with specific disclosure of any significant deficiencies or material weaknesses). In addition, as part of this “sub-certification” process, these executives are required to review and comment on a number of transversal disclosures in the Annual Report relating to risk and other matters;

4. CFO Sign-Off on notes to the Consolidated Financial Statements: PBRC provides regional CFOs with the contribution of the companies under their responsibility to the consolidated financial statements in order to facilitate their certification on the accuracy and completeness of the information in the Annual Report of the Group.

In order to fulfill such requirements, AXA MPS must provide a CFO sign off to AXA Group, together with the required subsidiary financial reporting and consolidation information. IFC reports must also be submitted by the CFO as part of the IFC program. A CFO sign-off is also required on notes to the

Conclusion

The AXA Group and AXA MPS believe that they have establish a comprehensive system of internal control procedures and mechanisms that the Company’s Executive Management believes appropriate and well adapted to their business and the global scale of their operations.

However, all internal control systems, no matter how well designed, have inherent limitations and cannot provide absolute certainty or guarantee against the materialization of risks and control failures. Even systems determined to be effective by the Management may not prevent or detect all human errors, all system malfunctions, all fraud or all misstatements and can provide only reasonable assurance. In addition, effective controls may become inadequate over time because of changes in conditions, deterioration of compliance with procedures or other factors.

B5 – Internal Audit function

/ Internal audit function

The Group's Internal Audit function provides the Group Audit Committee and the Group's Management Committee with independent and objective assurance on the effectiveness of internal control and risk management across the Group.

The Group's Global Head of Audit reports to the Chairman of the AXA Group Audit Committee with an administrative reporting line to the Group's Chief Executive Officer.

All internal audit teams across the Group report to the Group's Global Head of Audit whilst also having a direct and unfettered reporting line to their local Audit Committee Chairman and an administrative reporting line within their local management structure.

The objective of the Internal Audit function is to provide independent and objective appraisal of AXA MPS' system of internal control and underlying business processes aiming to add value, improve operational efficiency and manage risk more effectively. In addressing this mission, the primary objectives of the Internal Audit function are:

- To assist the Board, Audit Committee, management and employees in the effective discharge of their responsibilities by providing analyses, testing, recommendations and information concerning the adequacy and effectiveness of the Company's internal control structure;
- To address the safeguarding of assets, compliance with applicable laws and regulations and achievement of management's operational and strategic objectives; and
- To promote effective business processes and internal control at a reasonable cost.

As part of the audit program, the Internal Audit function assesses the compliance of activities with internal strategies, policies, processes and reporting procedures.

All areas of the business have a responsibility to inform the Internal Audit function of deficiencies in controls, losses that are sustained, or a definite suspicion concerning irregularities.

AXA MPS' Internal Audit exists to help the Board and Executive Management protect the assets, reputation and sustainability of the organisation by providing an independent and objective assurance activity designed to add value and improve the organisation's operations. It helps the organisation meet its objectives by bringing a systematic, disciplined approach to challenge Executive Management and evaluate the effectiveness of risk management, control and governance processes.

The head of the AXA MPS internal audit function has a direct and unfettered reporting line directly to his/her respective Audit Committee Chairman.

AXA MPS' Internal Audit functionally reports through to the Global Head of Audit who reports to the Group Audit Committee Chairman.

AXA MPS' Internal Audit annually sets up an internal audit plan of work, based on an assessment of both the inherent risk and the adequacy of controls. Its performance is formally monitored and reported to the Audit Committee.

Over a five year period, all applicable Common Audit Universe categories for each entity are expected to be audited. Any exceptions identified are notified to the Audit Committee for ratification.

A report is issued at the conclusion of each audit assignment to the relevant senior management. The results of the audits and resolution status of internal audit issues are presented to the Audit Committee and Executive Management on a regular basis.

The Audit Committee must have at least three, but no more than seven, members with one filling the role of Chairman. The Chair and members of the Audit Committee are nominated and appointed by the Board. Members must not be appointed for a period of more than 5 years. Members may have their appointment renewed subject to serving a maximum period of 12 years on the Audit Committee.

The Audit Committee fulfils its duties according to the AXA Group Terms of Reference for Audit Committees.

B6 – Actuarial function

/ Actuarial function

To comply with the Solvency II Regulations, an effective Actuarial function has been set up with the specific role of performing the following tasks:

a) coordinate the calculation of technical provisions;
b) ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
c) assess the sufficiency and quality of the data used in the calculation of technical provisions;
d) compare best estimates against experience;
e) inform the management and the Board of the reliability and adequacy of the calculation of technical provisions;
f) oversee the calculation of technical provisions;
g) express an opinion on the overall underwriting policy;
h) express an opinion on the adequacy of reinsurance arrangements; and
i) contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements

The Head of the Actuarial Function ("HoAF") reports to the Company's CEO and to the Board. In addition, as defined in AXA Group Actuarial Framework, his/her nomination is subject to Group Head of Actuarial Function agreement to whom he indirectly reports any major problem related to actuarial function responsibilities.

The HoAF is responsible for preparing an annual Actuarial Function Report to the Board Audit Committee and the Board of Directors, which addresses among other topics the following:

- The reliability and adequacy of the technical provisions;
- The quality of data;
- The appropriateness of methodologies, models and assumptions;
- An opinion on AMF's underwriting policy;
- An opinion on AMF's reinsurance arrangements.

The Actuarial Function Report is also communicated to the Group Head of Actuarial Function.

The HoAF contributes to the ORSA, and provides an opinion on the range of risks and scenarios considered.

The HoAF adheres to the CBI "Fitness and Probity Standards", specifically the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and financial soundness. The HoAF is a member of the Society of Actuaries in Ireland and undertakes to complete any necessary continuous professional development program as required by the Society of Actuaries in Ireland or as required by any other professional body of which he/she is a member.

B7 – Outsourcing

/ Outsourcing arrangements

Outsourcing by AXA refers to delegation to a third party of the execution of certain ongoing activities pursuant to a service agreement. The AXA outsourcing policy describes the mandatory Group requirements to comply with the Solvency II Regulations and requires that material relationships with third party providers are subjected to appropriate due diligence, approval and on-going monitoring. The objective of the policy is to ensure that "AXA does not abdicate responsibility" for the functions delegated to an AXA internal subsidiary or external third party, and that risks inherent in the outsourcing of material relationships (i.e. those deemed critical to the principal activities to the business) are identified, monitored and appropriately mitigated.

AXA MPS enters into a written agreement with each service provider of outsourced activities which clearly sets out the respective rights and obligations of AXA MPS and the service provider (an "Outsourcing Agreement"). A Service Level Agreement ("SLA"), rather than a formal Outsourcing Agreement, may be implemented between AXA MPS and the Group Service Providers setting out the duties and responsibilities of AXA MPS and The Group Service Providers.

Critical Activity	Description	Service Provider	Jurisdiction of Outsource Provider
Critical Support Services Optional Services	Policy Administration Services Fund Accounting Services Corporate Services Actuarial Services	External	Ireland
Risk Management	Provision of RM Services	Internal	Italy
Hedging Services	Provision of hedging platform to perform dynamic hedging for AMF Variable Annuity products	Internal	France
Investment Management	Management of AMF SH assets	Internal	France
Investment Management	Collateral Management	Internal	France

B8 – Any other information

Not applicable.

C

RISK PROFILE

/ Foreword

This section describes the main risks to which AXA MPS is exposed through its business operations.

AXA MPS is an insurance undertaking incorporated in Ireland in 1998 and authorised to sell Class III life assurance business. The company makes use of the “single passport” provisions of the EU’s life assurance directives to sell its products cross-border from Ireland into other EU member states. As of December 31, 2016, its business is focused on Italy. It has a range of unit-linked products, which it currently distributes through the Banca Monte dei Paschi di Siena (BMPS) branch network. It has also sold a small amount of business through other banks in Italy.

AXA MPS has developed consistent and comprehensive tools to measure and control its main risks as detailed in the below sections.

/ Solvency II capital position

SOLVENCY II CAPITAL REQUIREMENTS AND AXA'S INTERNAL MODEL

The Solvency II Regulations introduces a risk based capital requirement which can be assessed either using an internal model or a standard formula.

The AXA economic capital model (AXA's Internal Model) aims to cover all the material and quantifiable risks to which the entity is exposed. AXA's Internal Model offers a concrete and powerful tool to control and measure exposure to most risks, in line with the Solvency II framework.

The economic capital model is based on a common definition of risks used consistently throughout the AXA Group. It aims to ensure that the Company risk mapping is comprehensive and is followed in a consistent way across the Company and that efficient procedures and reporting are in place so that roles and responsibilities are allocated to identify, measure, monitor, manage and report key risks.

The Group risk grid[4] identifies all material risks applicable for the Company insurance businesses. AXA's Economic capital model captures all material risks applicable for the Company insurance businesses in order to assess the different sub risks and the overall aggregation of risks. The underlying methodologies used in the economic capital model are regularly reviewed to ensure that they accurately reflect the Company's risk profile and new methods are developed and integrated if necessary (in accordance with the internal model change policy).

AXA's Internal Model is calibrated to represent the value at risk of Group Economic Value at the 99.5th percentile over a one year horizon. In other words, the Solvency Capital requirement (SCR) is the capital needed to sustain a 1 in 200 years shock. It strives to include all measurable risks (market, credit, insurance and operational) and reflects AXA's unique diversified profile.

In addition to the risks that result in a SCR through AXA's Internal Model calculation, AXA also considers liquidity risk, reputation risk, strategic risk, regulatory risks as well as emerging threats.

The table overleaf details the Solvency Capital Requirement at AXA MPS level and per risk category.

Figure 1- Solvency Capital Requirement for AXA MPS on full internal model (QRT TEMPLATE S25.03.01)

[4] *The Group risk grid identifies all applicable risks for AXA businesses. Risk categories are further split into sub-risks. The risk assessment is performed at the sub-risk level. The risk grid is regularly reviewed and validated at Group Level.*

Figure 2- Solvency Capital Requirement for AXA MPS on full internal model (QRT TEMPLATE S25.03.01)

Annex I
S.25.03.01
Solvency Capital Requirement - for undertakings on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	**C0020**	**C0030**
1	Market Risk	65 288 892
2	Credit Risk	34 586 823
3	Life Risk	34 797 628
4	P&C Risk	0
5	Operational Risk	13 654 893
6	Intangible Risk	0

Calculation of Solvency Capital Requirement		**C0100**
Total undiversified components	**R0110**	148 328 235
Diversification	**R0060**	-35 352 951
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	**R0160**	0
Solvency capital requirement excluding capital add-on	**R0200**	98 853 374
Capital add-ons already set	**R0210**	0
Solvency capital requirement	**R0220**	98 853 374
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	**R0300**	0
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	**R0310**	-14 121 911
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirement for ring fenced funds	**R0420**	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0
Net future discretionary benefits	**R0460**	0

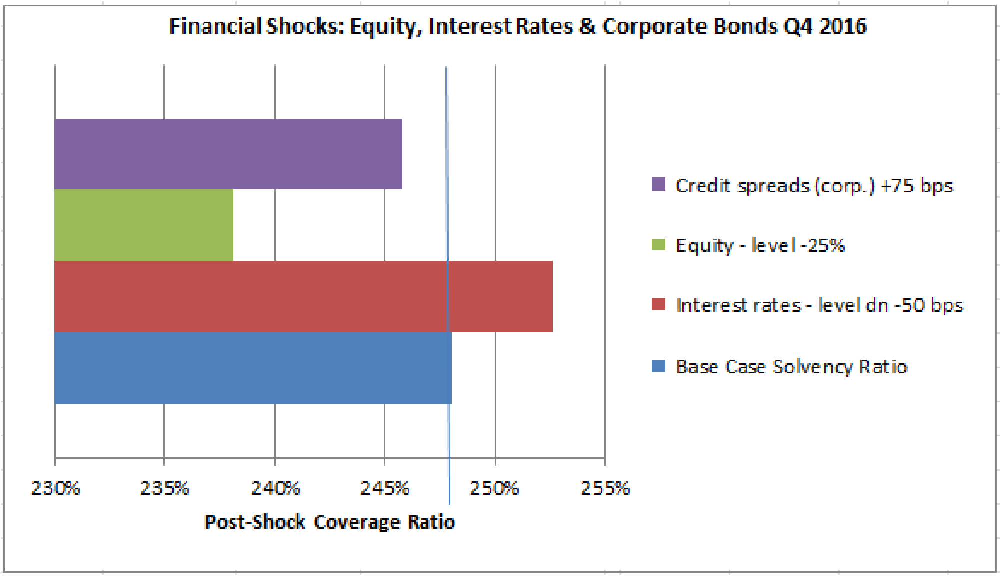
AXA MPS' Target Capital and risk sensitivity

Under the Solvency II Regulations, AXA MPS is required to hold eligible own funds that cover its Solvency Capital Requirement to absorb significant losses and to comply with the Solvency II Regulations. AXA MPS' Solvency Capital Requirement is calibrated so as to ensure that all quantifiable risks to which AXA MPS is exposed are taken into account.[5]

[5] In order to ensure the robustness of the economic capital model, reverse stress tests are performed at the Company level. Reverse stress scenarios exhibit combinations of Market, Credit, Life, P&C and Operational events (occurring simultaneously) that would lead to a loss amount equal to the Solvency Capital Requirement. These scenarios consist in a back-testing for the correlation coefficients' accuracy. Indeed, performing such scenarios permits highlighting potential cross and non-linearity effects and thus adjusting the correlations to take into account such impacts. It results in conservative correlation coefficients. These stress tests are complemented by Transversal Stress scenarios which bring to light appropriate measures that may be taken in order to mitigate their effects under the stress scenarios including, if relevant, activating the crisis management governance of the Company.

Under normal conditions, AXA MPS should maintain solvency II regulatory ratio above 100%, allowing AXA MPS to have sufficient eligible own funds to sustain a 1 in 200 years shock.

In addition, to ensure a comfort level over a 100% Solvency II regulatory ratio, AXA MPS monitors its ability to absorb possible severe financial or technical shocks. In this context, AXA MPS assesses the sensitivities of its Solvency II regulatory ratio to financial shocks on corporate bond spreads, on interest rates, and on equity (as detailed in the figure below). These sensitivity analyses do not take into account preemptive management actions that might be taken by the management to mitigate the effects of the defined shocks, but, allow to ensure through the risk appetite framework that local executive management reviews and approves the risk carried by the company, understand the consequences of and adverse development of these risks, and have action plans that can be implemented in case of unfavorable developments



Note for prudency all scenarios assume payment of a dividend of €80m in 2017.

Governance of Investment strategy and asset & liability management (ALM)

Guidance on Investments

Investment & ALM activities are steered by the Chief Investment Officer (CIO). The CIO is responsible for managing the Company's investment portfolio (policyholder and shareholder funds) to achieve the benchmark performance for those portfolios in accordance with the company's investment strategy. The CIO is responsible for monitoring the performance of externally managed assets and is also responsible for monitoring the results of asset/liability modelling and ensuring that the company holds sufficient assets of an appropriate nature, term and liquidity to enable it to meet those liabilities as they come due.

Group and Local Governance Bodies

In order to efficiently coordinate local and global investment processes, decisions within the investment community are taken by two main governance bodies:

- the Group Investment Committee which is chaired by the Group Chief Financial Officer. This committee defines investment strategies, steers tactical asset allocation, evaluates new investment opportunities and monitors the Group's investment performance; and
- the Group Asset Liability Management Supervisory Committee, for which the Group Investment and ALM Management Department is an important member, is co-chaired by the Group Chief Financial Officer and the Group Chief Risk Officer.

AXA MPS has a local Investment committee whose terms of reference include reviewing and proposing to the Board or adoption of the Company's Strategic Asset Allocation, and for approving and monitoring investments, meeting local compliance obligations and reviewing the participation to investment proposals syndicated by the Group, as well as local investment proposals.

ALM Studies and Strategic Asset Allocation

ALM aims at matching assets with the liabilities generated by the sale of insurance policies. The objective is to define the optimal asset allocation so that all liabilities can be met with the highest degree of confidence while maximizing the expected investment return.

ALM studies are performed by AXA MPS with the support of the actuarial team when appropriate and a second opinion provided by the Risk Management department. This process aims at maximizing expected returns given a defined level of risk. Furthermore, a series of additional constraints are taken into account, such as Solvency II economic capital model considerations, earnings stability, protection of the solvency margin, preservation of liquidity, as well as local and consolidated capital adequacy and requirement.

At AXA MPS level, the strategic asset allocation issued from the ALM study must be reviewed by the local risk management, and approved with regards to predefined risk appetite limits, before being fully endorsed by the local Investment committee. The strategic asset allocation allows for taking a tactical stance within a given leeway.

Investment Approval Process

Investment opportunities, like non-standard investments, new strategies or new structures, are subject to an Investment Approval Process (IAP). The IAP ensures key characteristics of the investment are analysed, such as risk and return expectations, experience and expertise of the investment management teams, as well as accounting, tax, legal and reputational issues.

The IAP is completed at Group level for any significant investment, notably if several local entities are participating in the same investment. In that case, the successful completion of an IAP is done after the production of a second independent opinion by GRM. The IAP is used and completed at local level to cover local characteristics (tax, statutory accounting, etc).

Local IAP is also run for investments in new asset classes for local entities under the same principles.

Governance Framework for Derivatives

Products involving hedging programs based on derivative instruments are designed with the support of dedicated teams at AXA Bank Europe, AXA Investment Managers, AB, AXA US and AXA SA. In a similar way, this set-up ensures all entities benefit from technical expertise, legal protection and good execution of such transactions within the following governance framework for derivatives.

Derivative strategies are systematically reviewed and validated by local Investment and ALM committees. In addition, there is a segregation of duties between those responsible for making investment decisions, executing transactions, processing trades and instructing the custodian. This segregation of duties aims in particular at avoiding conflicts of interest.

The market risks arising from derivatives are regularly monitored taking into account the Group's various constraints (Risk appetite, Economic capital model, etc). Such monitoring is designed to ensure market risks, coming either from cash or derivative instruments, are properly controlled and remain within approved limits.

Legal risk is addressed by defining a standardized master agreement. AXA MPS may trade derivatives only if they are covered by legal documentation which complies with the requirements set out in the Group standard. Any change to certain mandatory provisions defined in the Group standards must be approved by GRM.

Additionally, there is a centralized counterparty risk policy. GRM has established rules on authorized counterparties, minimum requirements regarding collateral, and counterparty exposure limits.

The operational risk related to derivatives is measured and managed in the context of AXA's global operational risk framework. Furthermore, execution and management of derivatives are centralized within dedicated teams, reducing AXA Group's and AXA MPS' operational risk.

Valuation Risk is addressed through the use of expert teams. They independently counter-valuate the derivatives positions so as to get appropriate accounting, payment and collateral management. They also challenge the prices proposed by counterparties in case AXA MPS wishes to initiate, early terminate or restructure derivatives. Such capacity in pricing requires high-level expertise, which relies on rigorous market analysis and the ability to follow the most up-to-date market developments for new derivatives instruments.

Investment and Asset Management

For a large proportion of its assets, AXA MPS utilizes the services of asset managers to invest in the market:

- AXA MPS mandates the day-to-day management of its asset portfolios primarily to AXA's asset management subsidiaries, i.e. AXA Investment Managers.
- in order to benefit from a more asset specific and/or geographical expertise, AXA MPS also invests through external asset managers. Thorough due diligence analyses are performed by the Investment and the Risk Management communities and a continuous monitoring is implemented.

C1. Underwriting risk

/ Insurance Risk Exposure

AMF is primarily responsible for managing its insurance risks linked to underwriting, pricing and reserving. It is also responsible for taking appropriate actions in response to changes in the environment in which it operates.

In the context of the business performed, the Company is exposed to the following main risks:

- Higher than expected lapses, leading to a reduction in future income;
- Lower new business volumes than anticipated, leading to a reduction in income;
- An increase in the level of expenses, which reduces profitability and future expected income;
- Adverse market impacts such as a decrease in equity markets which leads to a reduction in funds under management and consequent reduction in future income;
- Similarly rising interest rates which negatively impacts on funds under management, and reduces the value of bonds held in the shareholder fund.
- Liquidity constraints as a result of illiquid assets or an increase in sales of products with an initial strain.

/ Risk Control and Risk Mitigation

AXA MPS' overall exposure to underwriting risk is covered by the AXA's Solvency Capital Requirement metric, as detailed in the above paragraph "Solvency II capital requirements and AXA's Internal Model" of the introduction to Section C, and taken into account in AXA's liquidity risk management framework (see Section C.4). Sensitivity analyses of its Solvency II ratio to material risk events are detailed in the above paragraph "AXA MPS' target capital and risk sensitivity" of the introduction to Section C.

AXA MPS' asset management policies and investment strategy, which covers investments of assets to address underwriting risks, are addressed in the above paragraph "Governance of Investment strategy and asset & liability management (ALM)" of the introduction to Section C.

Insurance risks are covered through four major processes, defined at Group level but performed jointly by central and local teams:

- risk controls on new products that complement underwriting rules and product profitability analyses (Product Approval Process);
- optimizing of reinsurance strategies in order to limit the peak exposures of the Company thereby protecting its solvency by reducing volatility;
- reviewing technical reserves including a roll forward analysis; and
- monitoring emerging risks to share expertise within the underwriting and risk communities.

PRODUCT APPROVAL

Group Risk Management (GRM) has defined a set of procedures to approve new products launches. These procedures, adapted and implemented locally, foster product innovation across the Group while maintaining risks under control.

This validation framework notably relies on the results of the economic capital calculation of AXA MPS and ensures that any new products undergo a thorough approval process before they are put to market.

This framework complements underwriting rules by ensuring that no risks are taken outside pre-defined tolerance levels and that value is created by adequate risk pricing.

EXPOSURE ANALYSIS

GRM has developed and deployed common models and metrics to consistently measure risks throughout the Group (in particular via its economic capital model framework). These models and metrics are implemented locally. This enables AXA MPS to check that its exposure complies with consolidated risk appetite limits along the dimensions of earnings, value, capital and liquidity. This framework is included in the governance set out previously for product development control.

REINSURANCE

Together with the business lines, Risk Management contributes to the review of the appropriateness of AXA MPS' reinsurance cover.

AXA MPS has very low exposure to mortality risks, and therefore there is immaterial reinsurance in place.

TECHNICAL RESERVES

AXA MPS specifically monitors its reserve risks. These calculations are initially carried out by the actuarial department in charge, and are then reviewed for a second opinion by risk management team. Actuaries are in charge of assessing reserves, notably ensuring that:

- The technical assumptions and actuarial methodologies are in line with professional practices and sensitivity analyses are performed at least for the most significant ones;
- A roll-forward analysis of reserves has been performed, the regulatory and economic context references are taken into account and material deviations are explained;
- The Best Estimate Liabilities have been calculated in accordance with Articles 75 to 86 of the Solvency II Directive and Group guidelines.

As part of the Solvency II framework, the local Head of Actuarial Function (HoAF) of AMF coordinates the calculation of technical provisions ensuring the appropriateness of the methodologies and underlying models used. As part of his annual report, the HoAF also gives an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements.

C2. Market Risk

/ Market Risk Exposure

AXA MPS is exposed to financial market risks through its core business of Life and Savings products.

Description of market risks for Life and Savings

The market risks to which Life and Savings Unit-linked business is exposed arise from a number of factors including:

- a rise in yields on fixed-income investments (linked to interest rates or in spreads) reduces the market value of fixed-income investments, and also reduces the market value of funds under management with a subsequent reduction in future income;
- a decline in asset market value as a result of a reduction in equity markets leads to a reduction in market value of funds under management with a subsequent reduction in future income.

/ Risk Control and Risk Mitigation

AXA MPS' overall exposure to market risk is covered by AXA's Solvency Capital Requirement metric, as detailed in the above paragraph "Solvency II capital requirements and AXA's Internal Model" of the introduction to Section C, and taken into account in AXA's liquidity risk management framework (see Section C.4). Sensitivity analyses of its Solvency II ratio to material market risk events are detailed in the above paragraph "AXA MPS' target capital and risk sensitivity" of the introduction to Section C.

AXA MPS' asset management policies and investment strategy, which covers investments of assets to address market risks, are addressed in the above paragraph "Governance of Investment strategy and asset & liability management (ALM)" of the introduction to Section C.

AXA MPS is primarily responsible for managing its financial risks (market risk, credit risk, liquidity risk), while abiding by the risk framework defined at Group level, in terms of limits/ thresholds and standards. This approach aims to allow reacting swiftly in an accurate and targeted manner to changes in financial markets, political and economic environments in which the Company operates.

A wide variety of risk management techniques are used to control and mitigate the market risks to which the Company is exposed. These techniques include:

- Asset Liability Management (ALM), i.e. defining an optimal strategic asset allocation with respect to the liabilities' structure, to reduce the risk to a desired level;
- a disciplined investment process, requiring for any sophisticated investment a formal thorough analysis by the Investment Department, and a second opinion by Risk Management;
- hedging of financial risks when they exceed the tolerance levels set by AXA MPS or by the Group. Operational management of derivatives is based on stringent rules and is mainly performed by Group asset managers, AXA Investment Managers;
- a regular monitoring of the financial risks on the economic and solvency position of the Company; and
- reinsurance which also offers solutions to mitigate certain financial risks;

/

C3. Credit Risk

/ Credit Risk Exposure

Counterparty credit risk is defined as the risk that a third party in a transaction will default on its commitments. Given the nature of its core business activities, AXA MPS monitors all types of counterparties, using methods suitable to each type:

■ investment portfolios,

■ ceded risks to reinsurers resulting from reinsurance directly ceded by AXA MPS (immaterial exposure to reinsurers),

■ receivables deriving from direct insurance operations, including policyholders and brokers

AXA MPS' overall exposure to credit risk is covered by AXA's Solvency Capital Requirement metric, as detailed in the above paragraph "Solvency II capital requirements and AXA's Internal Model" of the introduction to Section C and taken into account in AXA's liquidity risk management framework (see Section C4). Sensitivity analyses of its Solvency II ratio to material credit risk events are detailed in the above paragraph "AXA MPS' target capital and risk sensitivity" of the introduction to Section C.

AXA MPS' asset management policies and investment strategy, which covers investments of assets to address credit risks, are addressed in the above paragraph "AXA's Investment Strategy and Asset & Liability Management (ALM)" of the introduction to Section C.

/ Invested Assets

Concentration risk is monitored by different analyses performed at Group level by issuer, sector and geographic region, in addition to local procedures and by a set of Group and local issuer limits.

These limits aim at managing the default risk of a given issuer, depending on its rating and on the maturity and seniority of all bonds issued by the issuer and held by AXA MPS.

The limits also take into account all exposure on issuers through debt securities, equity, derivatives and reinsurance counterparty risk.

For Sovereign exposures, specific limits have also been defined on government bonds and government-guaranteed bonds and are monitored at Group and local levels.

Compliance with the limits is ensured through defined governance processes. The Financial Risk Management and the Investment Department handles, on a monthly basis, any issuer exposure breaches to the Group's limit tolerances and determines coordinated actions for excessive credit concentrations. Also, a Group Credit Team reporting to the Group CIO provides credit analysis independently from Group asset managers, in addition to local CIO teams. The ALM Supervisory Committee is regularly kept informed of the work performed. At AXA MPS level, any breach of limits is presented for remediation at the local Investment committee.

Derivatives

Counterparty Risk arising from Over-The-Counter (OTC) Derivatives

AXA MPS actively manages counterparty risk generated by OTC derivatives through a specific Group-wide policy. This policy includes:

- rules on derivative contracts (ISDA, CSA);
- mandatory collateralization;
- a list of authorized counterparties; and
- a limit framework and an exposure monitoring process.

Receivables from Reinsurers: Rating Processes and Factors

At Group level, to manage the risk of reinsurers' insolvency, a Security Committee is in charge of assessing reinsurers' quality and acceptable commitments. The Committee is under joint authority of GRM and AXA Global P&C. This risk is monitored to avoid any excessive exposure to any specific reinsurer. The Group Security Committee meets monthly – and more frequently during renewal periods – and decides on any action to be taken with the aim of limiting AXA's exposure to the risk of default by any of its reinsurers.

Other receivables

Receivables risk arises from to the risk of default of counterparties related to insurance operations. The exposures are monitored by the accounting department by nature of counterparties (policyholders, intermediaries, intragroup, taxes, others, etc) and are actively managed to ensure the correct representation of the risk in the balance sheet on a quarterly basis.

The Risk Management team assesses on an annual basis the capital charge for each type of counterparty, using internal risk factors or standard factors.

C4. Liquidity risk

/ Liquidity position and Risk Management framework

Liquidity risk is the uncertainty, emanating from business operations, investments or financing activities, that AXA MPS will have the ability to meet payment obligations in a full and timely manner, in current or stressed environments. Liquidity risk concerns assets and liabilities as well as their interplay. At AXA MPS level, the liquidity risk is measured by the “Excess Liquidity” metric, which is defined as the worst liquidity position, measured over four different time horizons: 1 week, 1 month, 3 months and 12 months.

For each time horizon, the post-stress liquidity resources available and the post-stress liquidity needs (i.e. net outflows) to be paid are projected over the time-horizon allowing an estimation of the excess liquidity (i.e. the amount of available post-stress liquidity resources minus the post-stress outflows projected over a defined time horizon).

The stressed conditions are calibrated so as to reflect extreme circumstances, with all events assumed to occur simultaneously.

AXA MPS also reviews liquidity using a local framework, which takes into account local specificities, eg illiquid assets, collateral requirements etc.

AXA MPS’ analysis shows positive excess liquidity, and is monitored on a quarterly basis. The main liquidity resources are shareholder assets (bonds and cash), and the main liquidity needs arise from commissions due, tax to be paid, dividend payments etc.

As of December 31, 2016, the expected profit included in future premiums as calculated in accordance with Article 260(2) of the Solvency II regulations totalled €3 million.

C5. Operational risk

AXA has defined a framework to identify and measure its operational risks that may arise from a failure in its organization, systems and resources or from external events. Ensuring an adequate mitigation of these risks across the Group is a key pillar of the Risk Management functions.

AXA MPS' overall exposure to operational risk is covered by AXA's Solvency Capital Requirement metric, as detailed in the above paragraph "Solvency II capital requirements and AXA's Internal Model" of the introduction to Section C. Sensitivity analyses of its Solvency II ratio to material risk events are detailed in the above paragraph "AXA MPS' target capital and risk sensitivity" of the introduction to Section C.

/ General principles

One objective of the AXA MPS operational risk economic capital model is to understand and reduce losses resulting from operational failures and to define an appropriate risk response strategy for major Operational risk scenarios.

Based on the Solvency II definition, AXA MPS defines operational risk as the risk of loss arising from inadequate or failed internal processes, personnel or systems or from external events. Operational risk includes legal risks and excludes risks arising from strategic decisions, as well as reputation risks.

AXA has defined a single Group framework for identifying, quantifying and monitoring the main operational risks, involving the deployment of a common system, dedicated operational risk teams and a common operational risk typology classifying operational risks into seven risk categories:

- internal fraud,
- external fraud,
- employment practices and workplace safety,
- clients, products and business practices,
- damages to physical assets,
- business disruption and system failures and
- execution, delivery and process management.

Both quantitative and qualitative requirements are defined.

The most critical operational risks of AXA MPS and a set of stress scenarios are identified and assessed following a forward-looking and expert-opinion approach. These risk scenarios are then used to estimate the capital requirement needed to cover operational risks based on advanced models based on Solvency II principles. The operational risk management process is embedded into local governance through senior management validation to ensure the adequacy, appropriateness and comprehensiveness of the risk assessment but also to ensure that adequate corrective and pre-emptive actions are defined and implemented in front of the main risks.

In addition, a loss data collection process is progressively in place within AXA MPS in order to track and appropriately mitigate actual operational risk losses. This process is also used as a valuable source of information to back-test the assumptions taken in risk assessments.

As of 2016, the AXA MPS Operational Risk Profile was reasonably diversified with all seven operational risk categories covered and the main risks being the following:

- Operational risk events at AXA MPS' main third party administrator.
- Legal or regulatory defects in new product's issuance
- Model errors in profit testing processes

C6. Other material risks

/ Strategic risk

A strategic risk is the risk that a negative impact (current or prospective) on earnings or capital, material at AXA MPS level, arises from a lack of responsiveness to industry changes or adverse business decisions regarding:

- significant changes in footprint, including through mergers and acquisitions;
- product offering and client segmentation; and
- distribution model (channel mix including alliances/partnerships, multi-access and digital distribution).

Given the nature of strategic risks, there is no required capital charge assessment but rather a strong strategic risk management framework in place in order to assess, anticipate and mitigate these risks.

/ Reputation risk

Reputation risk is the risk that an event, internal or external, will negatively influence stakeholders' perceptions of the Company or where there is a gap between stakeholders' expectation and the Company's behaviors, attitudes, values, actions, or inactions.

AXA has defined a global framework with a two-fold approach to reactively protect and proactively monitor, manage and mitigate reputational issues in order to minimize value destruction, and build and maintain brand equity and trust among stakeholders.

AXA Group created a Global Reputation Network whose purpose is to implement locally a reputation risk management framework. The objectives of the reputation risk management approach are in line with AXA's overall enterprise risk management approach, which aim to develop a reputation risk culture across the enterprise.

Three main objectives drive the reputation risk management approach:

- proactively manage reputation risks, avoid or minimize negative issues impacting the reputation of AXA and build trust among all AXA stakeholders.
- define accountability for reputation risks across the organization (Marketing, HR, Finance / Investors Relations, etc.), at Group and local levels; and
- implement a common reputation risk management framework throughout the organization.

The implementation of the reputation risk framework encompasses all AXA activities including insurance, asset management, and banking as well as internal service providers.

/ Emerging risks

Emerging risks are risks which may develop or which already exist and are continuously evolving. Emerging risks are marked by a high degree of uncertainty; as some of them may never emerge.

AXA has established processes to qualify and quantify emerging risks which could develop over-time and become significant. The emerging risk framework encompasses a network of approximately 50 individuals within AXA Group.

Emerging risks surveillance is organized through a detection process including monitoring scientific publications, court decisions, etc. Risks are monitored and classified within a risk mapping constituted of six sub-groups (regulatory & legal, environmental, sociological & political, economic & financial, medical and technological). After prioritization of the monitored risks or after a warning from an entity, a working group is launched on a yearly basis by GRM to review a specific risk and its potential impact in terms of insurance.

By developing relationships with researchers and supporting innovative projects in environmental, socio-economic and life risks, the AXA Research Fund is a key contributor to AXA's commitment to better understand the evolution of these risks.

By seeking to develop new solutions, acting as an advisor on risk management and actively contributing to the overall debate about the issues involved, along with other major market players, AXA intends to promote a better understanding and better forecasting of emerging risks and to support sustainable development.

C7. Any other information

Not applicable.

D

VALUATION FOR SOLVENCY PURPOSES

/ Basis for preparation

Cliquez ici pour taper du texte.

AXA MPS' Solvency II balance sheet is prepared as of December 31 in compliance with the Solvency II Regulations.

Assets and liabilities are valued based on the assumption that the Company will pursue its business as a going concern.

Technical provisions are recognized with respect to all of insurance and reinsurance obligations towards policyholders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions corresponds to the amount that the Company would have to pay if it was to transfer its insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking.

Other assets and liabilities are recognized in compliance with IFRS standards and interpretations of the IFRS Interpretations Committee that are endorsed by the European Union before the balance sheet date with a compulsory date of January 1, 2016, provided that those standards and interpretations include valuation methods that are in accordance with the following market consistent valuation approach set out in Article 75 of the Solvency II Directive 2009/138/EC:

■ Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;

■ Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction (without adjustment to take account of the Company own credit standing).

The main adjustments between IFRS and Solvency II assets and liabilities relate to:

- Removal of intangibles;
- BEL adjustment, i.e. replacing the best estimate liability under IFRS with that under Solvency II;
- Risk margin; and
- Minor adjustments to asset values.

The preparation of the balance sheet in accordance with Solvency II requires the use of estimates and assumptions. It requires a degree of judgment in the application of Solvency II principles described below. The principles set out below specify the measurement methods used for these items.

Unless otherwise stated, AXA's valuation principles have been consistently applied to all the periods presented.

The Solvency II balance sheet is presented in Euro, the Euro being the Company's presentational currency.

D1 - Assets

/ Fair value measurement

For each material asset class, the table below summarizes the value of the assets of the Company according to Solvency II provisions and the values of the assets recognized and valued on a statutory account basis as of December 31, 2016:

(in Euro million)	**Fair Value** (Solvency II)	**Carrying Value** (Local IFRS)	**% (value Balance Sheet)**
Goodwill	-	-	-
Deferred acquisition costs	-	159	2%
Intangible assets	-	-	-
Deferred tax assets	-	-	-
Pension benefit surplus	-	-	-
Property, plant & equipment held for own use	-	-	-
Investments (other than assets held for index-linked and unit-linked contracts)	**182**	**182**	**2%**
Investment in real estate properties	-	-	-
Holdings in related undertakings, including participations	-	-	-
Equities	-	-	-
Debt Instruments	-	-	-
Investment funds	-	-	-
Derivatives	-	-	-
Other investments	182	182	2%
Assets held for index-linked and unit-linked contracts	**7,979**	**7,979**	**93%**
Loans and mortgages	-	-	-
Reinsurance recoverables	-	-	-
Receivables	72	72	1%
Cash and cash equivalents	**206**	**206**	**2%**
Other	-	-	-
Total Assets	**8,439**	**8,598**	**100%**

The Company applies the IFRS 13 fair value hierarchy as described below for all assets and liabilities (excluding technical provisions). This fair value hierarchy is consistent with the one defined in the Solvency II Regulations.

a) Active market: quoted price

Fair values of assets and liabilities traded on active markets are determined using quoted market prices when available. An instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis between a willing seller and a willing buyer. For financial instruments traded in active markets, quotes received from external pricing services represent consensus prices, i.e. using similar models and inputs resulting in a very limited dispersion.

b) Active versus inactive markets – financial instruments

Equity instruments quoted on exchange traded markets and bonds actively traded on liquid markets for which prices are regularly provided by external pricing services that represent consensus with limited dispersion and for which quotes are readily available are generally considered as being quoted in an active market. Liquidity may be defined as the possibility to sell or dispose of the asset in the ordinary course of business within a certain limited time period at approximately the price at which the investment is valued. Liquidity for debt instruments is assessed using a multi criteria approach including the number of quotes available, the place of issuance and the evolution of the widening of bid ask spreads.

A financial instrument is regarded as not quoted in an active market if there is little observation of transaction prices as an inherent characteristic of the instrument, when there is a significant decline in the volume and level of trading activity, in case of significant illiquidity or if observable prices cannot be considered as representing fair value because of dislocated market conditions. Characteristics of inactive markets can therefore be very different in nature, inherent to the instrument or indicative of a change in the conditions prevailing in certain markets.

c) Assets and liabilities not quoted in an active market

The fair values of assets and liabilities that are not traded in an active market are estimated:

■ Using external and independent pricing services; or

■ Using valuation techniques

■ No active market: use of external pricing services

External pricing services may be fund asset managers in the case of investments in funds. To the extent possible, the Company collects quotes from external pricing providers as inputs to measure fair value. Prices received may form tight clusters or dispersed quotes which may then lead to the use of valuation techniques. The dispersion of quotes received may be an indication of the large range of assumptions used by external pricing providers given the limited number of transactions to be observed or reflect the existence of distress transactions. In addition, given current market conditions since the financial crisis and the persistency of complete inactivity of some markets since then, many financial institutions closed their desks dedicated to structured assets deals and are no longer in a position of delivering meaningful quotes.

NO ACTIVE MARKET: USE OF VALUATION TECHNIQUES

The objective of valuation techniques is to arrive at the price at which an orderly transaction would take place between market participants (a willing buyer and a willing seller) at the measurement date. Valuation technique models include:

1. Market approach: The consideration of recent prices and other relevant information generated by market transactions involving substantially similar assets or liabilities.
2. Income approach: Use of discounted cash flow analysis, option pricing models, and other present value techniques to convert future amounts to a single current (i.e. discounted) amount.
3. Cost approach: The consideration of amounts that would currently be required to construct or replace the service capacity of an asset.

Valuation techniques are subjective in nature and significant judgment is involved in establishing fair values. They include recent arm's length transactions between knowledgeable willing parties on similar assets if available and representative of fair value and involve various assumptions regarding the underlying price, yield curve, correlations, volatility, default rates and other factors. Unlisted equity instruments are based on cross checks using different methodologies such as discounted cash flows techniques, price earnings ratios multiples, adjusted net asset values, taking into account recent transactions on instruments which are substantially the same if concluded at arm's length between knowledgeable willing parties, if any. The use of valuation techniques and assumptions could produce different estimates of fair value. However, valuations are determined using generally accepted models (discounted cash flows, Black & Scholes models, etc.) based on quoted market prices for similar instruments or underlying (index, credit spread, etc.) whenever such directly observable data are available and valuations are adjusted for liquidity and credit risk.

Valuation techniques may be used when there is little observation of transaction prices as an inherent characteristic of the market, when quotes made available by external pricing providers are too dispersed or when market conditions are so dislocated that observed data cannot be used or need significant adjustments. Internal marks to model valuations are therefore normal market practices for certain assets and liabilities inherently scarcely traded or exceptional processes implemented due to specific market conditions.

USE OF VALUATION TECHNIQUES IN DISLOCATED MARKETS

The dislocation of certain markets may be evidenced by various factors, such as very large widening of bid ask spreads which may be helpful indicators in understanding whether market participants are willing to transact, wide dispersion in the prices of the small number of current transactions, varying prices over time or among market participants, inexistence of secondary markets, disappearance of primary markets, closing down of dedicated desks in financial institutions, distress and forced transactions motivated by strong needs of liquidity or other difficult financial conditions implying the necessity to dispose of assets immediately with insufficient time to market the assets to be sold, and large bulk sales to exit such markets at all costs that may involve side arrangements (such as sellers providing finance for a sale to a buyer). Primary transactions' prices in markets supported by government through specific measures following the financial crisis do not represent fair value.

In such cases, the Company uses valuation techniques including observable data whenever possible and relevant, adjusted if needed to develop the best estimate of fair value, including adequate risk premiums or develops a valuation model based on unobservable data representing estimates of assumptions that willing market participants would use when prices are not current, relevant or available without undue costs and efforts: in inactive markets, transactions may be inputs when measuring fair value, but would likely not be determinative and unobservable data may be more appropriate than observable inputs.

/ Intangible assets

Under Solvency II, only intangible assets related to the business in force, that are separable and for which there is evidence of transactions for the same or similar assets, indicating they are saleable in the market place, are recognized. That may include software developed for internal use. It is booked at fair value with therefore possible differences with the local statutory IFRS carrying values, based on cost less amortization over the assets' estimated useful lives. As a result of Solvency II principles, deferred acquisition costs and other intangible assets recognized under local statutory IFRS have no value in the Solvency II balance sheet.

/ Deferred taxes

Differences arise between local statutory IFRS and Solvency II deferred taxes balances due to differences in underlying valuation principles for assets and liabilities. Indeed, there are generally tax impacts on adjustments between local statutory IFRS and Solvency II assets and liabilities.

Under Solvency II, deferred tax assets and liabilities emerge from temporary differences with tax values of assets and liabilities, and, when applicable, from tax loss carry forwards. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset the temporary differences, taking into account the existence of tax groups and any legal or regulatory requirements on the limits (in terms of amounts or timing) relating to the carry forward of unused tax losses or the carry forward of unused tax credits. The recoverability of deferred tax assets recognized in previous periods is re-assessed at each closing.

The measurement of deferred tax liabilities and deferred tax assets reflects the expected tax impact, at the balance sheet date that would follow the way the Company expects to recover or settle the carrying amount of its assets and liabilities. When income taxes are calculated at a different rate if dividends are paid, deferred taxes are measured at the tax rate applicable to undistributed profits. The income tax consequences of dividends are only accounted when a liability to pay the dividend is recognized.

For presentation purpose of the balance sheet, deferred tax assets are offset with deferred tax liabilities at fiscal entity level.

As of December 31, 2016 a net deferred tax liability position of €21 million has been recognized in the Solvency II balance sheet.

/ Property, Plant & Equipment held for own use

AXA MPS assets comprise the book written down value of computer equipment and internal office refurbushments.

/ Investments and loans

AXA MPS does not have any such asset on its balance sheet.

/ Derivative instruments

Under both IFRS and Solvency II, derivatives are recognized at fair value.

/Leasing arrangements

AXA MPS has an operating lease in place for its office premises with a lease term of 10 years (with a break option at year 5). This lease expires in 2026 (or 2021 if the break clause is triggered).

/ Reinsurance & Special purpose vehicles recoverables

Not applicable for AXA MPS due to immateriality of reinsurance. No special purpose vehicle recoverables have been booked.

/ Assets held for index-linked and unit-linked funds

Under both IFRS and Solvency II, assets backing liabilities arising from contracts where the financial risk is borne by policyholders are presented in a separate aggregate of the balance sheet so that they are shown in a symmetrical manner to the corresponding liabilities. The same valuation approach prevails under both IFRS and Solvency II frameworks.

/ Others assets and liabilities

Unearned revenue reserve and deferred acquisition costs are held on the local balance sheet, while eliminated under Solvency II.

D2 - Valuation of technical provisions and reinsurance recoverables

/ General principles

Under the Solvency II Regulations, technical provisions are divided among Non-life (excluding health), Health (similar to non-life), Health (similar to life), Life (excluding health, index-linked and unit-linked), index-linked and unit-linked.

Technical provisions are measured using a two "building blocks" approach:

- Best Estimate Liabilities (BEL), and
- Risk margin for non-hedgeable risks that is added to the best estimate liabilities.

This valuation requires deep analysis of the underlying obligations, collection of qualitative and quantitative information, projection tools and models, and expert judgment in a number of areas.

The table below summarizes AMF's technical provisions under Solvency II together with a comparison on a local statutory account basis as of December 31, 2016.

(in Euro million)	Fair Value (Solvency II)	Carrying Value (Local IFRS)
Technical provisions – non life	-	-
Technical provisions – non life (excluding health)	-	-
Best Estimate	-	-.
risk margin	-	-
Technical provisions - life (excluding index-linked and unit-linked)	-	-
Technical provisions - (excluding health and index-linked and unit-linked)	-	-
Best Estimate	-	-
risk margin	-	-
Technical provisions - index-linked and unit-linked	7870	7993
Best Estimate	7857	7993
risk margin	13	-

/ Best Estimate Liabilities

The best estimate liability corresponds to the probability-weighted average of future cash flows, including policyholder's benefit payments, expenses, taxes, premiums related to existing insurance and reinsurance contracts taking into account the time value of money (i.e. by discounting these future cash flows to present value). The calculation of the best estimate liability is based upon up-to-date reliable information and realistic assumptions. The cash-flow projection used in the calculation includes all the cash in- and out-flows required to settle the insurance and reinsurance obligations over their lifetime.

The best estimate liability is recognized on a gross of reinsurance basis, without deduction of amounts recoverable from reinsurance contracts and special purpose vehicles. The latter are recognized separately.

A best estimate assumption is defined as one where there is as much probability that the actual experience develops over the assumption as below it. It is neither a prudent nor an optimistic assumption. It is set at a level that is neither deliberately overstated nor deliberately understated. Due to the inherent uncertainties, if two assumptions are equally reasonable the more prudent one is retained.

Assumptions and framework

Assumptions regarding future experience are intended to be reasonable, and, to the extent possible, should take into account the actual historical and current experience of the Company, adjusted to reflect known changes in the environment and identifiable trends. Experience studies are reviewed. If experience studies are not available, they should be developed where appropriate and practical. In some instances, data may not be available or may be insufficient to provide a credible basis on which to develop assumptions. Consequently, it may be necessary to rely more on judgment, taking into consideration the Company's pricing and/or reserving assumptions and the experience of other companies with comparable products, markets, and operating procedures.

Assumptions are used to project future cash flows, and are therefore be selected with due regard to the future context or expected future operating environment of the Company. Thus, they may or may not be consistent with past experience.

The analysis of future experience will depend on the context and the risk characteristics of the products analysed. The impact of the external environment on the future cash flows and financial statements must also be recognised. Setting corresponding assumptions requires sound knowledge of the current and projected policies of management in charge of investment, underwriting, reinsurance, claim settlement, marketing, pricing, policyholder dividend/bonus declaration and administration. Specific considerations include economic factors such as inflation or recession as well as the regulatory, legislative and political environments.

Assumptions in respect of best estimate metrics are derived consistently over time and within homogeneous risk groups and lines of business without arbitrary changes. The assumptions are designed to adequately reflect any uncertainty underlying the cash flows.

Specificities of characteristics assumptions

Expenses

Expenses include administrative expenses, investment management expenses, claims management expenses and acquisition expenses which relate to recognized insurance and reinsurance obligations.

The assumptions underlying expenses projections are consistent with the strategy of the Company, taking into account future new business and any change in the expenses agreed by the management.

Boundary of an insurance or reinsurance contract

The Solvency II balance sheet excludes all premiums expected from new business not yet written and some future premiums expected from existing contracts if the Company has the power to either reject them or fully re-price them.

Management actions

Management actions are taken into account, including unit expense reduction.

Management actions should be consistent with business practice, the Company strategy and policyholders' obligations.

Reference rate curve

Discount rates used are risk free rates.

Life Best Estimate Liabilities

The best estimate liability (BEL) corresponds to the probability weighted average of future cash-flows taking account of the time value of money.

EIOPA guidance envisages the use of deterministic methods if the nature of the liabilities is sufficiently simple, and this is the approach adopted for unit-linked business without guarantees.

Stochastic methods are used for the Accumulator variable annuity business and also for the valuation of the death benefit on index-linked and Valore Performance policies.

The maturity guarantee on index-linked policies is backed by Italian government bonds. In contrast with Solvency I, under Solvency II there is no allowance within the technical provisions for default risk on these bonds. However this exposure has been considered in the ORSA.

The future earning rate and the discount rate are based on risk free rates provided by EIOPA as at the valuation date.

Other assumptions are best estimates without the additional margins that may apply for other reserving calculations (e.g. Solvency 1 or IFRS insurance reserves).

The BEL for unit-linked policies is the sum of the unitised account value and a monetary or cash component, that is

BEL = account value plus cash BEL

The cash BEL is the present value of gross margins arising from holding unitised assets to match the account value. The cash BEL may be negative, i.e. an asset.

The cash BEL will be negative for unit linked policies if the present value of future income (asset management charges) is greater than the present value of future outgo (expenses and death costs). In this case the BEL may be less than the surrender value.

/ Statement on the use of the volatility adjustment

AXA MPS did not apply the volatility adjustment referred to in Article 77d of the Directive as of December 31, 2016.

/ Statement on the use of the transitional measures for technical provisions

AXA MPS did not apply the transitional risk-free interest rate-term structure referred to in Article 308c of the Directive nor the transitional deduction referred to in Article 308d of the Directive.

/ Risk margin

The risk margin is defined as the cost of non-hedgeable risk, i.e. a margin in addition to the expected present value of liability cash flows required to manage the business on an on-going basis. It is deemed to be the present value of the cost of future economic capital requirements for non-hedgeable risks.

In addition to the best estimate liabilities (BEL), a risk margin is recognized to obtain values consistent with the determination of market prices when there are no deep and liquid markets. The risk margin is defined as the cost of non-hedgeable risk, i.e. a margin in addition to the expected present value of liability cash flows required to manage the business on an ongoing basis. In general, most insurance risks (e.g. mortality or property risks) are deemed to be non-hedgeable risks.

The non-hedgeable risks comprise:

- Life insurance risks,
- Operational risks.

The SCR for the non-hedgeable risks is projected for the future years until the run-off of the portfolio using suitable risk drivers. For AXA MPS this is the unit reserve for most risks, although the mortality and catastrophe risks are projected using death costs as a driver.

The risk margin is determined as the present value at the basic risk free interest rate structure of the future capital charges using a 6% cost of capital for all lines of business as per Solvency II regulation requirement.

The cost of capital is a premium over the risk free rate that represents the reduction in economic "value" (cost) linked to the risks considered.

/ Reinsurance & Special purpose vehicles recoverables

Please refer to Section D.1.

/ Material changes in assumptions in 2016

Unit costs increased over 2016 as a result of an overall increase in expenses combined with a reduction in the number of policies in force due to high surrenders and relatively low sales volumes.

The best estimate surrender assumptions were also reviewed, and updated to reflect recent experience. For many products, this led to an increase in surrender assumptions.

D3 - Other liabilities

The table below summarizes AXA MPS' other liabilities under Solvency II together with a comparison on a local statutory account basis as of December 31, 2016.

(in Euro million)	**Fair Value** (Solvency II)	**Carrying Value** (Local IFRS)
Contingent liabilities	-	-
Provisions other than technical provisions	-	-
Pension benefit obligations	-	-
Deposits from reinsurers	-	-
Deferred tax liabilities	21	2
Derivatives	0	0
Debts owed to credit institutions	-	-
Financial liabilities other than debts owed to credit institutions	-	-
Payables	214	213
Subordinated liabilities	-	-
Other	6	203

/ Contingent liabilities

Contingent liabilities are:

■ Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or

■ Present obligations that arise from past events but for which it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Under Solvency II, contingent liabilities that are material are recognized as liabilities. Contingent liabilities are material where information about the current or potential size or nature of those liabilities could influence the decision-making or judgment of the intended user of that information, including the supervisory authorities.

The value of contingent liabilities is equal to the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure.

AXA MPS has no contingent liabilities as of December 31, 2016.

/ Provisions other than technical provisions

The same approach prevails under both local statutory GAAP and Solvency II frameworks. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when the provision can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at management's best estimate, at the balance sheet date.

As of December 31, 2016, AXA MPS holds no provisions other than technical provisions.

/ Pension benefit obligations

As of December 31, 2016, AXA MPS holds no pension benefit obligations on its balance sheet.

/ Deferred taxes

Please refer to section D.1.

/ Derivatives

Please refer to section D.1.

/ Financial liabilities

As of December 31, 2016, AXA MPS holds no material financial liabilities on its balance sheet.

/ Payables

Payables are re-measured at fair value.][

/ Leasing arrangements

Please refer to Section D.1.

/ Other assets and liabilities

Please refer to section D.1.

D4 – Alternative methods for valuation

For detailed information on alternative methods used for valuation of assets and other liabilities, please refer to the subsection Fair Value Measurement in section D.1.

For detailed information on alternative methods used for valuation of liabilities other than technical provisions, please refer to the section D.3.

D5 – Any other material information

Not applicable.

E

CAPITAL MANAGEMENT

E.1 Own funds

/ Capital Management Objectives

AXA MPS has reviewed its capital resources and requirements on an economic basis as at the end of 2016. In performing this review, both the regulatory requirements and Management's internal objective - including ability to meet key shareholder's requirements - have been considered.

Executive Management monitors the Company's solvency margin and regulatory capital requirements on an on-going basis, both for regulatory compliance purposes and to ensure that the company is appropriately positioned from a competitive point of view.

The Executive Management has developed various contingency plans designed to ensure that the Company's solvency margin and the regulatory capital levels remain well in excess of regulatory minimum requirements and at levels that leave the Company well positioned from a competitive point of view.

/ Information on the Capital Structure

As of December 31, 2016, available financial resources (AFR) totaled €246 million post foreseeable dividend of €80 million. The capital resources at December 31, 2016 and December 31, 2015 are presented in the table below:

(in Euro million)	At December 31, 2016	At December 31, 2015	Evolution
Share capital	1	1	0
Dated subordinated debt	-	-	-
Reconciliation reserve	245	299	(54)
Available Financial Resources	**246**	**299**	**(54)**

Reconciliation reserve represents the excess of asset over liabilities from the Solvency II balance sheet, reduced by capital items in the financial statements (share capital) excluding subordinated debts and net of a dividend scheduled to be paid in 2016, of € 80 million.

/ Change in capital resources in 2016

Available Financial Resources

€ million	Available financial resources
AFR FY15	**299**
Modelling changes & opening adjustments	0
Total return	26
Dividends to be paid in year N+1	-80
Others	0
AFR FY16	**246**

AXA MPS' Available Financial Resources decreased by €54 million to €246 million as a result of:

■ A positive total return, driven by new premium contribution. The favorable financial elements (increase in unit prices leading to an increase in policyholder funds and subsequently future income, as well as positive return on shareholder assets) were offset by high lapses and increase in expenses; and

■ An €80 million dividend to be paid in 2017 based on 2016 results.

/ Tiering analysis of capital

Repartition of capital by tier

Solvency II available own funds represent the Available Financial Resources (AFR) available to the Company before any consideration for tiering eligibility restriction and after limitation over the potential non-availability of certain elements of capital.

Available own funds are split into tiers (this analysis is only done for the purpose of calculating the Solvency ratio), i.e. three different buckets of capital determined according to the quality of such components as defined in the Solvency II Regulation. Eligibility limits apply to those available elements to cover respectively the Solvency Capital Requirement (SCR) or the Minimum Capital Requirement (MCR).

As far as compliance with the Solvency Capital Requirement is concerned, the following quantitative limits shall apply: (a) the eligible amount of Tier 1 items shall be at least one half of the Solvency Capital Requirement; (b) the eligible amount of Tier 3 items shall be less than 15 % of the Solvency Capital Requirement; (c) the sum of the eligible amounts of Tier 2 and Tier 3 items shall not exceed 50 % of the Solvency Capital Requirement.

AFR is the eligible amount of own funds after the tiering limits are applied. The structure of tiering is presented in the table below:

(in Euro million)	Total	Unrestricted Tier 1	Restricted Tier 1	Tier 2	Tier3
AFR (Eligible own fund) At December 31, 2015	**299**	**299**	**0**	**0**	**0**
Of which ancillary	0	0	0	0	0
Of which subject to transitional measures	0	0	0	0	0
AFR (Eligible own fund) At December 31, 2016	**246**	**246**	**0**	**0**	**0**
Of which ancillary	0	0	0	0	0
Of which subject to transitional measures	0	0	0	0	0

The various components of what AXA MPS considers as eligible capital are determined in accordance with Solvency II Regulations. At December 31, 2016, eligible capital amounted to €246 million (€299 million at December 31, 2015) of which:

■ unrestricted Tier 1 capital after accounting for proposed dividend: €246 million (€299 million at December 31, 2015), comprised of shares capital (€1 million), and a reconciliation reserve corresponding to €245 million;

As far as compliance with the Minimum Capital Requirements is concerned, the following quantitative limits shall apply: (a) the eligible amount of Tier 1 items shall be at least 80 % of the Minimum Capital Requirement; (b) the eligible amounts of Tier 2 items shall not exceed 20 % of the Minimum Capital Requirement.

In accordance with the methods of calculation implemented by AXA in line with existing regulations, the Company's eligible financial resources to cover its MCR under the current Solvency II Regulations amounted to 552% at December 31, 2016 compared to 585% at the end of 2015.

Dated and undated subordinated debts description

AXA MPS has not issued any subordinated debt.

/ Reconciliation to Local IFRS Shareholders' equity

As of December 31, 2016, Local IFRS shareholder's equity totaled €186 million. The reconciliation movements in capital resources between the local IFRS Shareholders' equity and the Solvency II Available Financial Resources are presented in the table below:

€ million	At December 31, 2016
Shareholders' Equity (Local IFRS)	**186**
Full market value of assets	0
Intangible assets	37
Best Estimate Liabilities	102
Subordinated debt	0
Other	0
Available Financial Resources (AFR)	**326**

The key differences between local IFRS and the Solvency II frameworks are further explained below:

■ Intangibles elimination relates to the removal of Intangibles, and deferred acquisition costs that are re-measured through the Best Estimate Liabilities calculation.

■ Best Estimate Liabilities and Market Value Margin adjustment is related to the re-measurement in the Solvency II framework of policyholder's reserves as compared to those of the local GAAP.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

AXA received formal approval over its internal economic capital model application in November 2015. The AXA economic capital (AXA's Internal Model) is designed to allow AXA entities to choose the local calibrations which better reflect the local risk profile and to capture all the material risks to which AXA is exposed. As a result, it is believed the internal economic capital model better aligns the capital requirement metrics with the Management decision making.

/ General principles

The Solvency II directive provides for two separate levels of solvency margin: (i) the Minimum Capital Requirement (MCR), which is the amount of own funds below which policy holders and beneficiaries are exposed to an unacceptable level of risk should the Company be allowed to continue its operations, and (ii) the Solvency Capital Requirement (SCR), which corresponds to a level of eligible own funds that enables insurance and reinsurance companies to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made.

/ Solvency Capital Requirement (SCR)

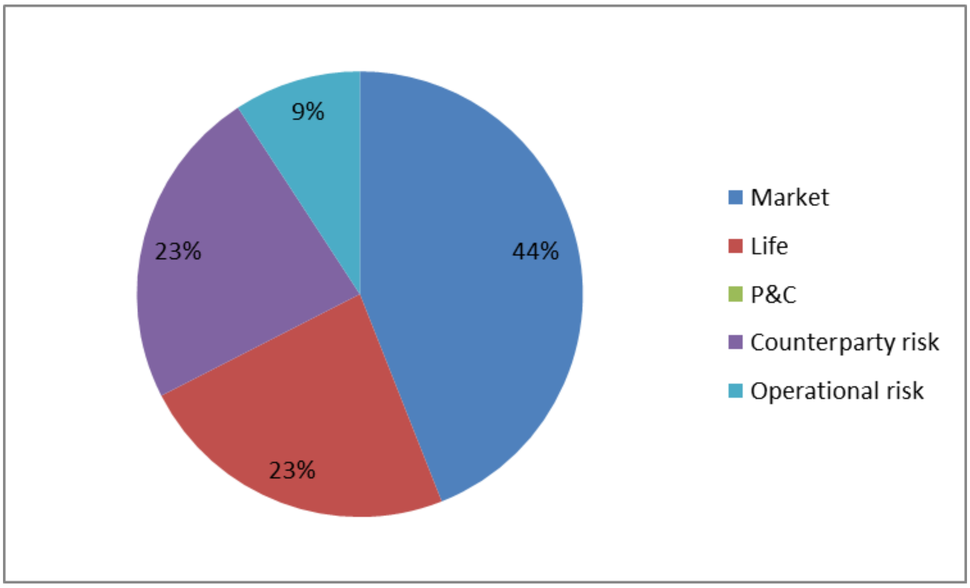
On November 17, 2015, AXA received approval from the ACPR to use its internal model to calculate its regulatory capital under Solvency II and published, on February 25, 2016, its Solvency II capital ratio at 205% as of December 31, 2016. The Central Bank of Ireland (CBI) sat on the College of Supervisors for the approval process of the internal model. The Solvency II capital ratio of AXA MPS is equal to 249% as of December 31, 2016.

The ACPR continues to review regularly the underlying methodologies and assumptions of AXA model for adequacy and such review may lead to adjustments to the level of capital required by the ACPR. The European Insurance and Occupational Pensions Authority (EIOPA) is also expected to carry out a review of the consistency of European insurer's models and any such review may lead to regulatory changes to increase convergence and to strengthen oversight of cross-border groups. The CBI participate in the AXA College of Supervisors – a forum of national supervisors of AXA entities and steered by the ACPR – to align and agree on application of underlying methodologies and assumptions of AXA's Internal Model.

On December 31, 2016 the Company's solvency capital requirement was €99 million, split as follows by risk categories: L&S risk €30 million, Market risk €57 million, Credit Risk €30 million, Operational Risk €12 million. All figures are net of tax.

Total Solvency Capital Requirement (SCR) decreased from €114 million to €99 million from FY 2015 to FY 2016, mainly due to a reduction in market and credit risks due to lower exposure.

At December 31, 2016, the breakdown of the Solvency II required capital (€99 million) by risk categories was: 44% in Market, 23% in Life, 23% in Counterparty risk, and 9% in operational risk.



/ Minimum Capital Requirement (MCR)

The Minimum Capital Requirement is meant to ensure a minimum level below which the amount of financial resources should not fall. That amount is calculated in accordance with a simple formula, which is subject to a defined floor and cap based on the Solvency Capital Requirement of the Company in order to allow for an escalating ladder of supervisory intervention, and that it is based on the data which can be audited.

In accordance with the methods of calculation implemented by AXA MPS in line with existing regulations, AXA MPS' Minimum Capital Requirement amounted to €44 million at December 31, 2016 (-€6 million from 2015) driven by the decrease in SCR.

The Minimum Capital Requirement is calculated based on a factor-based formula taking into consideration the amounts of Best Estimate Liabilities net of the amounts recoverable from reinsurance contracts and special purpose vehicles broken down between life obligations with profit participation, unit-linked contracts and other life insurance contracts, and the total capital at risk. It is subject to a floor of 25% of SCR and a cap of 45% of SCR.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Not applicable.

E.4 Differences between the standard formula and any internal model used

/ General information

AXA has developed a robust economic capital model since 2007 which has been implemented and used by AXA MPS since 2009 in the risk management system and decision making processes. AXA MPS' main goal of using an internal model as opposed to the standard formula is to better reflect the Company's risk profile in the Solvency Capital Requirement. This is considered from several aspects.

- *Taking into account local specificities* – AXA is a global Company, and operates in a wide range of insurance markets offering a variety of products and targeting different demographics and different risk exposures. It is therefore appropriate, to the extent possible, to calibrate stresses specifically to these risk profiles and to allow for the benefits of diversification of the different risks across such markets. AXA MPS applies a local lapse calibration.
- *Addressing shortcomings of the standard formula* – Based on its expertise, the Group can improve on the approach of the standard formula, which is naturally constrained by its general scope, to have models which are more appropriate for the scope of the Group. For example, the internal economic capital model for market risks adds some risks not covered by the standard formula (government spread risk, interest rate implied volatility and equity implied volatility risk).
- *Allowing for better evolution of the model over time* – As the Group's experience increases, its business expands to new markets and product innovations create different risks, the flexibility of an internal model allows the specificities of these developments to be reflected.

AXA's Internal Model is calibrated to represent the value-at-risk of the loss distribution of the Company over a one year time horizon at the 99.5th percentile.

- AXA's Internal Model forms an important piece of the AXA MPS system of governance of which usage has been built and developed in strong relationship with the operating business lines and risk management department in a way to develop an internal model adapted to the undertaking's needs.
- AXA's Internal Model is used for assessing and managing the economic capital and is also a supportive decision-making tool in different business processes: strategic planning, underwriting, investment decisions, and project management. Besides, as integrated within the risk management system, the AXA's Internal Model provides information for implementing the Own Risk & Solvency Assessment (ORSA) process, formulating risk strategies, monitoring risk appetite or producing risk reporting.

/ Main differences between the Standard Formula and the Internal Model

AXA's Internal Model is a **centralized model** which is based on Group methodologies. This ensures a **full consistency** in the modelling of similar risks across the Group while still allowing for **local specificities** when they exist, in particular via the calibration of underwriting risks at local levels, these local calibrations being then presented and validated by Group Risk Management. Validation encompasses both quantitative and qualitative aspects of the internal model, amongst which, in particular data quality. AXA's data quality policy requires data used as input in the internal model to be complete, accurate and appropriate

The general architecture of the AXA's Internal Model consists in five main modules (Life, Market, Credit, P&C and operational risks). The standard formula follows a similar modular approach but has separate modules for health risks, which are not applicable to AXA MPS. Instead, in the AXA's Internal Model: (i) the health risk similar to Life is included in the Medical expense sub-risk category and treated as a Life risk; (ii) the health risk not similar to Life is included in the Property & Casualty risk.

In general in the 5 risks categories, the internal economic capital model provides models for sub-risks that are not adequately captured in the Standard Formula but are material to AXA.

Market risk: Interest rate implied volatility, Equity implied volatility, Government Spread and Inflation are explicitly modelled in AXA's Internal Model. The risk of concentrations in the portfolio is included in the Corporate Default calculation.

Due to the higher number of sub-risks and risk factors used in the internal model, the risks of the different asset classes and the diversifications among them can be captured more precisely than in the standard formula. For instance the shocks depend on the economy, which means that for volatile markets higher shocks are assumed.

Credit risks: AXA's Internal Model addresses separately the default risk of corporate bonds whereas it is included in the calibration of spreads in the standard formula.

Property & Casualty risks: Lapse risk is taken through the portfolio modelling, including Lapses and New Business evolution and through the volatility around the Unearned Premium Reserve..

Operational risk: The standard formula for operational risk is factor-based (percentage of gross written premiums or technical provisions) and is not risk sensitive. AXA internal model for operational risks follows a forward-looking and Scenario-Based Approach (SBA). It relies on the identification and assessment of the most critical Operational risks of each entity complemented by a set of transversal Group scenarios.

[Life risks: AXA's Internal Model explicitly addresses the Other Customer Behaviour risk, included in the Lapse module in the standard formula. Furthermore the lapse risk categories are treated as three life sub-risks, while in the standard formula only the maximum of Lapse up, Lapse down and Lapse mass is considered. Revision risk is not considered in the AXA's Internal Model, since it is negligible.]

Modelling techniques

In the standard formula simple models are used for most risk categories in order to derive the SCR. In most cases an extreme scenario is defined, which represents the 99.5% quantile.

In AXA's Internal Model, sophisticated models are applied. In particular for Market, Credit Reinsurance, Property & Casualty and Operational risk Monte Carlo simulations are used. This allows deriving the whole loss distribution.

Diversification

In the standard formula, no geographical diversification is explicitly recognized. The internal economic capital model aggregation considers geographical diversification as AXA Group is operating globally.

The Solvency II Regulations require the provision of a Probability Distribution Forecast (PDF) underlying the internal model that assigns probabilities to changes in the amount of Company's own funds. The following orientations have been chosen for the internal economic capital model assessment:

- The Property & Casualty and Market modules' modelling, using simulation-based approaches, allow exhibiting a full Probability Distribution Forecast.
- The modelling of the Credit risk leans on both simulation-based techniques and shock-approaches depending on the considered sub-risk. For the first techniques, full Probability Distribution Forecasts are available. Regarding shock-approaches, several percentiles, similarly to the approach performed for the life risk, are calculated.

The overall aggregation process is based on an **elliptical aggregation** of the Market, Life, Credit, Property & Casualty and Operational requirements. This modular approach allows for the **ranking of**

the main risks or sub-risks and provides a **better understanding of the risks** (sub-risks) and their impacts.

AXA MPS also performs **reverse stress scenarios**. The aim of such scenarios is to exhibit combinations of Market, Credit, Life and Operational events (the shocks defined in the scenario are occurring simultaneously) that would yield the same amount of SCR for a chosen valuation date. The reverse stress test scenarios represent a test of the assumed correlation appropriateness. Indeed, performing such test highlights potential cross and non-linear effects and are therefore useful in order to mitigate potential shortcomings coming from the aggregation structure.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Not applicable.

E.6 Any other information

Not applicable.

Appendix 1 Prescribed templates

Required templates

Commission Implementing Regulation (EU) 2015/2542 of 2 December 2015

Article 4

S02.01.02 Balance sheet
S05.01.02 Premiums, claims and expenses - using FS methods
S05.02.01 Premiums, claims and expenses by country
S12.01.02 Technical provisions for life and health insurers
S23.01.01 Own Funds
S25.03.01 SCR using Internal Model
S28.01.01 MCR

Appendix 1 – Quantitative Reporting Templates

AXA MPS Financial Balance Sheet

Balance sheet €000's

S.02.01.02

		Solvency II value
		C0010
Assets		
Goodwill	R0010	0
Deferred acquisition costs	R0020	0
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	50
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	181,118
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	153,237
Government Bonds	R0140	153,237
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	0
Derivatives	R0190	27,881
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	7,979,469
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	0
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	0
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	68,661
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	207,654
Any other assets, not elsewhere shown	R0420	116
Total assets	R0500	8,437,068

AXA MPS Financial Balance Sheet

Balance sheet €000's
S.02.01.02

Liabilities		0
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	0
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	7,870,018
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	7,857,371
Risk margin	R0720	12,647
Other technical provisions	R0730	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	21,352
Derivatives	R0790	164
Debts owed to credit institutions	R0800	0
Debts owed to credit institutions resident domestically	ER0801	0
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	0
Debts owed to credit institutions resident in rest of the world	ER0803	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Debts owed to non-credit institutions	ER0811	0
Debts owed to non-credit institutions resident domestically	ER0812	0
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	0
Debts owed to non-credit institutions resident in rest of the world	ER0814	0
Other financial liabilities (debt securities issued)	ER0815	0
Insurance & intermediaries payables	R0820	14,918
Reinsurance payables	R0830	29
Payables (trade, not insurance)	R0840	198,617
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	6,252
Total liabilities	R0900	8,111,350
Excess of assets over liabilities	R1000	325,718

Premiums, Claims and Expenses by line of business €000's
S.05.01.02

		Line of Business for: life insurance obligations						Life reinsurance		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	0	0	1,309,831	0	0	0	0	0	1,309,831
Reinsurers' share	R1420	0	0	0	0	0	0	0	0	0
Net	R1500	0	0	1,309,831	0	0	0	0	0	1,309,831
Premiums earned										
Gross	R1510	0	0	1,309,831	0	0	0	0	0	1,309,831
Reinsurers' share	R1520	0	0	0	0	0	0	0	0	0
Net	R1600	0	0	1,309,831	0	0	0	0	0	1,309,831
Claims incurred										
Gross	R1610	0	0	2,582,656	0	0	0	0	0	2,582,656
Reinsurers' share	R1620	0	0	0	0	0	0	0	0	0
Net	R1700	0	0	2,582,656	0	0	0	0	0	2,582,656
Changes in other technical provisions										
Gross	R1710	0	0	1,173,831	0	0	0	0	0	1,173,831
Reinsurers' share	R1720	0	0	0	0	0	0	0	0	0
Net	R1800	0	0	1,173,831	0	0	0	0	0	1,173,831
Expenses incurred	R1900	0	0	118,372	0	0	0	0	0	118,372
Other expenses	R2500									
Total expenses	R2600									118,372

Life obligations for home country €000's

S.05.02.01

		Home country	Country (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
			IT	
		C0220	C0230	C0280
Premiums written				
Gross	R1410		1,309,831	1,309,831
Reinsurers' share	R1420		0	0
Net	R1500		1,309,831	1,309,831
Premiums earned				
Gross	R1510		1,309,831	1,309,831
Reinsurers' share	R1520		0	0
Net	R1600		1,309,831	1,309,831
Claims incurred				
Gross	R1610		2,582,656	2,582,656
Reinsurers' share	R1620		0	0
Net	R1700		2,582,656	2,582,656
Changes in other technical provisions				
Gross	R1710		1,173,831	1,173,831
Reinsurers' share	R1720		0	0
Net	R1800		1,173,831	1,173,831
Expenses incurred	R1900	21,858	96,514	118,372
Other expenses	R2500			
Total expenses	R2600			118,372

Life and Health SLT Technical Provisions €000's
S.12.01.02

			Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	0	0			0					0						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0			0					0						
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	R0030	0		7,543,109	314,265						7,857,374						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0									0						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	0		7,543,109	314,265						7,857,374						
Risk Margin	R0100	0	12,647			0					12,647						
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110	0	0			0					0						
Best estimate	R0120	0		0	0	0					0						
Risk margin	R0130	0	0			0					0						
Technical provisions - total	R0200	0	7,870,021			0					7,870,021						

Own funds €000's

S.23.01.01

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	635	635			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	325,083	325,083			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	325,718	325,718			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	325,718	325,718			
Total available own funds to meet the MCR	R0510	325,718	325,718			
Total eligible own funds to meet the SCR	R0540	325,718	325,718	0	0	0
Total eligible own funds to meet the MCR	R0550	325,718	325,718	0	0	
SCR	R0580	98,853.37				
MCR	R0600	44,484.02				
Ratio of Eligible own funds to SCR	R0620	3.2950				
Ratio of Eligible own funds to MCR	R0640	7.3221				

Reconciliation reserve €000's

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	325,718
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	635
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	325,083
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	4

Solvency Capital Requirement €000's

-For undertakings on full internal model

S.25.03.01

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	**C0020**	**C0030**
	Market Risk	65,289
	Credit Risk	34,587
	Life Insurance Risk	34,798
	P&C Insurance Risk	-
	Operational Risk	13,655
	Intangible risk	0

Calculation of Solvency Capital Requirement	**C0100**
Total undiversified components	148,328
Diversification	(35,353)
Tax adjustment	(14,122)
Solvency capital requirement excluding capital add-on	98,853
Capital add-ons already set	
Solvency capital requirement	98,853
Other information on SCR	
Net future discretionary benefits	
Loss-absorbing capacity of technical provisions in Single Equivalent Scenario	

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity €000's
S.28.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	

Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	55,185

Total capital at risk for all life (re)insurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230	7,857,371	
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		262,518

Overall MCR calculation

		C0070
Linear MCR	R0300	55,185
SCR	R0310	98,853
MCR cap	R0320	44,484
MCR floor	R0330	24,713
Combined MCR	R0340	44,484
Absolute floor of the MCR	R0350	3,700
Minimum Capital Requirement	R0400	44,484