

CONSOLIDATED FINANCIAL STATEMENTS

5.1	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	224
5.2	CONSOLIDATED STATEMENT OF INCOME	226
5.3	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	227
5.4	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	228
5.5	CONSOLIDATED STATEMENT OF CASH FLOWS	232
5.6	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	234
NOTE 1	Accounting principles	234
NOTE 2	Scope of consolidation	252
NOTE 3	Consolidated statement of income by segment	258
NOTE 4	Financial and insurance Risk Management	263
NOTE 5	Goodwill	264
NOTE 6	Value of purchased life business in-force	269
NOTE 7	Deferred acquisition costs and equivalent	270
NOTE 8	Other intangible assets	272
NOTE 9	Investments	274
NOTE 10	Investments accounted for using the equity method	289
NOTE 11	Receivables	292
NOTE 12	Cash and cash equivalents	293
NOTE 13	Shareholders' equity and minority interests	294
NOTE 14	Liabilities arising from insurance and investment contracts	301
NOTE 15	Liabilities arising from banking activities	313
NOTE 16	Provisions for risks and charges	315
NOTE 17	Financing debt	316
NOTE 18	Payables	318
NOTE 19	Tax	321
NOTE 20	Derivative instruments	325
NOTE 21	Information by segment	333
NOTE 22	Net investment result excluding financing expenses	337
NOTE 23	Net result of reinsurance ceded	339
NOTE 24	Financing debt expenses	340
NOTE 25	Expenses by type	340
NOTE 26	Employees	342
NOTE 27	Net income per ordinary share	358
NOTE 28	Related-party transactions	359
NOTE 29	Contingent assets and liabilities and unrecognized contractual commitments	361
NOTE 30	Fees paid to Statutory Auditors	364
NOTE 31	Litigation	366
NOTE 32	Subsequent events	369
5.7	REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS	370

5.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in Euro million)		December 31,	December 31,
Notes		2016	2015
5	Goodwill	16,684	17,062
6	Value of purchased business in force ^(a)	2,209	2,364
7	Deferred acquisition costs and equivalent	24,132	24,028
8	Other intangible assets	3,266	3,277
	Intangible assets	46,292	46,731
	Investments in real estate properties	21,379	20,369
	Financial investments	530,730	500,311
	Assets backing contracts where the financial risk is borne by policyholders ^(b)	175,292	194,601
9	Investments from insurance activities	727,402	715,282
9	Investments from banking and other activities	35,459	37,579
10	Investments accounted for using the equity method	2,245	2,306
14	Reinsurers' share in insurance and investment contracts liabilities	14,988	19,734
	Tangible assets	1,513	1,432
14	Deferred policyholders' participation assets	146	88
19	Deferred tax assets	1,417	2,083
	Other assets	3,077	3,603
	Receivables arising from direct insurance and inward reinsurance operations	16,418	16,566
	Receivables arising from outward reinsurance operations	1,000	878
	Receivables - current tax	1,071	866
	Other receivables	17,416	14,263
11	Receivables	35,906	32,573
5	Assets held for sale ^(c)	1,100	2,988
12	Cash and cash equivalents	26,314	26,275
	TOTAL ASSETS	892,783	887,070

Note: All invested assets are shown net of related derivative instruments impact.

(a) Amounts are gross of tax.

(b) Includes assets backing contracts where the financial risk is borne by policyholders with Guaranteed Minimum features.

(c) As of December 31, 2016, amounts include assets of discontinued AXA Life Europe UK & Ireland operations for which the disposal process was not finalized at year-end. As of December 31, 2015, amounts include assets of Portuguese operations, AXA Bank Hungary and two real estate properties in the United States for which the disposal process was not finalized at year-end.

CONSOLIDATED FINANCIAL STATEMENTS

5.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in Euro million)		December 31,	December 31,
Notes		2016	2015
	Share capital and capital in excess of nominal value	25,885	26,094
	Reserves and translation reserve	38,883	36,765
	Net consolidated income - Group share	5,829	5,617
	Shareholders' equity – Group share	70,597	68,475
	Minority interests	5,283	4,166
13	TOTAL SHAREHOLDERS' EQUITY	75,880	72,641
	Subordinated debt	7,818	7,465
	Financing debt instruments issued	1,109	624
	Financing debt owed to credit institutions	0	0
17	Financing debt ^(a)	8,927	8,089
	Liabilities arising from insurance contracts	414,569	398,776
	Liabilities arising from insurance contracts where the financial risk is borne by policyholders ^(b)	160,222	152,079
	Total liabilities arising from insurance contracts	574,791	550,856
	Liabilities arising from investment contracts with discretionary participating features	32,466	33,142
	Liabilities arising from investment contracts with no discretionary participating features	2,382	538
	Liabilities arising from investment contracts with discretionary participating features and where the financial risk is borne by policyholders	3,593	3,362
	Liabilities arising from investment contracts with no discretionary participating features and where the financial risk is borne by policyholders	11,917	39,564
	Total liabilities arising from investment contracts	50,358	76,606
	Unearned revenue and unearned fee reserves	2,565	3,084
	Liabilities arising from policyholders' participation and other obligations	49,488	46,222
	Derivative instruments relating to insurance and investment contracts	(1,903)	(1,641)
14	Liabilities arising from insurance and investment contracts	675,299	675,127
15	Liabilities arising from banking activities ^(a)	31,743	32,639
16	Provisions for risks and charges	13,735	12,659
19	Deferred tax liabilities	6,187	5,156
	Minority interests of consolidated investment funds and puttable instruments held by minority interest holders	11,503	10,525
	Other debt instruments issued, notes and bank overdrafts ^(a)	3,194	3,692
	Payables arising from direct insurance and inward reinsurance operations	10,356	9,760
	Payables arising from outward reinsurance operations	6,628	12,917
	Payables – current tax	1,057	1,662
	Collateral debts relating to investments under a lending agreement or equivalent	30,402	25,635
	Other payables	16,962	14,509
18	Payables	80,101	78,700
5	Liabilities held for sale ^(c)	910	2,059
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	892,783	887,070

(a) Amounts are shown net of related derivative instruments impact.

(b) Includes liabilities arising from contracts where the financial risk is borne by policyholders with Guaranteed Minimum features.

(c) As of December 31, 2016, amounts include the liabilities of discontinued AXA Life Europe UK & Ireland operations for which the disposal process was not finalized at year-end. As of December 31, 2015, amounts include the liabilities of Portuguese operations and AXA Bank Hungary for which the disposal process was not finalized at year-end.

5.2 CONSOLIDATED STATEMENT OF INCOME

(in Euro million, except EPS in Euro)		December 31,	December 31,
Notes		2016	2015 Restated ^(a)
	Gross written premiums	94,220	91,730
	Fees and charges relating to investment contracts with no participating features	219	236
	Revenues from insurance activities	94,439	91,966
	Net revenues from banking activities	590	616
	Revenues from other activities	5,164	5,554
21	Revenues ^(b)	100,193	98,136
	Change in unearned premiums net of unearned revenues and fees	(346)	(268)
	Net investment income ^(c)	14,941	16,238
	Net realized gains and losses relating to investments at cost and at fair value through shareholders' equity ^(d)	4,410	2,518
	Net realized gains and losses and change in fair value of investments at fair value through profit and loss ^(e)	8,629	(442)
	<i>of which change in fair value of assets with financial risk borne by policyholders ^(f)</i>	<i>9,124</i>	<i>784</i>
	Change in investments impairment ^(g)	(796)	(724)
22	Net investment result excluding financing expenses	27,184	17,590
	Technical charges relating to insurance activities ^(h)	(95,350)	(85,567)
23	Net result from outward reinsurance	(589)	(881)
	Bank operating expenses	(47)	(46)
25	Acquisition costs	(11,435)	(10,154)
	Amortization of the value of purchased business in force	(170)	(156)
25	Administrative expenses	(10,299)	(10,042)
	Change in goodwill impairment and other intangible assets impairment and amortization	(114)	(115)
	Other income and expenses	124	(504)
	Other operating income and expenses	(117,881)	(107,467)
	Income from operating activities before tax	9,149	7,992
10	Income (net of impairment) from investment accounted for using the equity method	218	214
24	Financing debts expenses ^(h)	(296)	(488)
	Net income from operating activities before tax	9,071	7,718
19	Income tax	(2,438)	(1,795)
	Net operating income	6,632	5,923
	Result from discontinued operations net of tax ⁽ⁱ⁾	(439)	64
	Net consolidated income after tax	6,193	5,987
	Split between:		
	Net consolidated income - Group share	5,829	5,617
	Net consolidated income - Minority interests	364	370
27	Earnings per share ^(j)	2.30	2.19
	Fully diluted earnings per share ^(j)	2.30	2.18

(a) The contribution of discontinued United Kingdom Life & Savings operations is reclassified on a separate line of the income statement in order to present a comparable basis.

(b) Gross of reinsurance.

(c) Net of investment management costs and including gains/losses from derivatives hedging variable annuities.

(d) Includes impairment releases on investments sold.

(e) Includes realized and unrealized forex gains and losses relating to investments at cost and at fair value through shareholders' equity.

(f) Change in fair value of assets with financial risk borne by policyholders is offset by a balancing entry in technical charges relating to insurance activities.

(g) Excludes impairment releases on investments sold.

(h) Includes net balance of income and expenses related to derivatives on financing debt (however excludes change in fair value of these derivatives).

(i) Relates to the discontinued United Kingdom Life & Savings operations.

(j) Refer to Note 27 for the split of earning per share between continuing and discontinued operations.

5.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in Euro million)</i>	December 31, 2016	December 31, 2015
Reserves relating to changes in fair value through shareholders' equity	1,827	(2,610)
Translation reserves	(73)	3,557
Items that may be reclassified subsequently to Profit or Loss	1,754	947
Employee benefits actuarial gains and losses	(581)	(62)
Items that will not be reclassified subsequently to Profit or Loss	(581)	(62)
Net gains and losses recognized directly through shareholders' equity	1,173	885
Net consolidated income	6,193	5,987
<i>Split between:</i>		
Net consolidated income - Group share	5,829	5,617
Net consolidated income - Minority interests	364	370
TOTAL COMPREHENSIVE INCOME (CI)	7,366	6,872
<i>Split between:</i>		
Total comprehensive income - Group share	6,798	6,357
Total comprehensive income - Minority interests	568	515

Amounts are presented net of tax, policyholders' participation and other shadow accounting related movements. Tax, policyholders' participation and related effects are further detailed in the notes to the financial statements.

5.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital				
	Number of shares (in thousands)	Nominal value (in euros)	Share Capital	Capital in excess of nominal value	Treasury shares
<i>(in Euro million, except for number of shares and nominal value)</i>					
Shareholders' equity opening January 1, 2016	2,426,458	2.29	5,557	21,094	(209)
Capital	(1,309)	2.29	(3)	-	-
Capital in excess of nominal value	-	-	-	(148)	-
Equity - share based compensation	-	-	-	37	-
Treasury shares	-	-	-	-	(88)
Others reserves - transaction on treasury shares	-	-	-	-	-
Equity component of compound financial instruments	-	-	-	-	-
Undated subordinated debt	-	-	-	-	-
Financial expenses - Undated subordinated debt	-	-	-	-	-
Others (including impact on change in scope) ^(b)	-	-	-	-	-
Dividends paid	-	-	-	-	-
Impact of transactions with shareholders	(1,309)	2.29	(3)	(111)	(88)
Reserves relating to changes in fair value through shareholders' equity	-	-	-	-	-
Translation reserves	-	-	-	-	-
Employee benefits actuarial gains and losses	-	-	-	-	-
Net consolidated income	-	-	-	-	-
Total Comprehensive Income (CI)	-	-	-	-	-
Shareholders' equity closing December 31, 2016	2,425,149	2.29	5,554	20,983	(297)

Note: amounts are presented net of impacts of shadow accounting and its effects on policyholders' participation, deferred acquisition costs, and value of business in force.

(a) Mainly undated subordinated debts (TSS, TSDI), and equity components of compounded financial instruments (e.g convertible bonds) (see Note 13.1.1).

(b) Including changes in ownership interest in consolidated subsidiaries without losing control.

CONSOLIDATED FINANCIAL STATEMENTS

5.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders							
Other reserves							
Reserves relating to the change in fair value of financial instruments available for sale	Reserves relating to the change in fair value of hedge accounting derivatives (cash flow hedge)	Other ^(a)	Translation reserves	Undistributed profits and other reserves	Shareholders' Equity Group share	Minority interests	
12,774	368	6,550	29	22,311	68,475	4,166	
-	-	-	-	-	(3)	-	
-	-	-	-	-	(148)	-	
-	-	-	-	-	37	-	
-	-	-	-	-	(88)	-	
-	-	(7)	-	-	(7)	-	
-	-	-	-	-	-	-	
-	-	(1,260)	-	-	(1,260)	-	
-	-	(267)	-	-	(267)	-	
(0)	-	15	-	(299)	(284)	549	
-	-	-	-	(2,656)	(2,656)	-	
(0)	-	(1,519)	-	(2,955)	(4,676)	549	
1,869	(171)	-	-	-	1,698	129	
-	-	(181)	32	-	(150)	77	
-	-	-	-	(580)	(580)	(1)	
-	-	-	-	5,829	5,829	364	
1,869	(171)	(181)	32	5,250	6,798	568	
14,643	197	4,849	61	24,606	70,597	5,283	

Share Capital					
	Number of shares (in thousands)	Nominal value (in euros)	Share Capital	Capital in excess of nominal value	Treasury shares
<i>(in Euro million, except for number of shares and nominal value)</i>					
Shareholders' equity opening January 1, 2015 ^(b)	2,442,277	2.29	5,593	21,515	(164)
Capital	(15,818)	2.29	(36)	-	-
Capital in excess of nominal value	-	-	-	(450)	-
Equity - share based compensation	-	-	-	30	-
Treasury shares	-	-	-	-	(45)
Others reserves - transaction on treasury shares	-	-	-	-	-
Equity component of compound financial instruments	-	-	-	-	-
Undated subordinated debt	-	-	-	-	-
Financial expenses - Undated subordinated debt	-	-	-	-	-
Others (including impact on change in scope) ^(c)	-	-	-	-	-
Dividends paid	-	-	-	-	-
Impact of transactions with shareholders	(15,818)	2.29	(36)	(420)	(45)
Reserves relating to changes in fair value through shareholders' equity	-	-	-	-	-
Translation reserves	-	-	-	-	-
Employee benefits actuarial gains and losses	-	-	-	-	-
Net consolidated income	-	-	-	-	-
Total comprehensive income (CI)	-	-	-	-	-
Shareholders' equity closing December 31, 2015	2,426,458	2.29	5,557	21,094	(209)

Note: amounts are presented net of impacts of shadow accounting and its effects on policyholders' participation, deferred acquisition costs, and value of business in force.

(a) Mainly undated subordinated debts (TSS, TSDI), and equity components of compounded financial instruments (e.g convertible bonds) (see Note 13.1.1).

(b) Reso Garantia is accounted for using the equity method in 2014 in the Group consolidated financial statements on the basis of a closing at September 30. In 2014, given significant movements in the Russian ruble exchange rate between September 30, 2014 and December 31, 2014, the balance sheet used as a basis of the equity method has been translated using December 31 exchange rate.

(c) Including changes in ownership interest in consolidated subsidiaries without losing control.

CONSOLIDATED FINANCIAL STATEMENTS

5.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders

Other reserves							
Reserves relating to the change in fair value of financial instruments available for sale	Reserves relating to the change in fair value of hedge accounting derivatives (cash flow hedge)	Other ^(a)	Translation reserves	Undistributed profits and other reserves	Shareholders' Equity Group share	Minority interests	
15,327	400	6,472	(2,960)	19,038	65,219	2,815	
-	-	-	-	-	(36)	-	
-	-	-	-	-	(450)	-	
-	-	-	-	-	30	-	
-	-	-	-	-	(45)	-	
-	-	(15)	-	-	(15)	-	
-	-	-	-	-	-	-	
-	-	(0)	-	-	(0)	(0)	
-	-	(305)	-	-	(305)	-	
0	-	-	-	37	37	836	
-	-	-	-	(2,317)	(2,317)	-	
0	-	(320)	-	(2,280)	(3,101)	836	
(2,552)	(31)	-	-	-	(2,584)	(26)	
-	-	398	2,989	-	3,387	169	
-	-	-	-	(63)	(63)	1	
-	-	-	-	5,617	5,617	370	
(2,552)	(31)	398	2,989	5,554	6,357	515	
12,774	368	6,550	29	22,311	68,475	4,166	

5.5 CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in Euro million)</i>	December 31, 2016	December 31, 2015
Operating income including discontinued operations before tax	8,636	7,735
Net amortization expense ^(a)	672	799
Change in goodwill impairment and other intangible assets impairment ^(b)	457	(0)
Net change in deferred acquisition costs and equivalent	(737)	(1,325)
Net increase / (write back) in impairment on investments, tangible and other intangible assets	780	725
Change in fair value of investments at fair value through profit or loss	(12,135)	(881)
Net change in liabilities arising from insurance and investment contracts ^(c)	18,956	10,560
Net increase / (write back) in other provisions ^(d)	196	(248)
Income (net of impairment) from investment accounted for using the equity method	(218)	(214)
Adjustment of non cash balances included in the operating income before tax	7,971	9,415
Net realized investment gains and losses	(3,603)	(1,932)
Financing debt expenses	296	488
Adjustment for reclassification to investing or financing activities	(3,306)	(1,444)
Dividends recorded in profit or loss during the period	(3,076)	(3,205)
Investment income & expense recorded in profit or loss during the period ^(e)	(13,254)	(14,318)
Adjustment of transactions from accrued to cash basis	(16,330)	(17,523)
Net cash impact of deposit accounting	1,257	4,926
Dividends and interim dividends collected	3,470	3,838
Investment income ^(e)	20,381	20,491
Investment expense (excluding interests on financing and undated subordinated debts, margin calls and others)	(5,073)	(5,699)
Net operating cash from banking activities	(84)	(4,125)
Change in operating receivables and payables	481	1,310
Net cash provided by other assets and liabilities ^(f)	(533)	611
Tax expenses paid	(1,709)	(679)
Other operating cash impact and non cash adjustment	(2,037)	(630)
Net cash impact of transactions with cash impact not included in the operating income before tax	16,153	20,043
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	13,124	18,226
Purchase of subsidiaries and affiliated companies, net of cash acquired	(116)	(223)
Disposal of subsidiaries and affiliated companies, net of cash ceded	204	295
Net cash related to changes in scope of consolidation	88	72
Sales of debt instruments ^(f)	69,272	75,420
Sales of equity instruments and non consolidated investment funds ^{(f) (g)}	32,903	27,654
Sales of investment properties held directly or not ^(f)	4,421	654
Sales and/or repayment of loans and other assets ^{(f) (h)}	12,418	32,882

CONSOLIDATED FINANCIAL STATEMENTS

5.5 CONSOLIDATED STATEMENT OF CASH FLOWS

(in Euro million)	December 31, 2016	December 31, 2015
Net cash related to sales and repayments of investments ^{(f) (g) (h)}	119,013	136,610
Purchases of debt instruments ^(f)	(81,913)	(72,772)
Purchases of equity instruments and non consolidated investment funds ^{(f) (g)}	(34,276)	(30,625)
Purchases of investment properties held direct or not ^(f)	(3,269)	(1,837)
Purchases and/or issues of loans and other assets ^{(g) (h)}	(13,534)	(43,490)
Net cash related to purchases and issuance of investments ^{(f) (g) (h)}	(132,993)	(148,725)
Sales of tangible and intangible assets	44	40
Purchases of tangible and intangible assets	(472)	(462)
Net cash related to sales and purchases of tangible and intangible assets	(428)	(422)
Increase in collateral payable / Decrease in collateral receivable	131,913	139,605
Decrease in collateral payable / Increase in collateral receivable	(127,863)	(136,669)
Net cash impact of assets lending / borrowing collateral receivables and payables	4,050	2,936
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	(10,269)	(9,528)
Issuance of equity instruments	489	666
Repayments of equity instruments	(924)	(1,192)
Transactions on treasury shares	(6)	(46)
Dividends payout	(2,923)	(2,637)
Interests on undated subordinated debts paid	(444)	(432)
Acquisition / sale of interests in subsidiaries without change in control	(214)	(132)
Net cash related to transactions with shareholders	(4,022)	(3,774)
Cash provided by financial debts issuance	2,781	3
Cash used for financial debts repayments	(1,302)	(1,529)
Interests on financing debt paid ⁽ⁱ⁾	(339)	(508)
Net interest margin of hedging derivatives on financing debt	4	-
Net cash related to Group financing	1,144	(2,034)
Other financing cash impact and non cash adjustment	-	-
NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES	(2,878)	(5,808)
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	415	(0)
CASH AND CASH EQUIVALENT AS OF JANUARY 1 ^(j)	25,630	21,631
Net cash provided by operating activities	13,124	18,226
Net cash provided by investing activities	(10,269)	(9,528)
Net cash provided by financing activities	(2,878)	(5,808)
Net cash provided by discontinued operations	415	(0)
Impact of change in consolidation method and of reclassifications as held for sale ^(k)	(12)	(72)
Net impact of foreign exchange fluctuations and reclassification on cash and cash equivalents	(275)	1,180
CASH AND CASH EQUIVALENT AS OF DECEMBER 31 ^(j)	25,734	25,630

(a) Includes premiums/discounts capitalization and relating amortization, amortization of investment and owner occupied properties (held directly).

(b) Includes impairment and amortization of intangible assets booked in the context of business combinations and discontinued operations.

(c) Includes impact of reinsurance and change in liabilities arising from contracts where the financial risk is borne by policyholders.

(d) Mainly includes change in provisions for risks & charges, for bad debts/doubtful receivables and change in impairment of assets held for sale.

(e) Includes gains/losses from derivatives hedging variable annuities.

(f) Includes related derivatives.

(g) Includes equity instruments held directly or by consolidated investment funds as well as non consolidated investment funds.

(h) Includes sales/purchases of assets backing insurance & investment contracts where the financial risk is borne by policyholders.

(i) Includes net cash impact of interest margin relating to hedging derivatives on financing debt.

(j) Net of bank overdrafts.

(k) In 2016, amounts include the assets and liabilities related to discontinued United Kingdom Life & Savings operations for which the disposal process was not finalized at year-end.

In 2015, amounts include the assets and liabilities of Portuguese operations and AXA Bank Hungary for which the disposal process was not finalized at year-end.

Cash and cash equivalents are presented in Note 12.