Embedded Value 2009 Report

Cautionary statements concerning forward-looking statements

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

Cautionary statements concerning European Embedded Value as a non-GAAP measure

This report includes non-GAAP financial measures. Embedded value is not based on IFRS, which are used to prepare and report AXA's financial statements and should not be viewed as a substitute for IFRS financial measures. In the attached report, the European Embedded Value is reconciled to IFRS shareholders' equity as reported in AXA's 2009 annual accounts. AXA believes the non-GAAP measure shown herein, together with the IFRS information, provides a meaningful measure for the investing public to evaluate AXA's business relative to the businesses of peers.

Key principles

The Embedded Value is an estimate of the economic value of a life insurance business, comprised of the adjusted net asset value (**ANAV**) and the value of the inforce business (**VIF**), including future profits on existing business but excluding any profits on future new business. It corresponds to the total net amount distributable to the shareholders, after sufficient allowance for the aggregated risks in the covered business.

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

- Provides for the cost of all significant options and guarantees (O&G) of Life & Savings businesses
- Includes a charge for cost of capital and non-financial risks (CoC/NFR)
- Includes costs of administrative services provided to our life companies by affiliated businesses on a “look-through” basis, although the Life & Savings value does not include the margins earned by our affiliated investment management companies reported outside the Life & Savings segment.

In June 2008, the CFO Forum released the new MCEV Principles©. Even though AXA already uses a market consistent methodology when making allowance for the aggregate risks in its Life & Savings business, AXA has remained formally under the EEV principles for its 2009 EV disclosure since the mandatory implementation date of MCEV principles was postponed to end-2011 by the CFO Forum.

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I. Highlights

Key figures

- **2009 Life & Savings European Embedded Value (EEV) was up Euro 8.5 billion to Euro 35.7 billion**, driven by a strong operating performance and a positive investment experience of Euro 4.5 billion, reflecting the improved economic conditions.

  2008 Life & Savings EEV had suffered a significant negative investment experience of Euro -17.2 billion, due to the sharp drop in equity market and interest rates, as well as the increase in volatility and corporate spreads. While interest rates and equity markets have increased and corporate spreads have narrowed during 2009, the volatilities remained at a high level. As a result, 2009 Life & Savings EEV only partly recovered from 2008 impact, and remained 7% below 2007 level (Euro 38.4 billion).

  Total operating return on Life & Savings European Embedded Value (EEV), increased to 13% (compared to 9% in 2008) reflecting a higher performance from the existing business and a higher 2009 New Business Value.

  Total return on Life & Savings European Embedded Value (EEV), was 29% in 2009 compared to -35% in 2008. The main driver of higher return in 2009 versus 2008 was the investment experience, representing a 16% impact on total return.

  The 16% investment return could be broadly analyzed as follows:

Impact of higher interest rates	3%
Impact of equity markets rise	8%
Impact of higher volatilities	-1%
Impact of spreads' tightening	5%

- Consistently with 2008 methodology, AXA used, at end 2009, reference rates which included, for general account liabilities, premia over the swap curves for some of its entities, reflecting the ability of insurers to capture either fully or partly liquidity premia on credit assets. These premia were set to 50bps in the United States, the United Kingdom and Hong Kong, 30 bps for the Euro zone entities and Switzerland, and 20bps in Japan. A description of the methodology used to set these premia can be found in the Chapter IV of this report.

- **FY09 IDR decreased by 1.45 pts to 8.76%.** FY08 IDR was particularly high at 10.22% reflecting the gap between end of 2008 current environment and the investment assumptions for future periods.

- **FY09 Group Embedded Value ("Group EV") increased Euro 11.8 billion to Euro 30.4 billion.** It was calculated as the sum of the Life & Savings EEV and the Tangible Net Asset Value (TNAV) for the other than Life businesses. FY09 Group EV only partly recovered from 2008 negative financial markets conditions, and remained 13% below 2007 level (Euro 34.4 billion).

  Based on CFO Forum methodology (notably including P&C intangibles and hybrid debts) Group EV would have been up Euro 12.9 billion to Euro 44.0 billion. A full reconciliation with the IFRS Shareholders' Equity as well as between the two methodologies can be found in the Appendix 2 of this report.

  Operating return on Group EV was 27% driven by a strong operating performance in Life & Savings.

  Total return on Group EV was 50% in 2009. The main driver of this high return being the strong increase in the return on Life & Savings EEV and higher unrealized gains in IFRS shareholders equity of other business reflecting the economic recovery.

Life and savings EEV

Euro million, Group share	Free surplus	+	Required capital	=	ANAV	+	VIF	=	Life EEV 08/09	Life EEV 07/08
Opening Life & Savings EEV	**-1,053**		**15,803**		**14,750**		**12,459**		**27,209**	**38,490**
Modeling changes and opening adj.	-66		-383		-449		1,088		640	179
Adjusted opening Life & Savings EEV	**-1,119**		**15,420**		**14,301**		**13,548**		**27,849**	**38,669**
Operating performance from existing business	4,819		264		5,083		-2,607		2,475	2,502
Expected existing business contribution	2,659		495		3,154		-505		2,649	2,748
Operational Changes	2,160		-231		1,929		-2,102		-173	-246
New Business Value	-2,539		789		-1,750		2,862		1,113	985
Operating Return on Life & Savings EEV	**2,280**		**1,053**		**3,333**		**255**		**3,588**	**3,487**
Current year investment experience	2,190		-2,341		-151		4,652		4,501	-17,176
Total return on Life & Savings EEV	**4,470**		**-1,288**		**3,182**		**4,907**		**8,089**	**-13,689**
Exchange rate movements impact	-111		164		53		1		54	361
Others (incl. Life EEV of acquired business)	-770		0		-770		0		-770	11
Capital flows	523		0		523		0		523	1,857
Closing Life & Savings EEV	**2,993**		**14,296**		**17,290**		**18,456**		**35,745**	**27,209**
of which Life & Savings VIF									**18,456**	**12,459**
Certainty equivalent PVFP									24,905	19,119
Time value of O&G									-4,257	-4,264
CoC/NFR									-2,192	-2,395
Operating Return on Life & Savings EEV									**13%**	**9%**
Total Return on Life & Savings EEV									**29%**	**-35%**

Modeling changes and opening adjustments of Euro 640 million were the net of an overall positive VIF impact, partly offset by negative impacts on ANAV, mainly driven by various modeling improvements in France, Germany, Switzerland and MedLA region.

Operating performance from existing business of Euro 2,475 million included the following items:

Expected existing business contribution of Euro 2,649 million is the sum of the expected contribution from existing business assuming assets earned the beginning of period reference rates (Euro 835 million) and additional earnings consistent with the illustrative investment scenarios used to calculate IDR for the prior year (Euro 1,814 million).

Operational changes of Euro -173 million included the operational experience observed throughout 2009 as well as changes in the operational assumptions projected in the VIF calculation. It was driven by the following contribution:

- Euro -426 million in France, driven by a higher level of projected expenses
- Euro -380 million in the US, as the favorable impact from a change in taxation treatment was more than offset by the more conservative assumptions in the dynamic lapses modeling of Variable Annuities products and higher unit costs projected,

partly offset by

- Euro 195 million in Switzerland resulting from the decrease in investment expenses and the lower cost of capital,
- Euro 159 million in Japan, driven by the recovery in the value of the Variable Annuity portfolio, and
- Euro 156 million in the UK, driven by the abolition of the foreign dividend tax, the positive impact of the internal restructuring of an annuity portfolio and more favorable mortality assumptions.

New Business Value increased by 5%, on a comparable basis, to Euro 1,113 million despite a 11% decrease in New business APE, mainly driven by an improved business mix and the positive impact from the more favorable economic environment.

Operating Return on Life & Savings EEV of Euro 3,588 million represented 13% of Adjusted Opening Life & Savings EEV, compared to 9% in 2008. The higher return was driven by a high 2008 IDR (2.6pts higher than 2007 IDR), and a New Business Value up by 5% to Euro 1,113 million.

Current year investment experience of Euro 4,501 million had a large positive impact on EEV due to the economic conditions improvement after the sharp drop in 2008. This impacted EEV through higher interest rates (reducing the cost of guarantees), lower credit spreads and higher equity markets both favorably impacting the value of invested assets as well as the separate account balances.

Total Return on Life & Savings EEV was Euro 8,089 million or 29% over the Adjusted Opening Life & Savings EEV, with a strong contribution from the operational performance and the investment experience.

Exchange rate movements impact was limited to Euro 54 million, as the negative impact resulting from the depreciation of the US dollar and yen was more than offset by the positive impact resulting of the appreciation of the GB pound and the Australian dollar.

Others (incl. Life EEV of acquired business) of Euro -770 million mainly related to:

- Euro -922 million reflecting an internal transfer of Alliance Bernstein shares between AXA Equitable and AXA Investment Managers. This impact is however neutral on the Group EV.
- Euro 151 million due to newly acquired or launched non modeled entities.

Capital flows of Euro 523 million reflected net transfers into the Life segment in 2009 including dividends (paid or received) and capital injections. 2009 capital flows were mainly related to capital increases to support the development of variable annuities business, notably in Germany (Euro 391 million) and in Japan (Euro 137 million).

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Closing Life & Savings EEV of Euro 35,745 million was composed of the following items:

- **Life & Savings required capital** decreased by Euro -1,507 million to Euro 14,296 million, driven by the impact of the positive investment experience during the year (Euro 2,341 million) reflecting lower required capital, net of implicit items, mainly in the US, UK and Japan, partly offset by an increase in France.
- **Life & Savings free surplus** increased by Euro 4,046 million to Euro 2,993 million. The free surplus represents the net asset value held in excess of the shareholder's equity required to support the business.

  The increase was mainly driven by:

  - the decrease in the required capital
  - the higher unrealized capital gains in ANAV.
- **Life & Savings VIF** increased by Euro 5,996 million to Euro 18,456 million, largely driven by the favorable current year investment experience (Euro 4,652 million) mainly reflected in the higher certainty equivalent PVFP driven by higher capital gains projected in the VIF due to tightening credit spreads on fixed income assets and higher equity markets.

  Certainty Equivalent PVFP combined with Time Value of O&G increased by Euro 5,792 million to Euro 20,647 million, driven by the higher interest rates environment leading to higher future investment returns. The cost of O&G can be reflected in either element, depending on the relationship of guarantees to current reference yields.

The Time Value of O&G remained stable compared to 2008, as a large part of the cost of guarantees was included in the certainty equivalent PVFP last year given the very low interest rates environment.

CoC/NFR decreased by Euro -204 million to Euro -2,192 million reflecting the lower capital requirement in 2009.

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Reconciliation of Life & Savings IFRS Shareholders' Equity to ANAV

The table below shows the reconciliation of Life & Savings Shareholders' Equity to Life & Savings IFRS Shareholders' ANAV.

Euro million, Group share	2008	2009
Life & Savings Shareholders' equity	**33,512**	**38,018**
Net URCG not included in Shareholders' equity	1,846	906
Goodwill	-7,668	-7,494
Deferred Acquisition & Origination Costs (DAC & DOC)	-8,508	-8,374
Value of Business Inforce (VBI)	-2,863	-2,432
Other intangibles	-605	-646
UCG projected in PVFP & other Stat-GAAP adjustments	-965	-2,687
UCG projected in PVFP	1,023	-1,361
other Stat-GAAP adjustments	-1,987	-1,327
Life & Savings Adjusted Net Asset Value (ANAV)	**14,750**	**17,290**

The major elements of the reconciliation are as follows:

- Addition of unrealized capital gains (or losses) net of taxes and policyholder bonuses to the extent these are not reflected in IFRS equity (for example real estate and loan assets not carried at market value). The decrease compared to 2008 was mainly driven by lower capital gains on real estate
- Elimination of all intangible assets (except when related to non-modeled business).
- Deduction of unrealized gains/losses that are counted as part of the VIF.
- Other adjustments between Statutory and IFRS balance sheet, predominantly reflecting different reserving bases

VIF maturity profile

The table below shows how the VIF generated by the in-force and new business is modeled as emerging into free surplus over future years. To show the profile of the VIF emergence, the value of VIF in the consolidated balance sheet has been split into five maturity ranges representing timespan in which the profit is expected to emerge.

VIF maturity profile *(Euro million, Group share)*		
1 to 5 years	8,407	46%
6 to 10 years	4,885	26%
11 to 15 years	2,615	14%
16 to 20 years	1,278	7%
more than 20 years	1,271	7%
total	**18,456**	

The VIF maturity profile shows that 46% of the VIF should emerge in the first five years and 72% during the first 10 years.

Note that these amounts of VIF emergence were discounted and based on the risk neutral stochastic set of scenarios of the EEV projections.

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Implied Risk Discount Rate for Life & Savings VIF

Reference Interest Rate		Total IDR based on distributable earnings	
2008	**2009**	**2008**	**2009**
3.67%	3.84%	10.22%	8.76%

In 2008, AXA disclosed a reference interest rates for the Euro Zone countries only. 2009 reference interest rates included all countries.

The reference rate reflects the yield used for the certainty equivalent valuation, based on the average business duration. It slightly increased in 2009, as the strong increase in non-European countries was offset by a decrease in the short term maturities interest rates for European countries, and it was enhanced by the lower liquidity premia.

The IDR decreased **by -1.45 pts to 8.76%**, mainly explained by a lower cost of guarantees on the inforce portfolio as a result of the improved financial environment.

It is noteworthy that 2008 IDR was particularly high given the large gap between end of 2008 economic environment and the illustrative investment assumptions that were considered for future periods. The decrease in 2009 IDR means that the illustrative investment assumptions for future periods are closer to the economic environment.

2009 IDR will be the basis for calculating the 2010 expected return (excluding 2010 NBV).

Life and savings NBV

Euro million - Group share	2008	2009
Full Year - EEV based		
Regular premiums	*3,072*	*3,004*
Single premiums	*37,168*	*31,841*
Annualized Premium Equivalent (APE)	**6,789**	**6,188**
Capitalization factor	*9.4*	*9.6*
Present Value of Expected Premiums (PVEP)	66,015	60,675
New Business Value (NBV)	**985**	**1,113**
NBV/APE	**14.5%**	**18.0%**
NBV/PVEP	1.5%	1.8%
New Business IRR	11.2%	10.3%
APE change at comparable basis		-11%
PVEP change at comparable basis		-10%
NBV change at comparable basis		5%

Rollforward of Life & Savings NBV *(Euro million, Group share)*	
2008 Life & Savings NBV	**985**
Modeling changes and opening adjustments	44
Change in scope and acquisitions	9
Business-driven evolution:	7
Volume	*-97*
Mix	*128*
Expenses	*-141*
Investment market conditions	*121*
Assumptions changes and other	*-3*
Currency impact	68
2009 Life & Savings NBV	**1,113**

- **Life & Savings New Business APE** decreased by 11% to Euro 6,188 million, reflecting an overall decrease in sales volume mainly in unit-linked products.
- **Life & Savings New Business PVEP** decreased by 10% to 60,675 million. This value reflects not only changes in sales but also changes in projection assumptions and discount rates.
- **Life & Savings New Business Value (NBV)** increased by 5%, on a comparable basis, to Euro 1,113 million, mainly due to:
  - a more favorable business mix, driven by the better profitability of redesigned Accumulator products in the US and the change towards more profitable protection products in the UK.
  - a positive impact from the investment market conditions, driven by France as the more favorable economic environment allowed to project higher future margins for the shareholders on participating products,
  - partly offset by lower volumes mainly in Japan, in the US and the UK, leading to higher unit costs.

The internal rate of return (IRR) decreased by 0.9pts to 10.3%, driven by the higher level of unit expenses projected following the decreasing volumes in 2009 and partly offset by the better business mix.

The 2.6pts improvement (at comparable basis) of the NBV/APE margin to 18.0% could be broadly analyzed as follows:

- +2.1pts driven by the mix, reflecting the change towards more profitable products,
- +2.0 pts driven by the economic conditions,
- +0.7pts of other items (mainly modeling refinements),

partly offset by

- -2.3pts negative impact on expenses, mainly driven by higher unit costs projected due to the lower volumes.

The opposite evolutions of IRR and NBV/APE margin are mainly due to the IRR being based on fairly stable illustrative investment assumptions, while NBV/APE margin is more sensitive to the current financial environment.

Reference Interest Rate		Total NB IDR based on distributable earnings	
2008	2009	2008	2009
3.21%	3.36%	5.60%	5.18%

IDR are lower for new business than those of inforce, reflecting a lower level of guarantees. 2009 IDR are lower than in 2008 due to a different country mix combined with a shift towards lower financial risk business due to a higher proportion of protection products.

Life and savings sensitivities

Life & Savings sensitivities *(Euro million, Group share)*	EEV 2009		NBV 2009	
Original amounts, full year 2009	35,745		1,113	
Upward parallel shift of 100 basis points in reference interest rates	831	2%	54	5%
Downward parallel shift of 100 basis points in reference interest rates	-2,253	-6%	-117	-10%
10% higher value of equity markets	1,118	3%	64	6%
10% lower value of equity markets	-1,140	-3%	-71	-6%
10% higher value of real estate	418	1%	12	1%
10% lower value of real estate	-425	-1%	-10	-1%
Overall 10% decrease in lapse rates	924	3%	98	9%
Overall and permanent decrease of 10% in expenses	1,548	4%	145	13%
5% lower mortality rate for annuity business	-332	-1%	-18	-2%
5% lower mortality rate for life business	701	2%	45	4%
Upward parallel shift of 25% of the volability on equity markets	-760	-2%	-71	-6%
Upward parallel shift of 25% of the volability on bonds	-1,239	-3%	-82	-7%
50 basis points higher in credit spread	-1,285	-4%	-26	-2%
50 basis points lower in credit spread	1,255	4%	29	3%
Reference rate without liquidity premia	-2,585	-7%	-68	-6%
Reference rate with liquidity premia 10bps higher	805	2%	22	2%

Sensitivities are applied one at a time, rather than in combination. Combined effects are likely to be different than implied by adding the effects of two separate sensitivities. The methodology section provides more details on the definition of each shock.

New business often has a very different sensitivity than inforce due to significantly different portfolios. The new business will have a longer expected life than the average of inforce for the same product type, does not include impacts on free surplus, and has small reserves built-up, so sensitivities for NBV tend to be a larger percentage of value than those of EEV.

At group level, EEV is primarily sensitive to interest rates, equity markets, credit spreads and volatility driven notably by the US, France and NORCEE.

NBV sensitivities are broadly driven by the same entities.

As compared to 2008, 2009 EEV is much less sensitive to financial markets, mainly driven by a lower cost of options and guarantees linked to better financial market conditions. Lower sensitivities are observed primarily as regards interest rates (mainly in US, France and NORCEE), equities (mainly in the US, France, and UK) and volatility on equity markets (mainly in the US and NORCEE)

The same trend of lower 2009 than 2008 sensitivities is observed on NBV sensitivities, in line with AXA's best efforts throughout 2009 to reprice products sensitive to financial environment as well as to increase the share of protection products in its new business.

Group EV

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

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

The TNAV for other businesses is derived from the IFRS shareholders equity for other than Life & Savings businesses, and several adjustments are made to obtain this tangible value, notably including the elimination of intangibles assets. A reconciliation between the IFRS shareholders equity and the tangible net asset value for other than Life & Savings is available in appendix 2.

Euro million - Group share	Life & Savings EEV	Other businesses	Group EV 08/09
Opening Group EV	**27,209**	**(8,609)**	**18,600**
Modeling changes and opening adjustments	640	(583)	57
Adjusted opening Group EV	**27,849**	**(9,192)**	**18,657**
Operating return	**3,588**	**1,386**	**4,974**
Current year investment experience	4,501	(104)	4,397
Total return	**8,089**	**1,282**	**9,371**
Dividends paid - received	(311)	(525)	(836)
Other capital flows	834	(834)	-
Exchange rate movements impact	54	218	272
Acquired / Disinvested business and others	(770)	1,204	434
Change in shares issued and treasury shares	-	2,523	2,523
Closing Group EV	**35,745**	**(5,323)**	**30,422**
Operating return on Group EV	13%	N/A	27%
Total return on Group EV	29%	N/A	50%

Please note that in 2008, AXA disclosed a Group EV calculated according to a different methodology for other than Life & Savings businesses. Details are available in appendix 2.

Modeling changes and opening adjustments of Euro -583 million for Other than Life businesses were mainly due a refined allocation of the shareholders equity across segments.

Operating return of Euro 1,386 million for Other than Life business included the elements below, net of tax:

- underlying Earnings of Euro 1,517 million, plus
- a normalized equity capital gain assumption of 4.5% before tax, or Euro 57 million, less
- interest on undated subordinated debts of Euro 288 million which are considered debt in this movement analysis, plus
- the elimination of expense for equity-settled share-based compensation of Euro 100 million. This last adjustment is to reconcile with an equity rollforward, since expenses for equity-settled share-based compensation do not cause a reduction in equity.

Current year investment experience of Euro -104 million for Other than Life businesses included:

- after-tax Net Income (Euro 2,075 million) less Underlying Earnings and less 4.5% normalized equity capital gain assumption, netting to Euro -43 million, plus
- change in fair value for items not reflected in IFRS net income (e.g. invested assets, debts including TSS/TSDI, pension SORIE) of Euro -84 million, plus
- elimination of dividends paid to the Life & Savings segment, which are considered as investment return by the Life & Savings segment and therefore need to be a negative investment return in Other than Life Businesses.

Total Return of Euro 1,282 million for Other than Life businesses is equal to the operating return plus the current year investment experience.

Dividends for Other than Life businesses reflect the 2009 dividend paid by the Group, net of the part paid by the Life & Savings segment.

Other Capital Flows for Other than Life businesses include impacts from a variety of internal transfers, resulting in 2009 in a net capital injection made to the Life & Savings segment.

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

Acquired/Disinvested business and others impact on Other than Life businesses reflects the impacts related to acquisition and disposal transactions. The 2009 positive impact was also driven by the transfer of AllianceBernstein shares from AXA Equitable to AXA Investment Managers, consistently with the treatment on the US Life & Savings segment.

Change in shares issued and treasury shares is the impact of other capital raising, including the Euro 2 billion rights issue closed in December 2009, as well as share-based compensation net of eliminated profit charges.

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II. Detailed results by region

United States

LIFE AND SAVINGS EEV

Euro million - Group share	2008	2009
Opening Life & Savings EEV	**9,522**	**5,225**
Modeling changes and opening adjustments	-235	0
Adjusted opening Life & Savings EEV	**9,287**	**5,225**
Operating performance from existing business:	71	394
Expected existing business contribution	729	774
Operational changes	-658	-380
New Business Value	74	72
Operating Return on Life & Savings EEV	**145**	**466**
Current year investment experience	-7,048	1,979
Total Return on Life & Savings EEV	**-6,903**	**2,445**
Exchange rate movements impact	281	-176
Others (incl. Life EEV of acquired business)	0	-922
Capital flows	2,560	-93
Closing Life & Savings EEV	**5,225**	**6,478**
of which Life ANAV	**3,560**	**3,086**
Required capital	*2,982*	*1,843*
Free surplus	*578*	*1,243*
of which Life VIF	**1,665**	**3,393**
Certainty equivalent PVFP	*2,397*	*4,448*
Time value of O&G	*-311*	*-755*
CoC/NFR	*-422*	*-301*
Operating Return on Life & Savings EEV	**2%**	**9%**
Total Return on Life & Savings EEV	**-74%**	**47%**

The operating return was 9%, negatively impacted by **operational changes** (Euro -380 million), mainly driven by the unfavorable lapse experience, notably triggering more conservative assumptions in the dynamic lapses modeling of Variable Annuities products, as well as higher unit costs projected, partly offset by a favorable change in taxation treatment.

The total return of 47% was largely impacted by a positive **investment experience** of Euro 1,979 million, driven by the positive impact of the spreads tightening on the General Account portfolio, while on the Variable Annuity portfolio, the positive impact of equity markets on separate account balances and the higher interest rates reducing the cost of guarantees were partly offset by the high level of volatilities in 2009.

The negative amount (Euro -922 million) in the line Others is the impact on the Life & Savings segment of consolidation of the transfer of AllianceBernstein shares to AXA Investment Managers, the counterpart of which is in the other than life segment (such that there is no impact overall on Group EV).

The **ANAV** decreased to Euro 3,086 million mainly driven by the negative impact of the transfer of Alliance Bernstein shares.

- **The required capital** decreased by Euro 1,139 million to Euro 1,843, as the more favorable economic environment as compared to 2008 and the decision to hold higher statutory reserves on variable annuity business.
- **The free surplus** increased by Euro 665 million to Euro 1,243 million, following the decrease in required capital net of implicit items and a positive contribution of inforce business, partly offset by the negative impact of the transfer of AllianceBernstein shares and the new business strain.

The **VIF** increased to Euro 3,393 million, mainly driven by a large increase in certainty equivalent PVFP, in-line with the positive investment experience.

Reference Interest Rate		Total IDR based on distributable earnings	
2008	**2009**	**2008**	**2009**
3.55%	4.15%	17.12%	15.05%

The **IDR** decreased despite an increase in the **reference rate** because of a lower gap between the current environment and the illustrative assumptions for future periods, notably on Interest rates and equity risk premium.

LIFE AND SAVINGS NBV

Euro million - Group share	2008	2009
Full Year - EEV based		
Regular premiums	*402*	*329*
Single premiums	*11,371*	*6,651*
Annualized Premium Equivalent (APE)	**1,540**	**994**
Capitalization factor	*11.2*	*11.0*
Present Value of Expected Premiums (PVEP)	15,878	10,272
New Business Value (NBV)	**74**	**73**
NBV/APE	**4.8%**	**7.3%**
NBV/PVEP	0.5%	0.7%
New Business IRR	12.2%	8.9%
APE change at comparable basis		-39%
PVEP change at comparable basis		-39%
NBV change at comparable basis		-6%

Rollforward of Life & Savings NBV *(Euro million, Group share)*	**United States**
2008 Life & Savings NBV	**73**
Modeling changes and opening adjustments	**12**
Change in scope and acquisitions	**0**
Business-driven evolution:	**-17**
Volume	*-29*
Mix	*76*
Expenses	*-69*
Investment market conditions	*8*
Assumptions changes and other	*-2*
Currency impact	**4**
2009 Life & Savings NBV	**73**

Euro million, Group share	**2008**	**2009**
Certainty Equivalent Value less Strain	149	134
Time Value of O&G	-10	-41
CoC/NFR	-66	-21
NBV	**73**	**73**

- **APE** decreased by 39%, on a comparable basis, driven by the decline of Accumulator APE as a consequence of uncertain market conditions, and due to the reduced benefits of redesigned Accumulator products.
- **NBV** decreased by 6%, on a comparable basis, to Euro 73 million, mainly due to:
  - lower volumes, and the resulting increase in unit costs
  - partly offset by a favorable changes in mix, reflecting an increase in profitability of redesigned Accumulator products and the discontinuation of some products with low NBV/APE margin, and a positive investment performance as a result of the higher interest rates environment
- This resulted in a higher **NBV/APE** ratio (7.3% compared to 4.8% in 2008).

The IRR decreased to 8.9%, mainly driven by the higher strain incurred by the lower sales and the higher projected expenses, partly offset by the better business mix.

Reference Interest Rate		Total NB IDR based on distributable earnings	
2008	**2009**	**2008**	**2009**
3.29%	3.46%	11.04%	7.23%

The **IDR** for New Business decreased (consistently with the inforce IDR) despite an increase in the **reference rate** mainly because of a lower gap between the current environment and the illustrative assumptions for future periods.

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities *(Euro million, Group share)*	**EEV**		**NBV**	
Original amounts, full year 2009	6,478		73	
Upward parallel shift of 100 basis points in reference interest rates	169	3%	13	18%
Downward parallel shift of 100 basis points in reference interest rates	-476	-7%	-23	-32%
10% higher value of equity markets	305	5%	34	46%
10% lower value of equity markets	-306	-5%	-38	-52%
10% higher value of real estate	14	0%	0	0%
10% lower value of real estate	-14	0%	0	0%
Overall 10% decrease in lapse rates	97	1%	0	-1%
Overall and permanent decrease of 10% in expenses	281	4%	47	65%
5% lower mortality rate for annuity business	-78	-1%	-4	-5%
5% lower mortality rate for life business	349	5%	22	30%
Upward parallel shift of 25% of the volability on equity markets	-341	-5%	-21	-29%
Upward parallel shift of 25% of the volability on bonds	-544	-8%	-51	-71%
50 basis points higher in credit spread	-363	-6%	-3	-3%
50 basis points lower in credit spread	371	6%	3	4%
Reference rate withoutliquidity premium	-632	-10%	-24	-34%
Reference rate with liquidity premium 10bps higher	126	2%	5	7%

The sensitivities to interest rate movement for EEV exhibit the classic pattern of decreases reducing value (because of contractual guarantees eroding target margins) while increases having a positive effect.

Nonetheless, as large interest rates shocks are unlikely to occur instantaneously, the above interest rate sensitivities overstated the impact of hedged GMxB business because of the lack of rebalancing that would occur if these shocks were spread out several days.

Interest rates sensitivities are lower than in 2008 as a result of management actions undertaken early 2009 to discontinue some riders mainly on universal Life products, as well as to reprice Accumulator products.

The NBV sensitivities to lower equity markets are explained by lower unit-linked fees and increased VA CoC/NFR through higher Required Capital.

The NBV sensitivities to equity and bond volatility are explained by the sensitivity of VA business to these parameters, but the NBV sensitivity of equity volatility has been well reduced as compared to Year end 2008 with the implementation of the AXA Tactical Manager (ATM) tool.

France

LIFE AND SAVINGS EEV

Euro million - Group share	2008	2009
Opening Life & Savings EEV	**8,041**	**5,709**
Modeling changes and opening adjustments	180	354
Adjusted opening Life & Savings EEV	**8,222**	**6,063**
Operating performance from existing business:	1,217	170
Expected existing business contribution	594	596
Operational changes	623	-426
New Business Value	78	145
Operating Return on Life & Savings EEV	**1,295**	**315**
Current year investment experience	-3,380	662
Total Return on Life & Savings EEV	**-2,085**	**977**
Others (incl. Life EEV of acquired business)	0	0
Life EEV of acquired business	0	0
Capital flows	-428	-26
Closing Life & Savings EEV	**5,709**	**7,014**
of which Life ANAV	**4,150**	**4,512**
Required capital	*2,928*	*3,612*
Free surplus	*1,222*	*900*
of which Life VIF	**1,559**	**2,502**
Certainty equivalent PVFP	*3,729*	*4,111*
Time value of O&G	*-1,811*	*-1,151*
CoC/NFR	*-360*	*-458*
Operating Return on Life & Savings EEV	**16%**	**5%**
Total Return on Life & Savings EEV	**-25%**	**16%**

The modeling changes and opening adjustments mainly reflect a refinement of the main models.

The operating return of 5 % was negatively impacted by the **operational changes** (Euro -426 million), which were driven by negative impacts from the update of the projected expenses, due to higher unit costs and a longer duration of the business, and a deterioration of the group protection loss ratio projected.

The total return of 16% was positively impacted by the **current year investment experience** (Euro 662 million) mainly reflecting an increase in unrealized gains (mainly due to equity and credit spreads) and a higher margin for the shareholder projected.

The **VIF** significantly increased to Euro 2,502 million, as both the certainty equivalent PVFP and the Time Value of Options and Guarantees were favorably impacted by the higher equity markets, lower credit spreads and higher long term interest rates.

The **ANAV** increased by Euro 362 million to Euro 4,512 million, driven by higher unrealized capital gains resulting from the higher equity markets.

Reference Interest Rate		Total IDR based on distributable earnings	
2008	**2009**	**2008**	**2009**
4.29%	3.96%	11.01%	8.76%

The **IDR** decreased more sharply than the reference rate, driven by the lower cost of options and guarantees on the inforce portfolio.

LIFE AND SAVINGS NBV

Euro million - Group share	2008	2009
Full Year - EEV based		
Regular premiums	*589*	*647*
Single premiums	*7,577*	*9,543*
Annualized Premium Equivalent (APE)	**1,347**	**1,602**
Capitalization factor	*10.9*	*12.3*
Present Value of Expected Premiums (PVEP)	13,997	17,512
New Business Value (NBV)	**78**	**145**
NBV/APE	**5.8%**	**9.0%**
NBV/PVEP	0.6%	0.8%
New Business IRR	10.2%	8.4%
APE change at comparable basis		19%
PVEP change at comparable basis		25%
NBV change at comparable basis		86%

Rollforward of Life & Savings NBV *(Euro million,*	**France**
2008 Life & Savings NBV	**78**
Modeling changes and opening adjustments	**24**
Change in scope and acquisitions	**0**
Business-driven evolution:	**43**
Volume	*23*
Mix	*-48*
Expenses	*-8*
Investment market conditions	*101*
Assumptions changes and other	*-25*
Currency impact	**0**
2009 Life & Savings NBV	**145**

Euro million, Group share	**2008**	**2009**
Certainty Equivalent Value less Strain	244	250
Time Value of O&G	-135	-57
CoC/NFR	-31	-49
NBV	**78**	**145**

- **APE** increased by 19% to Euro 1,602 million, driven by higher sales in Group retirement, Group Life and Individual Savings (despite a decrease in the Unit Linked Individual Savings contracts) and Individual Health.
- **NBV** largely increased by 86% to Euro 145 million, mainly due to:
  - the positive impact of higher volumes sold, and the corresponding decreases in unit costs
  - the significant positive investment impact from the investment market conditions as the more favorable economic environment allowed to project higher future margins for the shareholders on participating products
  - partly offset by the deteriorated business mix driven by the decrease in the UL investment part
- This resulted in a higher **NBV/APE** ratio (9% compared to 5.8% in 2008).

The IRR decreased to 8.4%, mainly driven by the deteriorated business mix and the higher expenses projected. It decreased while the NBV/APE increased as the IRR is calculated using illustrative investment assumptions for future periods while NBV is more sensitive to the current year economic environment.

Reference Interest Rate		**Total NB IDR based on distributable earnings**	
2008	**2009**	**2008**	**2009**
4.16%	4.03%	8.17%	6.27%

- IDRs are lower for new business than those of inforce reflecting a lower level of guarantees.
- The IDR decreased more sharply than the reference rate, driven by the lower cost of options and guarantees.

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities *(Euro million, Group share)*	**EEV**		**NBV**	
Original amounts, full year 2009	7,014		145	
Upward parallel shift of 100 basis points in reference interest rates	165	2%	-4	-3%
Downward parallel shift of 100 basis points in reference interest rates	-711	-10%	2	1%
10% higher value of equity markets	214	3%	9	6%
10% lower value of equity markets	-225	-3%	-7	-5%
10% higher value of real estate	139	2%	7	5%
10% lower value of real estate	-136	-2%	-4	-3%
Overall 10% decrease in lapse rates	147	2%	32	22%
Overall and permanent decrease of 10% in expenses	598	9%	46	32%
5% lower mortality rate for annuity business	-37	-1%	-2	-1%
5% lower mortality rate for life business	48	1%	4	3%
Upward parallel shift of 25% of the volability on equity markets	-87	-1%	-6	-4%
Upward parallel shift of 25% of the volability on bonds	-165	-2%	-9	-6%
50 basis points higher in credit spread	-196	-3%	-10	-7%
50 basis points lower in credit spread	171	2%	15	10%
Reference rate without liquidity premium	-504	-7%	-9	-6%
Reference rate with liquidity premium 10bps higher	168	2%	3	2%

The sensitivities to interest rate movement for EEV exhibit the classical pattern of decreases reducing value (because of contractual guarantees eroding target margins) while increases having a lower positive effect due to policyholder benefits.

United Kingdom

LIFE AND SAVINGS EEV

Euro million - Group share	2008	2009
Opening Life & Savings EEV	**4,596**	**2,503**
Modeling changes and opening adjustments	1	-86
Adjusted opening Life & Savings EEV	**4,597**	**2,417**
Operating performance from existing business:	-87	381
Expected existing business contribution	303	225
Operational changes	-391	156
New Business Value	125	97
Operating Return on Life & Savings EEV	**38**	**478**
Current year investment experience	-1,289	179
Total Return on Life & Savings EEV	**-1,251**	**657**
Exchange rate movements impact	-873	193
Others (incl. Life EEV of acquired business)	0	0
Capital flows	30	-48
Closing Life & Savings EEV	**2,503**	**3,220**
of which Life ANAV	**1,482**	**1,177**
Required capital	*2,162*	*1,731*
Free surplus	*-680*	*-554*
of which Life VIF	**1,021**	**2,043**
Certainty equivalent PVFP	*1,452*	*2,288*
Time value of O&G	*-183*	*-34*
CoC/NFR	*-248*	*-211*
Operating Return on Life & Savings EEV	**1%**	**20%**
Total Return on Life & Savings EEV	**-27%**	**27%**

The operating return of 20 % was driven by favorable **operational changes** of Euro 156 million, which were driven by the positive impacts from the abolition of the foreign dividend tax and the internal restructuring of an annuity portfolio.

The total return of 27% was positively impacted by the economic conditions:

The investment experience of Euro 179 million reflected higher unrealized capital gains due to the lower credit spreads and a positive impact from the higher equity markets on Separate Account balances. This was partly offset by the negative impact on the staff pension reserves driven by the lower credit spreads.

The **VIF** sharply increased to Euro 2,043 million, reflecting a large increase in the certainty equivalent PVFP as the improvement in market conditions means higher asset values and therefore higher future management fees and share of with-profits funds bonus. The VIF increase was also due to the sharp decrease in the value of O&G, as more assets are available to meet the guarantees in adverse scenarios.

The **free surplus** remained negative (Euro -564 million) as some internal participation held by AXA UK are eliminated for consolidation purposes, while the required capital (and accordingly the CoC/NFR) is shown for its full amount, including the part supported by these participations in the local solvency framework.

Reference Interest Rate		Total IDR based on distributable earnings	
2008	2009	2008	2009
4.02%	4.96%	8.03%	6.97%

The **IDR** decreased despite an increase in the **reference rate** because of a lower gap between the current environment and the illustrative assumptions for future periods.

LIFE AND SAVINGS NBV

Euro million - Group share	2008	2009
Full Year - EEV based		
Regular premiums	*480*	*386*
Single premiums	*8,076*	*5,409*
Annualized Premium Equivalent (APE)	**1,287**	**926**
Capitalization factor	*6.2*	*5.6*
Present Value of Expected Premiums (PVEP)	11,065	7,568
New Business Value (NBV)	**125**	**97**
NBV/APE	**9.7%**	**10.5%**
NBV/PVEP	1.1%	1.3%
New Business IRR	9.3%	9.4%
APE change at comparable basis		-20%
PVEP change at comparable basis		-24%
NBV change at comparable basis		-13%

Rollforward of Life & Savings NBV *(Euro million, Group share)*	**United Kingdom**
2008 Life & Savings NBV	**125**
Modeling changes and opening adjustments	**0**
Change in scope and acquisitions	**0**
Business-driven evolution:	**-15**
Volume	*-22*
Mix	*58*
Expenses	*-51*
Investment market conditions	*0*
Assumptions changes and other	*1*
Currency impact	**-13**
2009 Life & Savings NBV	**97**

Euro million, Group share	**2008**	**2009**
Certainty Equivalent Value less Strain	126	98
Time Value of O&G	0	0
CoC/NFR	-1	-1
NBV	**125**	**97**

Reference Interest Rate		**Total NB IDR based on distributable earnings**	
2008	**2009**	**2008**	**2009**
3.44%	4.16%	5.78%	5.79%

- **APE** decreased by 20% to Euro 926 million driven by lower sales in Individual Wealth management products which suffered the most from the economic recession, with a decrease in onshore and offshore bonds and individual pensions. This was partly offset by higher sales of protection products.
- **NBV** decreased by 13% to Euro 97 million, mainly due to:
  - the negative impact of lower volumes, and the corresponding increase in the unit costs
  - partly offset by the better business mix, as less Wealth Management business was sold and more higher margins protection products were sold.
- This resulted in a higher **NBV/APE** margin (10.5 % compared to 9.7% in 2008).

The IRR remained stable at 9.4%, as the positive impact from a more profitable mix was offset by the higher unit expenses incurred by the lower volumes.

IDR remained stable at 5.8% compared to 2008 despite a higher risk free rate, because of a smaller gap between the current environment and the illustrative assumptions for future periods.

It was lower for new business than those for inforce reflecting a different business mix, with lower financial risk due to a higher proportion of protection products.

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities *(Euro million, Group share)*	**EEV**		**NBV**	
Original amounts, full year 2009	3,220		97	
Upward parallel shift of 100 basis points in reference interest rates	-114	-4%	-12	-12%
Downward parallel shift of 100 basis points in reference interest rates	130	4%	11	11%
10% higher value of equity markets	150	5%	7	8%
10% lower value of equity markets	-146	-5%	-8	-8%
10% higher value of real estate	19	1%	1	1%
10% lower value of real estate	-18	-1%	-1	-1%
Overall 10% decrease in lapse rates	63	2%	9	9%
Overall and permanent decrease of 10% in expenses	141	4%	10	10%
5% lower mortality rate for annuity business	-33	-1%	-2	-2%
5% lower mortality rate for life business	31	1%	6	6%
Upward parallel shift of 25% of the volability on equity markets	-17	-1%	0	0%
Upward parallel shift of 25% of the volability on bonds	0	0%	0	0%
50 basis points higher in credit spread	-151	-5%	-1	-1%
50 basis points lower in credit spread	152	5%	1	1%
Reference rate without liquidity premium	-188	-6%	-1	-1%
Reference rate with liquidity premium 10bps higher	38	1%	0	0%

The negative impact of upward shift of risk free rate is due to the protection business that more than offsets the structural impact on other life business.

The sensitivities to interest rates are higher on NBV than on inforce due to the significantly different business mix, with a higher proportion of protection products in new business.

Northern and Central Eastern Europe

LIFE AND SAVINGS EEV

Euro million - Group share	2008	2009	Switzerland 2009	Belgium 2009	Germany 2009	CEE 2009
Opening Life & Savings EEV	**8,085**	**6,103**	**1,804**	**1,673**	**2,141**	**484**
Modeling changes and opening adjustments	**112**	473	156	-16	315	19
Adjusted opening Life & Savings EEV	**8,196**	**6,576**	**1,960**	**1,656**	**2,456**	**503**
Operating performance from existing business:	1,063	882	422	217	234	9
Expected existing business contribution	587	625	226	239	138	22
Operational changes	476	257	195	-22	96	-13
New Business Value	223	223	84	41	63	34
Operating Return on Life & Savings EEV	**1,285**	**1,105**	**506**	**259**	**297**	**43**
Current year investment experience	-3,321	1,049	557	360	114	18
Total Return on Life & Savings EEV	**-2,035**	**2,153**	**1,063**	**619**	**411**	**61**
Exchange rate movements impact	140	41	33	0	0	8
Others (incl. Life EEV of acquired business)	0	0	0	0	0	0
Capital flows	-198	531	0	99	391	41
Closing Life & Savings EEV	**6,103**	**9,301**	**3,056**	**2,374**	**3,257**	**614**
of which Life ANAV	**2,425**	**3,832**	**1,439**	**1,426**	**796**	**170**
Required capital	*5,190*	*5,125*	*1,841*	*1,944*	*1,200*	*139*
Free surplus	*-2,765*	*-1,293*	*-402*	*-518*	*-404*	*31*
of which Life VIF	**3,678**	**5,469**	**1,616**	**948**	**2,461**	**443**
Certainty equivalent PVFP	*6,214*	*8,166*	*2,550*	*2,025*	*3,131*	*460*
Time value of O&G	*-1,525*	*-1,775*	*-639*	*-732*	*-398*	*-5*
CoC/NFR	*-1,012*	*-923*	*-294*	*-345*	*-272*	*-12*
Operating Return on Life & Savings EEV	**16%**	**17%**	**26%**	**16%**	**12%**	**9%**
Total Return on Life & Savings EEV	**-25%**	**33%**	**54%**	**37%**	**17%**	**12%**

The modeling changes and opening adjustments mainly reflected modeling improvements in Germany and Switzerland, as well as a group share increase in Germany.

The operating return increased to 17%, driven by favorable **operational changes** of Euro 257 million, with the following contributions:

- **Switzerland** with a Euro 195 million impact, driven by a decrease in investment expenses and a lower cost of capital (due to a lower requirement of capital for local AA rating),
- **Germany** with a Euro 96 million impact, driven by a positive impact of tax projection according to new policyholder bonus rules, as well as revised technical rates adjustment,
- **Belgium** and **CEE** had limited negative impacts, respectively driven by unfavorable update of the lapses and expenses assumptions.

The total return also increased to 33% driven by the financial markets evolution. **Investment experience** had a large positive impact of Euro 2,153 million mainly driven by higher unrealized capital gains (due to equity and credit spreads evolution).

The positive Euro 531 million **capital flows** were due to a capital injection in the German branch of AXA Life Europe, a capital transfer from the Property & Casualty segment to Life & Savings in Belgium, and capital injections in Poland and Hungary.

The **ANAV** increased by Euro 1,409 million to Euro 3,832, driven by strong increases of free surplus in Switzerland (Euro +886 million mainly driven by higher unrealized capital gains) and Belgium (Euro +464 million, mainly resulting from higher unrealized capital gains and the reevaluation of real estate assets)

The **VIF** increased to Euro 5,469 million, driven by an increase in the certainty equivalent due to the better financial environment and updated expenses projection in Switzerland. The time value of O&G was slightly higher than in 2008, as a large part of the cost of guarantees was included in 2008 certainty equivalent PVFP due to the very adverse economic environment at the end of December 08.

The **free surplus** remained negative (Euro -1,293 million) as some internal participation held by NORCEE entities are eliminated for consolidation purposes, while the required capital (and accordingly the CoC/NFR) is shown for its full amount, including the part supported by these participations in the local solvency framework.

	Reference Interest Rate		Total IDR based on distributable	
	2008	2009	2008	2009
Switzerland	3.17%	2.92%	7.14%	4.94%
Belgium	4.37%	4.20%	9.38%	8.24%
Germany	4.18%	4.06%	8.34%	7.36%
Central Eastern Europe	4.17%	4.84%	6.22%	5.81%

The IDR decreased more than the decrease in the reference rate because of:

- a lower gap between the current environment and the illustrative assumptions for future periods,
- lower guarantees on the inforce portfolio as a result of a better investment performance, mainly in Switzerland and Germany,
- a lower required capital in Switzerland.

LIFE AND SAVINGS NBV

Euro million - Group share	Total NORCEE 2008	Total NORCEE 2009	Switzerland 2009	Belgium 2009	Germany 2009	CEE 2009
Full Year - EEV based						
Regular premiums	*871*	*817*	*156*	*163*	*376*	*122*
Single premiums	*3,002*	*3,390*	*984*	*1,006*	*934*	*465*
Annualized Premium Equivalent (APE)	**1,171**	**1,156**	**255**	**264**	**469**	**168**
Capitalization factor	*11.7*	*11.5*	*17.1*	*10.9*	*10.7*	*7.8*
Present Value of Expected Premiums (PVEP)	13,233	12,806	3,660	2,786	4,941	1,419
New Business Value (NBV)	**223**	**223**	**84**	**41**	**63**	**34**
NBV/APE	**19.0%**	**19.3%**	**33.1%**	**15.7%**	**13.5%**	**20.2%**
NBV/PVEP	1.7%	1.7%	2.3%	1.5%	1.3%	2.4%
New Business IRR	9.9%	9.4%	10.2%	10.2%	8.0%	11.8%
APE change at comparable basis		-4%	-13%	2%	-3%	11%
PVEP change at comparable basis		-6%	-14%	-1%	-6%	7%
NBV change at comparable basis		5%	3%	44%	-29%	21%

- **APE decreased by 4% to Euro 1,156 million due to the following contributions:**
  - Switzerland (-13%) driven by lower new contracts on Group business,
  - Germany (-3%) mainly driven by Life protection and the withdrawal of one Twinstar product,

  partly offset by CEE (+11%) mainly driven by Pension Fund business in Hungary and Poland.

- **NBV increased by 5%** to Euro 223 million, driven by a strong increase in Belgium and CEE. The increase is analyzed by factor in the following table:

Rollforward of Life & Savings NBV *(Euro million, Group share)*	Total NORCEE	Switlzerland	Belgium	Germany	CEE
2008 Life & Savings NBV	**223**	**78**	**29**	**86**	**31**
Modeling changes and opening adjustments	4	-20	0	23	1
Change in scope and acquisitions	4	0	0	3	1
Business-driven evolution:	-8	23	12	-48	5
Volume	*-7*	*-13*	*0*	*-4*	*9*
Mix	*-13*	*7*	*-9*	*-14*	*2*
Expenses	*-8*	*11*	*-3*	*-14*	*-1*
Investment market conditions	*7*	*13*	*19*	*-24*	*-1*
Assumptions changes and other	*13*	*5*	*4*	*8*	*-3*
Currency impact	0	4	0	0	-4
2009 Life & Savings NBV	**223**	**84**	**41**	**63**	**34**

- **Switzerland:** up by 3% to Euro 84 million, mainly driven by the investment market conditions and a lower level of projected expenses, partly offset by lower volumes.

- **Belgium:** up by 44% to Euro 41 million, due to:
  - better investment market conditions (notably higher long term risk free rates and the positive contribution of the New Business to the overall portfolio value, as the new business has lower guarantees than the average of the portfolio,
  - partly offset by a deteriorated business mix (higher production of non unit-linked products).
- **Germany:** down 29% to Euro 63 million, due to:
  - negative investment market conditions on Twinstar business, driven by the high level of implied volatilities throughout 2009,
  - a deteriorated business mix with a higher proportion of a short duration low margin savings product,
  - higher projected expenses,
  - partly offset by opening adjustments (mainly the implementation of new tax modeling) and revised actuarial assumptions (lapses and disability ratios).
- **CEE:** NBV up 21% to Euro 34 million, due to higher volumes (Pension funds in Poland and Hungary) and the corresponding decrease in unit costs partly offset by a negative update of the level of projected expenses.

The IRR slightly decreased to 9.4%, driven by the less favorable mix and higher projected unit expenses.

Euro million, Group share	Total NORCEE 2008	Total NORCEE 2009	Switlzerland	Belgium	Germany	CEE
Certainty Equivalent Value less Strain	360	352	125	110	81	36
Time Value of O&G	-80	-84	-27	-53	-4	0
CoC/NFR	-57	-45	-14	-16	-14	-2
NBV	**223**	**223**	**84**	**41**	**63**	**34**

	Reference Interest Rate		Total NB IDR based on distributable earnings	
	2008	2009	2008	2009
Switzerland	3.10%	2.91%	5.95%	5.02%
Belgium	4.34%	4.23%	9.64%	7.86%
Germany	4.13%	3.89%	5.27%	5.89%
Central Eastern Europe	4.21%	4.65%	5.36%	5.57%

In Switzerland and Belgium, the New Business IDR decreased mainly reflecting lower gap between the current environment and the illustrative assumptions for future periods.

IDRs are lower for new business than those for inforce reflecting a lower level of guarantees.

The IDR increased in Germany driven by the negative investment experience on Twinstar business.

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities *(Euro million, Group share)*	**EEV 2009 NORCEE**		**NBV 2009 NORCEE**	
Original amounts, full year 2009	9,301		223	
Upward parallel shift of 100 basis points in reference interest rates	594	6%	7	3%
Downward parallel shift of 100 basis points in reference interest rates	-759	-8%	-13	-6%
10% higher value of equity markets	304	3%	4	2%
10% lower value of equity markets	-311	-3%	-4	-2%
10% higher value of real estate	218	2%	3	1%
10% lower value of real estate	-229	-2%	-6	-3%
Overall 10% decrease in lapse rates	226	2%	23	11%
Overall and permanent decrease of 10% in expenses	299	3%	18	8%
5% lower mortality rate for annuity business	-122	-1%	-8	-4%
5% lower mortality rate for life business	59	1%	3	2%
Upward parallel shift of 25% of the volability on equity markets	-216	-2%	-18	-8%
Upward parallel shift of 25% of the volability on bonds	-384	-4%	-10	-4%
50 basis points higher in credit spread	-381	-4%	-5	-2%
50 basis points lower in credit spread	370	4%	3	1%
Reference rate without liquidity premia	-822	-9%	-19	-9%
Reference rate with liquidity premia 10bps higher	274	3%	6	3%

The sensitivities to interest rate movement for EEV exhibit the classical pattern of decreases reducing value (because of contractual guarantees eroding target margins) while increases having a positive effect.

The sensitivity to bonds volatility was significantly reduced due a swaptions hedge program.

Asia-Pacific

LIFE AND SAVINGS EEV

Euro million - Group share	2008	2009	Japan 2009	Australia/NZ 2009	Hong Kong 2009	SEA & China 2009
Opening Life & Savings EEV	**6,568**	**5,800**	**4,088**	**644**	**945**	**123**
Modeling changes and opening adjustments	30	189	144	9	14	22
Adjusted opening Life & Savings EEV	**6,598**	**5,989**	**4,232**	**653**	**959**	**145**
Operating performance from existing business:	172	576	394	98	91	-8
Expected existing business contribution	433	385	234	51	88	11
Operational changes	-262	191	159	47	4	-19
New Business Value	430	496	330	38	78	50
Operating Return on Life & Savings EEV	**602**	**1,072**	**723**	**136**	**170**	**43**
Current year investment experience	-2,015	501	379	-44	155	11
Total Return on Life & Savings EEV	**-1,413**	**1,573**	**1,103**	**92**	**325**	**54**
Exchange rate movements impact	850	-4	-161	180	-32	9
Others (incl. Life EEV of acquired business)	-127	0	0	0	0	0
Capital flows	-108	174	137	82	-56	11
Closing Life & Savings EEV	**5,800**	**7,731**	**5,310**	**1,008**	**1,195**	**218**
of which Life ANAV	**2,017**	**3,288**	**2,564**	**478**	**160**	**86**
Required capital	*1,401*	*1,015*	*463*	*288*	*252*	*13*
Free surplus	*616*	*2,273*	*2,101*	*191*	*-92*	*74*
of which Life VIF	**3,783**	**4,445**	**2,746**	**529**	**1,035**	**135**
Certainty equivalent PVFP	*4,354*	*5,030*	*2,989*	*574*	*1,311*	*157*
Time value of O&G	*-326*	*-379*	*-127*	*-7*	*-227*	*-18*
CoC/NFR	*-245*	*-206*	*-116*	*-37*	*-48*	*-4*
Operating Return on Life & Savings EEV	**9%**	**18%**	**17%**	**21%**	**18%**	**29%**
Total Return on Life & Savings EEV	**-21%**	**26%**	**26%**	**14%**	**34%**	**37%**

The modeling changes and opening adjustments mainly reflected an improvement of the medical products modeling in Japan.

The operating return of 18% was driven by a strong New Business Value (Euro 496 million) and by favorable operational changes (Euro 191 million), including the following contributions:

- **Japan** (Euro 159 million) driven by the recovery in the value of the Variable Annuity portfolio,
- **Australia** (Euro 47 million), driven by a favorable update of mortality assumptions and expenses reduction.

The total return was 26%, largely driven by the investment market conditions.

Investment experience showed a large positive impact of Euro 501 million, mainly driven by:

- **Japan** (Euro 379 million) due to the increase in unrealized capital gains (credit spreads narrowing) and the recognition of a deferred tax asset, and
- **Hong Kong** (Euro 155 million) driven by the positive impact of higher reference rates,

partly offset by:

- **Australia** (Euro -44 million) due to the negative impact of higher reference rates on the financial protection business and a shift to a more conservative asset allocation on participating products.

The Euro 174 million capital flows were mainly due to capital injections related to the Variable Annuities business in Japan (Euro 137 million), and in Australia & NZ (Euro 82 million), partly offset by the payment of dividends of Euro 56 million by Hong Kong.

The **ANAV** increased by Euro 1,271 million to Euro 3,288 million, driven by Japan resulting from a strong increase in unrealized capital gains mainly due to the higher value of assets. The **required capital** decreased by Euro -386 million to Euro 1,015 million driven by Japan (Euro -455 million) as a result of higher unrealized capital gains allowing for a bigger proportion of implicit items.

The **VIF** increased to Euro 4,445 million, driven by a higher certainty equivalent PVFP resulting from the more favorable reference rates environment and higher unrealized gains on assets.

	Reference Interest Rate 2008	Reference Interest Rate 2009	Total IDR based on distributable 2008	Total IDR based on distributable 2009
Japan	2.09%	2.20%	6.72%	6.68%
Australia/New Zealand	4.85%	5.63%	6.84%	6.65%
Hong Kong	3.62%	4.50%	9.14%	7.52%

The IDR remained stable in Japan and Australia, despite the increase in reference rate due to the lower gap between current environment and the illustrative assumptions for future periods.

The IDR decreased in Hong Kong, despite the increase in reference rate, driven by the lower gap between current environment and the illustrative assumptions for future periods, and a lower cost of Options and Guarantees.

LIFE AND SAVINGS NBV

Euro million - Group share	Asia-Pacific 2008	Asia-Pacific 2009	Japan	Australia & New Zealand	Hong Kong	SEA & China
Full Year - EEV based						
Regular premiums	*585*	*657*	*434*	*24*	*115*	*84*
Single premiums	*4,529*	*3,556*	*982*	*2,449*	*79*	*46*
Annualized Premium Equivalent (APE)	**1,037**	**1,013**	**532**	**269**	**123**	**88**
Capitalization factor	*7.1*	*7.5*	*8.0*	*10.8*	*6.4*	*5.4*
Present Value of Expected Premiums (PVEP)	8,681	8,475	4,447	2,712	820	496
New Business Value (NBV)	**430**	**496**	**330**	**38**	**78**	**50**
NBV/ APE	**41.5%**	**49.0%**	**61.9%**	**14.0%**	**63.9%**	**56.8%**
NBV/ PVEP	5.0%	5.9%	7.4%	1.4%	9.6%	10.1%
New Business IRR	17.0%	17.3%	12.3%	12.2%	31.0%	30.5%
APE change at comparable basis		-17%	-16%	-32%	3%	18%
PVEP change at comparable basis		-15%	-6%	-32%	-9%	68%
NBV change at comparable basis		-4%	-14%	8%	-3%	117%

- **APE down by 17%** to Euro 1,013 million, driven by:
  - -16% in **Japan**, following the lower market demand for Life products,
  - -32% in **Australia & New Zealand**, driven by lower Mutual funds sales,

partly offset by higher volumes in Hong Kong and South East Asia & China.

- **NBV down by 4%** to Euro 496 million, as analyzed by factor in the following table :

Rollforward of Life & Savings NBV *(Euro million, Group share)*	Total Asia-Pacific	Japan	Australia/NZ	Hong Kong	SEA & China
2008 Life & Savings NBV	**430**	**299**	**35**	**75**	**21**
Modeling changes and opening adjustments	21	4	-0	9	8
Change in scope and acquisitions	4	0	0	1	2
Business-driven evolution:	-37	-47	3	-11	18
Volume	*-71*	*-70*	*-9*	*2*	*5*
Mix	*39*	*24*	*8*	*-2*	*9*
Expenses	*-3*	*-9*	*10*	*-5*	*1*
Investment market conditions	*1*	*17*	*-7*	*-11*	*2*
Assumptions changes and other	*-2*	*-10*	*2*	*4*	*0*
Currency impact	78	74	-1	4	0
2009 Life & Savings NBV	**496**	**330**	**38**	**78**	**50**

- **Japan:** down by 14% to Euro 330 million, driven by lower volumes negatively impacting the unit costs, and lapses assumptions deterioration. This was partly offset by the improved business mix mainly driven by an increased profitability for medical whole life products, and a positive impact of higher risk free rates environment.

- **Australia/NZ**: up by 8% to Euro 38 million due to the improved business mix (increase in individual protection business), and lower expenses projected. This was partly offset by lower volumes and negative investment assumptions, through the negative impact of higher volatilities on the Variable Annuity business and the negative impact of the higher interest rates on the Protection business.
- **Hong Kong:** down by 3% to Euro 78 million, driven by the investment assumptions, notably due to a lower margin for the shareholder following a change in asset mix and higher initial expenses.
- **SEA & China:** up by 117% to Euro 50 million driven by an improved business mix (higher margin business in Indonesia, Singapore and Thailand) and higher volumes (mainly in Singapore, Thailand and China).

- This resulted in an overall **higher NBV/APE ratio of 49%** (compared to 41.5% in 2008).
- The IRR remained stable at 17%, as the decrease in Japan and Hong Kong, driven by the higher expenses, and in Australia & New Zealand driven by a changed mix, was offset by a strong IRR increase in South East Asia & China, reflecting a more favorable business mix.

Euro million, Group share	Asia-Pacific 2008	Asia-Pacific 2009	Japan	Australia / NZ	Hong Kong	SEA & China
Certainty Equivalent Value less Strain	458	516	334	42	84	56
Time Value of O&G	-17	-8	-1	0	-3	-5
CoC/NFR	-10	-12	-4	-4	-3	-2
NBV	**430**	**496**	**330**	**38**	**78**	**50**

	Reference Interest Rate		Total NB IDR based on distributable earnings	
	2008	2009	2008	2009
Japan	2.01%	1.96%	3.06%	3.43%
Australia/NZ	4.85%	5.63%	5.64%	6.41%
Hong Kong	3.39%	4.12%	6.90%	5.51%

IDR in Japan increased reflecting a higher gap between the current environment and the illustrative assumptions for future projections (as 2008 IDR was calculated as at end of September 08).

IDR in Australia/NZ increased in line with the increase in reference rate.

IDR in Hong Kong decreased despite an increase in reference rate reflecting the lower gap between the current environment and the illustrative assumptions future projections.

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities *(Euro million, Group share)*	**EEV 2009 Asia Pacific**		**NBV 2009 Asia Pacific**	
Original amounts, full year 2009	7,731		496	
Upward parallel shift of 100 basis points in reference interest rates	59	1%	55	11%
Downward parallel shift of 100 basis points in reference interest rates	-479	-6%	-97	-20%
10% higher value of equity markets	116	1%	7	1%
10% lower value of equity markets	-118	-2%	-9	-2%
10% higher value of real estate	12	0%	1	0%
10% lower value of real estate	-12	0%	0	0%
Overall 10% decrease in lapse rates	356	5%	25	5%
Overall and permanent decrease of 10% in expenses	197	3%	20	4%
5% lower mortality rate for annuity business	-42	-1%	-2	0%
5% lower mortality rate for life business	170	2%	6	1%
Upward parallel shift of 25% of the volability on equity markets	-91	-1%	-23	-5%
Upward parallel shift of 25% of the volability on bonds	-116	-2%	-7	-1%
50 basis points higher in credit spread	-119	-2%	0	0%
50 basis points lower in credit spread	123	2%	0	0%
Reference rate without liquidity premia	-356	-5%	-10	-2%
Reference rate with liquidity premia 10bps higher	171	2%	6	1%

The sensitivities to interest rate movement for EEV exhibit the classical pattern of decreases reducing value (because of contractual guarantees eroding target margins) while increases having a positive effect.

The New Business Value sensitivity to equity volatility is mainly due to Japan and Australia/NZ.

Mediterranean and Latin American region

LIFE AND SAVINGS EEV

Euro million - Group share	2008	2009
Opening Life & Savings EEV	**1,558**	**1,764**
Modeling changes and opening adjustments	90	-291
Adjusted opening Life & Savings EEV	**1,648**	**1,473**
Operating performance from existing business:	67	73
Expected existing business contribution	101	44
Operational changes	-34	29
New Business Value	56	79
Operating Return on Life & Savings EEV	**123**	**152**
Current year investment experience	-113	108
Total Return on Life & Savings EEV	**10**	**260**
Exchange rate movements impact	-37	0
Others (incl. Life EEV of acquired business)	138	2
Capital flows	5	-15
Closing Life & Savings EEV	**1,764**	**1,720**
of which Life ANAV	**1,009**	**1,114**
Required capital	*1,140*	*970*
Free surplus	*-131*	*144*
of which Life VIF	**754**	**606**
Certainty equivalent PVFP	*972*	*864*
Time value of O&G	*-109*	*-163*
CoC/ NFR	*-109*	*-94*
Operating Return on Life & Savings EEV	**7%**	**10%**
Total Return on Life & Savings EEV	**1%**	**18%**

The modeling changes and opening adjustments mainly reflected an improvement of the credit risk modeling

The operating return of 10% was positively impacted by **operational changes** of Euro 29 million, which included the following impacts:

- Euro 9 million impact from AXA MPS, driven by a lower than expected effective tax rate.
- Euro 14 million impact from better persistency assumptions for most countries, together wither better mortality assumptions for Spain and Portugal..

The total return of 18% was largely driven by the market conditions recovery. **Investment experience** had a positive impact of Euro 108 million, mainly due to higher unrealized capital gains.

The **ANAV** increased to Euro 1,114 million, driven by higher unrealized capital gains in Spain, Italy and Portugal.

The **VIF** decreased to Euro 606 million as a result of the credit risk modeling correction. On a restated basis, the VIF would have been up by Euro 96 million.

Reference Interest Rate		Total IDR based on distributable earnings	
2008	2009	2008	2009
4.08%	3.95%	5.56%	8.18%

The IDR significantly increased to 8.2% despite a stable risk free rate, driven by the modeling improvement leading to a higher gap between the current environment and the illustrative economic assumptions for future periods.

LIFE AND SAVINGS NBV

Euro million - Group share	2008	2009
Full Year - EEV based		
Regular premiums	*145*	*168*
Single premiums	*2,614*	*3,292*
Annualized Premium Equivalent (APE)	**406**	**497**
Capitalization factor	*3.8*	*4.5*
Present Value of Expected Premiums (PVEP)	3,167	4,042
New Business Value (NBV)	**55**	**79**
NBV/APE	**13.5%**	**16.0%**
NBV/PVEP	1.7%	2.0%
New Business IRR	9.3%	10.4%
APE change at comparable basis		20%
PVEP change at comparable basis		28%
NBV change at comparable basis		46%

Rollforward of Life & Savings NBV *(Euro million, Group share)*	**MedLA**
2008 Life & Savings NBV	**55**
Modeling changes and opening adjustments	**-17**
Change in scope and acquisitions	**1**
Business-driven evolution:	**41**
Volume	*9*
Mix	*16*
Expenses	*-2*
Investment market conditions	*6*
Assumptions changes and other	*12*
Currency impact	**-1**
2009 Life & Savings NBV	**79**

Euro million, Group share	**2008**	**2009**
Certainty Equivalent Value less Strain	71	112
Time Value of O&G	-5	-16
CoC/NFR	-11	-16
NBV	**55**	**79**

Reference Interest Rate		**Total NB IDR based on distributable earnings**	
2008	**2009**	**2008**	**2009**
4.07%	4.16%	4.33%	5.02%

- **APE** was up by 20% to Euro 497 million, driven by a strong contribution of Investment & Savings products sale in AXA MPS and AXA Italy, driven by the competitiveness of insurance products, as the low interest rates environment limits the competition from other banking product.
- **NBV** was up by 46% (on a comparable basis) to Euro 79 million, mainly due to:
  - a better business mix, following the discontinuation of some non profitable products mainly in Portugal, as well as new products in AXA MPS.
  - more favorable actuarial assumptions (mainly coming from a better persistency in AXA MPS and in Spain, together with better mortality assumptions for Portugal and Spain).
  - higher volumes mainly in Italy, leading to lower unit costs.
  - this was partly offset by a refinement of the credit risk modeling.
- This resulted in a higher NBV/APE ratio (16.0% compared to 13.5% in 2008).

The IRR increased by 1.1pt to 10.4%, driven by a positive business mix impact and a favorable update of operational assumptions.

IDRs are lower for new business than those for inforce reflecting a lower risk profile.

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities *(Euro million, Group share)*	EEV		NBV	
Original amounts, full year 2009	1,720		79	
Upward parallel shift of 100 basis points in reference interest rates	-43	-3%	-6	-7%
Downward parallel shift of 100 basis points in reference interest rates	43	2%	5	6%
10% higher value of equity markets	30	2%	3	3%
10% lower value of equity markets	-35	-2%	-5	-7%
10% higher value of real estate	14	1%	1	2%
10% lower value of real estate	-16	-1%	1	1%
Overall 10% decrease in lapse rates	35	2%	9	11%
Overall and permanent decrease of 10% in expenses	32	2%	6	7%
5% lower mortality rate for annuity business	-21	-1%	0	0%
5% lower mortality rate for life business	45	3%	4	5%
Upward parallel shift of 25% of the volability on equity markets	-8	0%	-2	-3%
Upward parallel shift of 25% of the volability on bonds	-29	-2%	-6	-7%
50 basis points higher in credit spread	-75	-4%	-7	-9%
50 basis points lower in credit spread	67	4%	7	9%
Reference rate without liquidity premium	-83	-5%	-5	-7%
Reference rate with liquidity premium 10bps higher	28	2%	2	2%

The significant share of protection business within the region explains the unusual pattern of sensitivities to interest rates, i.e. a negative sensitivity to an increase in interest rates.

III. Methodology

Covered business

AXA's Life & Savings segment offers a broad range of Life insurance products including retirement and Health, for both group and individuals. This segment accounted for 64%, or Euro 58 billion of AXA's consolidated IFRS gross revenues for the year ended 12/31/09. The net asset value of the unmodeled Life and Savings entities was Euro 281 million which represented 0.7% of the total net asset value of the Life & Savings segment.

Cash flows projected in the VIF are from the following entities, which represented 98.8 % of the total Life & Savings technical reserves and 99.6% of total Life & Savings revenues (smaller entities included in EEV are consolidated on the equity method in IFRS and therefore do not contribute to revenues) as of 12/31/09:

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

Some entities are not taken into account for the VIF and NBV calculations, but have their Life & Savings business operations included in the Life ANAV, using IFRS shareholders equity plus unrealized capital gains and losses after policyholder bonus, taxes, DAC and reactivity. Their ANAV represented 1.6% of the total ANAV as of 12/31/09.

ANAV, VIF and NBV methodology

ANAV METHODOLOGY

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

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

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

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

AXA has chosen to exclude the profits of its investment management companies on managed assets for Life & Savings operations from Life & Savings EEV. This choice is linked to the commercially sensitive nature of disclosing margins for companies that also manage third-party assets, and because AllianceBernstein units are publicly-traded. It is also noteworthy that the units of AllianceBernstein held by US Life entities in the Group are not valued at their 12/31/09 market value of Euro 2.4 billion (gross of tax) in the Life & Savings EEV; instead, these units are carried at their cost basis of Euro 0.8 billion. This treatment is consistent with other cross-shareholdings of entities within the AXA Group.

VIF METHODOLOGY

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

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

In practical terms, the VIF is derived for most business from at least 30 year projection, and includes a provision for the remaining shareholder profits beyond that term.

Risk neutral value and Time value of options and guarantees (O&G)

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

- the interest rate guarantees on traditional products (such as guaranteed cash values, guaranteed annuity options (GAOs), etc.)
- the profit sharing rules (bonus rates, credited interest rates, policyholder dividends, etc), which combined with guarantees can create asymmetric returns for shareholders
- the guaranteed benefits (GMDB, GMIB and similar) on unit-linked annuity products and no lapse guarantees[1] in life insurance contracts (although note that as mentioned above the hedging costs for guarantees on Accumulator-type business are reflected in the Certainty Equivalent PVFP rather than in the Time Value of O&G)
- the dynamic policyholder behavior, that is, the options (such as full or partial surrender, premium discontinuance, annuitization, etc.) that policyholders can elect at a time that disadvantages the company.

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

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

Methodology for calculating the risk neutral value

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

The economic scenarios are constructed using a proprietary economic scenario generator developed by Barrie & Hibbert. A number of asset classes and economic assumptions are modeled stochastically. This includes equity, bond yields, credit spreads, credit defaults, property, foreign exchange, inflation, and GDP.

The construction of market consistent risk neutral economic scenarios requires a careful calibration to underlying market parameters to ensure that the valuation replicates the prices of market assets. Three key areas of calibration are the initial yield curves, the implied market consistent volatilities, and the correlations between asset classes and economies. The model calibration is described further under Economic Assumptions. The interest rate model considers both parallel shifts and twists to the yield curve.

Methodology for calculating the CoC/NFR

This item is based on the cost of holding capital corresponding to the highest of

- the capital required by internal economic capital models before any Group diversification benefits
- the local regulatory requirement
- the capital consistent with a AA capital requirement in each operation.

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

These three amounts are considered net of implicit items that can be used to support capital requirements.

This can be considered to provide a provision for two elements: 1) a cost of locked-in capital, and 2) an additional provision for other non-financial risks.

The cost of capital is the economic cost incurred through the payment of investment expenses and taxes on investment income of assets held in excess of the policyholder reserves. Mechanically, this can be viewed as the difference between investment earnings which are the reference rate after-tax and after investment expenses, compared to a discount rate which is the reference rate before tax and expenses. The amount of such assets is equal to the higher of regulatory capital and the capital requirements resulting from the internal economic capital model, and is considered to be locked-in.

The non-financial risks represent the economic cost incurred through the exposure of the company to insurance and operational risks. AXA assumes an allowance for non-financial risks. As of today, there is no established market practice for the estimation of the non-financial risks. Hence, AXA has calculated the allowance for non-financial risk by assuming a higher locked-in capital base. The CoC/NFR was approximately Euro 0,8 billion higher than the minimum local regulatory requirements.

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

The UK is also worth a special mention regarding cost of capital. Under the terms of the scheme of arrangement, the UK Inherited Estate assets are 'locked in' to the long term funds until they are no longer required to provide with-profits policyholders the level of security implied by the scheme. Under EEV, allowance for financial and non-financial risks is made explicitly through the use of stochastic models and market consistent pricing techniques. In particular the methodology allows explicitly for risks to the Inherited Estate in that:

- The Inherited Estate asset is valued as a future distribution rather than an asset that is distributable
- Allowance is made for shareholder taxes for the period of 'lock-in' and on distribution
- Explicit modeling is performed of the potential for the asset to be permanently transferred to the with-profits fund.

NEW BUSINESS VALUE METHODOLOGY

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

It should also be noted that the value of the inforce includes all business as at the year-end date. This includes the future earnings and return of capital for business written during the year.

No value is placed on future new business sales, although certain future flexible premium receipts are included in the VIF as described below.

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

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

Other definitions (sensitivities and IDR)

SENSITIVITIES

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

For purposes of the NBV sensitivity, shocks to financial market conditions (such as change in reference interest rates or equity market levels) are assumed to occur after the point of sale, rather than just before the point of sale. Therefore, the NBV sensitivity gives an indication of how the NBV of business written in 2009 would have been affected by an economic shock prior to year-end assuming no re-pricing action was taken. It does not indicate what future NBV might be if sales occurred at the same volume and mix as those in 2009, but in a new market environment.

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

Upward parallel shift of 100 basis points in reference rates simulates a sudden shock to the initial conditions. This means changes to: 1) the current market values of fixed-interest assets, with related possible changes to projected capital gains/losses and/or fee revenues, 2) future reinvestment rates for all asset classes, and 3) risk-discount rates. Inflation rates are not changed. Policyholder and management behavior is adjusted following normal behavioral modeling, and may not be wholly consistent with these conditions. This impacts ANAV, VIF, and NBV. If guaranteed rates are automatically adjusted based on market conditions through a formula, then the sensitivities to reference rate movements should reflect such an adjustment.

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

10% higher value of equity markets simulates a shock to the initial conditions just for equities. Listed equities and private equities including the impact of equity hedges should be shocked. This means changes to current market values of all these equities excluding hedge funds, with related possible changes to projected capital gains/losses and/or fee revenues. Policyholder and management behavior is adjusted to be consistent with these conditions. This impacts ANAV, VIF, and NBV. To avoid any possible confusion, any shares held in related Group entities should not be impacted by this sensitivity.

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

10% higher value of real estate simulates a shock to the initial conditions just for real estate. This means changes to current market values of real estate, with related possible changes to projected capital gains/losses and/or fee revenues. Policyholder and management behavior is adjusted to be consistent with these conditions. This impacts ANAV, VIF, and NBV.

10% lower value of real estate same as above but a decrease.

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

Upward parallel shift of 25% of the volatility on equity markets simulates a shock to the initial conditions, representing the base volatility times 1.25 for the key duration and then apply a parallel shift for the other durations. The main impact is expected on VIF and NBV through the Time Value of O&G.

Upward parallel shift of 25% of the volatility on bonds simulates a shock to the initial conditions, representing the base volatility times 1.25 for the key duration and a parallel shift for other durations. The main impact is expected on VIF and NBV through the Time Value of O&G.

50 basis point instantaneous increase in credit spreads is immediately applied at the valuation date and is applicable to all corporate bond asset classes and associated derivatives and government bonds for emerging markets. This should be calibrated as a sudden shock of plus 50bps on the single A credit spread. This means changes to the current market value of credit assets, with related possible changes to projected capital gains/losses and/or fee revenues. Policyholder and management behavior is adjusted following normal behavioral modeling, and may not be wholly consistent with these conditions. This impacts ANAV, VIF, and NBV.

50 basis point instantaneous decrease in credit spreads *is the same as above but a decrease*.

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

Overall and permanent decrease of 10% in expenses applies to all future expenses other than commission and commission-related (for example, agency manager payments that are a percentage of agent commissions) expenses and investment expenses (as they are managed separately from Life companies general expenses). This impacts VIF and the VIF part of NBV. As the expense reflected in ANAV movement and the new business Strain included in the NBV is the actual historical figure, the strain is not adjusted for this sensitivity.

5% lower mortality rate for annuity business reflects the impact on annuity business profits from assuming 5% lower mortality rate. This impacts VIF and NBV. The base assumption in VIF for annuity business already reflects expected mortality improvement (note that mortality improvement hurts annuity profits).

5% lower mortality rate for life business reflects the impact on life insurance business profits from assuming 5% lower mortality rate. This impacts VIF and NBV.

Reference rate without liquidity premia reflects what would be the value if no liquidity premium had been considered in the projections. It impacts VIF and NBV.

Reference rate with liquidity premia 10bps higher reflects the impact, for entities/portfolios where a liquidity premium is already considered, of using a 10bps higher liquidity premium in the projections. It impacts VIF and NBV.

IMPLIED DISCOUNT RATES

In a market consistent EEV, the value of the projected earnings, allowing for financial risks, Time Value of O&G, and non financial risks is the result of a stochastic valuation technique. As a result, the equivalent implied risk discount rate (IDR) is derived from a bottom up assessment of the risk. It is the discount rate that would reproduce the VIF from a deterministic projection of statutory distributable earnings (profit less movement in required capital) in an illustrative scenario. Specifically, it is not an assumption used to determine the value. The IDR will vary depending on the economic assumptions used to deduce it; however it does not affect the market consistent value in any way. It is a useful measure of the risk reflected in the overall value estimate given a set of assumptions about future asset returns. IDRs are disclosed on the basis of discounted distributable earnings including the impacts of required capital which is roughly comparable to the discount rates used in Traditional EV.

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

The total implied risk discount rate therefore reflects:

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

The implied risk discount rate will differ for each country, and between inforce and new business. The illustrative investment assumptions used in calculating Implied Discount Rates can be found in Appendix 1.

IV. Assumptions

Financial assumptions

INVESTMENT MARKET CONDITIONS

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

As in 2008, AXA has used, as part of its 2009 market-consistent methodology, a **reference rate** which includes, where appropriate, a premium over swap rates. This premium reflects the nature of certain types of long term insurance liabilities, which allow insurers to capture, either fully or partially, liquidity premia on credit assets such as corporate bonds. During 2009, the CFO Forum released revised MCEV Principles acknowledging the presence of liquidity premia, as well as formally permitting the use of corresponding allowances as part of the reference rate, to be calibrated depending on the nature of liabilities.

Consistent with the industry's emerging practices, AXA followed in 2009 a two-step approach to calibrate the premia used for the 2009 embedded value results:

- The first step consists in measuring the liquidity premium available in the market on financial assets. Based on credit default swaps indexes and corporate bond spreads indexes of similar rating and maturity, this premium was estimated to be around 60bps in the Euro zone and 80 bps in the US at the end of 2009. These premia are reduced from those that were taken into account at the end of 2008 reflecting the increased liquidity in corporate bond markets. In years prior to 2008, any such premium had been immaterial.
- As a second step, AXA applied a ratio to the measure obtained in the first step to reflect the nature of the liabilities and, consequently, AXA's ability to capture the liquidity premium. These ratios were respectively 50% and 65% on Euro and US general account liabilities. Pending further guidance issued by the industry on the calibration of such ratios, and further analysis of the liabilities, the ratios were based approximately on the actual proportions of assets backing these liabilities at 31 December 2009 that were invested in credit assets (recognizing the close asset/liability duration matching of the business). Furthermore, while it might be appropriate to set different premia for each portfolio (reflecting the specific characteristics of each), AXA has adopted unifom premia by major territory (again pending further industry guidance and analysis).

Accordingly, premia used for 2009 closing on general account liabilities were 30 bps for Euro zone and 50 bps for the US (compared to 50bps and 100bps respectively at end 2008).

Premia for general account liabilities in economies with less observable data (notably due to the lack of credit default swaps indexes), were set by analogy to the main currencies. These were UK, where AXA used a 50 bps premium at end 2009 (as at end 2008), Switzerland (30 bps at end 2009, vs. 50 bps at end 2008) and Japan (20 bps at end 2009, nil at end 2008).

No liquidity premium was applied on unit-linked and variable account liabilities.

The following table shows the ***swaps yield curves as of 31 December 2009***. The swaps yield curve as of December 2008 is also shown for comparison. In the 2009 EEV figures, the economic scenarios have been calibrated using reference rates based on those swaps yield curves plus the liquidity premia described above.

	Euro zone		US		UK		Japan (September)		Switzerland		Australia	
maturity	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	30/09/08	30/09/09	31/12/08	31/12/09	31/12/08	31/12/09
1	2.55%	1.31%	1.28%	0.65%	2.00%	1.01%	1.06%	0.54%	0.78%	0.49%	3.27%	4.80%
2	2.68%	1.88%	1.47%	1.38%	2.63%	2.02%	1.12%	0.58%	1.09%	0.87%	3.55%	5.22%
3	2.96%	2.26%	1.76%	2.05%	2.92%	2.69%	1.21%	0.65%	1.42%	1.20%	3.90%	5.50%
5	3.27%	2.85%	2.13%	3.02%	3.19%	3.48%	1.37%	0.85%	1.94%	1.73%	4.33%	5.99%
7	3.52%	3.28%	2.35%	3.62%	3.37%	3.90%	1.52%	1.09%	2.32%	2.14%	4.39%	6.27%
10	3.81%	3.69%	2.55%	4.13%	3.52%	4.26%	1.73%	1.46%	2.65%	2.57%	4.41%	6.45%
15	4.01%	4.13%	2.81%	4.59%	3.79%	4.59%	2.02%	1.86%	2.90%	2.97%	4.20%	6.48%
20	3.93%	4.23%	2.81%	4.71%	3.65%	4.53%	2.24%	2.10%	2.79%	3.09%	3.63%	6.42%
25	3.64%	4.13%	2.75%	4.73%	3.43%	4.38%	2.38%	2.21%	2.55%	2.97%	3.17%	6.10%
30	3.45%	3.97%	2.74%	4.72%	3.24%	4.24%	2.41%	2.24%	2.38%	2.86%	2.73%	5.74%

(1) AXA Japan uses September rates.

Hong Kong results are based on US asset classes, as a significant part of Hong Kong policies are denominated in US$.

The approach to setting ***market consistent volatility*** targets in a risk neutral calculation focuses on the implied volatility of market prices for different asset classes. These implied volatilities can be derived from pricing formulas and the observed market prices of various derivative instruments. For example, targets have been set for 20 year swaptions implied volatilities for bond yields, and equity options implied volatility, at year 5, 10 and 20, for each of the major areas outlined in the table below.

Target volatilities	Equities			20 yr Swaptions		
2008	year 5	year 10	year 20	year 5	year 10	year 20
US	27.23%	28.32%	29.67%	20.13%	16.12%	14.03%
Euro zone	28.00%	29.19%	30.91%	13.94%	13.37%	13.50%
Japan	22.82%	23.90%	25.82%	16.10%	14.34%	13.43%
UK	27.80%	28.94%	30.95%	11.57%	11.18%	12.10%
Switzerland	25.98%	27.33%	28.82%	13.94%	13.37%	13.50%

Target volatilities	Equities			20 yr Swaptions		
2009	year 5	year 10	year 20	year 5	year 10	year 15
US	26.09%	28.79%	31.45%	20.20%	15.65%	13.95%
Euro zone	27.59%	28.69%	29.77%	17.35%	15.28%	16.05%
Japan	25.97%	26.04%	26.69%	23.57%	22.03%	22.39%
UK	25.76%	27.00%	27.67%	15.82%	13.41%	13.88%
Switzerland	22.87%	24.08%	25.72%	17.35%	15.28%	16.05%

AXA Japan uses September spot data

In the end of 2008 market environment where there were some concerns over liquidity and unusual activity, AXA used swaption and equity implied volatilities calculated as the average of the daily at-the-money forward volatility observed during 2008.

At year end 2009, AXA used spot daily at-the-money forward volatilities for both equities and bonds, consistently with a return to more usual conditions in the markets and less concerns over liquidity. In addition, AXA modeled credit spreads reflecting levels observed on CDS (rather than corporate bonds) at year end 2009.

Correlations measure the extent to which various asset classes and economies move together over time. The correlation of equity returns, inflation, bond yields, and economies, has been set with reference to historical market data. It is not possible to estimate an "implied correlation," as there are almost no financial instruments available with sufficient liquidity from whose price one can, in an objective manner, derive market consistent implied correlations. AXA's modeling ensures that correlations between equities and 10 year bond interest rates are between 5% and 15%.

ASSET MIX ASSUMPTIONS

The assumptions described above are used in local models in conjunction with the asset mix to derive the assumed projected fund volatilities, a key driver of the risk neutral values. ***Asset mixes*** used are shown in the table below at the country level, although generally calculations are done using the applicable asset mix at a line of business level. The asset mixes describe the intended investment strategy of each operating company rather than the position at the start of the projection.

Asset Mix (FI/Equity/ other)	2008	2009
United States	81/4/15	86/3/12
France	85/8/7	87/7/6
United Kingdom	48/45/6	47/48/5
Switzerland	71/8/21	71/7/21
Japan	84/5/11	84/8/8
Belgium	76/15/9	73/13/13
Australia/New Zealand	70/27/3	80/17/3
Hong Kong	73/27/0	75/25/0
Germany	86/9/6	90/2/7
MedLA	87/9/4	92/5/4
CEE	70/21/8	65/25/10

EXCHANGE RATES

ANAV and VIF are calculated using end of year exchange rates (except Japan that uses september end exchange rate).

New business metrics are calculated using average exchange rates over the year (from September 08 to September 09 for Japan).

Exchange rates local currency vs Euro	2008 EoY	2008 Avg	2009 EoY	2009 Avg
United States	1.395	1.471	1.433	1.394
United Kingdom	0.958	0.797	0.888	0.891
Switzerland	1.494	1.587	1.483	1.510
Japan	126.8	161.7	131.3	129.6
Australia	1.989	1.744	1.596	1.774
Hong Kong	10.83	11.45	11.11	10.81
Czech Republic	26.85	24.96	26.35	26.43
Hungary	265.6	251.7	269.8	280.3
Poland	4.148	3.515	4.105	4.326
Singapore	1.998	2.073	2.014	2.024
Philippines	66.23	65.14	66.11	66.29
Thailand	48.55	48.45	47.87	47.81
Indonesia	15873	14085	13565	14430
China	9.54	10.23	9.79	9.53
Turkey	2.145	1.907	2.137	2.162

Operational assumptions

ACTUARIAL ASSUMPTIONS

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

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

TAX ASSUMPTIONS

The following table shows the nominal tax rates applied. In most jurisdictions different tax rates apply to different types of income and expense, so effective tax rates will vary. Generally, stochastic projections also reflect the impact of economic scenarios on the sources of taxable income and the recoverability of tax loss carry forwards.

Tax Rate	2008	2009
United States	35%	35%
France	34%	34%
United Kingdom	28%	28%
Switzerland	22%	21%
Japan	36%	36%
Belgium	34%	34%
Australia/New Zealand	30%	30%
Hong Kong	0,875% of premiums	0,875% of premiums
Germany	32%	32%
MedLA	28%	28%
CEE	19%	19%

EXPENSES

The EEV methodology makes full provision for all expenses. Consistent with IFRS disclosures, operating entities are recharged most holding companies' expenses, which therefore are included in local unit costs. The VIF includes the present value of future projected expenses related to Life & Savings business. No productivity gains are built into the projected future expenses, and a provision is made for future inflation. Base general price inflation rates are shown below; these are modified as appropriate for specialized areas (such as healthcare costs or salaries) and for the stochastic scenarios.

Inflation Rate	2008	2009
United States	2.5%	2.5%
France	2.0%	2.0%
United Kingdom	3.0%	2.9%
Switzerland	1.5%	1.5%
Japan	1.0%	1.0%
Belgium	2.0%	2.0%
Australia/New Zealand	2.5%	2.5%
Hong Kong	2.5%	2.5%
Germany	2.0%	2.0%
MedLA	2.0%	2.0%
CEE	2.3%	2.3%

Excluded expenses		
Euro million, Group share, pre-tax	**2008**	**2009**
United Kingdom	113	69
Germany	45	45
France	53	28
United States	27	28
CEE	8	16
MedLA	12	9
Belgium	15	7
Switzerland	7	6
Other countries	10	10
Total excluded expenses	**281**	**218**

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

In 2009 the largest amount of excluded expenses is in the UK, and represents a variety of initiatives to increase sales and productivity in the future and some expenses associated with Winterthur's integration. France excluded expenses are related to non-capitalized IT investments. Germany excluded expenses are related to Winterthur's integration. The Other countries excluded expenses is a variety of items spread.

MODELING OF PARTICIPATING AND ADJUSTABLE CREDITED RATES BUSINESS

Participating business is generally characterized by the following key features:

- a minimum interest rate or level of bonus is guaranteed on the contract. At least the guaranteed rate or bonus is credited under all circumstances. Hence, whenever fund return does not achieve the minimum performance, the shareholder will bear the cost of maintaining the guaranteed level
- generally bonuses and crediting rates will exceed minimum guaranteed levels. The amount credited will be based on profit sharing rules as well as the performance of the investment markets and will involve a degree of management discretion.

Given the above, it is essential in a stochastic framework, when future expected performance varies, that the value reflects how bonuses and crediting rates are determined. This will impact the value in the following manner:

- the guaranteed interest rate and any further policyholder participation in profits which is not linked to the actual investment results above the reference interest rate will impact the certainty equivalent value.
- the profit sharing rule will impact the Time Value of O&G depending on the market performance. In cases where the market performs well the policyholder will participate in the investment profits while in case of negative market performance the shareholder will bear a higher portion if not all of the loss. The level of the Time Value of O&G will reflect the likelihood of these additional payments being made, net of the amount reflected as intrinsic value in the certainty equivalent value.

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

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

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

Appendix 1: Details on the Implied Discount Rates

As explained previously in the report, the risk-neutral valuation method applied in AXA's EEV means that assumptions about future return spreads for different asset classes do not affect the reported EEV. The methodology is equivalent mechanically to assuming that the expected return on all asset classes is the reference rate. However, to facilitate comparisons to other companies (especially those not following a market consistent basis), and to Traditional EV, we have made calculations with illustrative future investment returns, and derived implied risk discount rates. The illustrative assumptions for 2008 and 2009 are shown in the tables below. It is important to always view IDRs in the context of their illustrative investment assumptions, because a change in assumptions will change IDR.

2009	FI Return	Equity Return	Cash Return	Real Estate Return	"Other" Return	Life VIF IDR	Life NBV IDR
United States	7.00%	9.00%	5.00%	7.50%	6.00%	15.05%	7.23%
France	6.00%	8.00%	4.00%	6.50%	n/a	8.76%	6.27%
United Kingdom	5.46%	8.02%	n/a	6.53%	n/a	6.97%	5.79%
Switzerland	2.31%	6.50%	2.58%	5.00%	6.50%	4.94%	5.02%
Japan	4.77%	6.50%	n/a	n/a	n/a	6.68%	3.43%
Belgium	5.80%	8.00%	4.25%	6.50%	7.00%	8.24%	7.86%
Australia/New Zealand	7.52%	9.10%	5.10%	7.60%	n/a	6.65%	6.41%
Hong Kong	7.05%	10.09%	5.30%	n/a	n/a	7.52%	5.51%
Germany	6.40%	8.00%	4.25%	6.50%	6.00%	7.36%	5.89%
MedLA	5.68%	8.00%	4.00%	6.50%	n/a	8.18%	5.02%
TOTAL Life & Savings	5.71%	7.93%	4.24%	6.61%	6.26%	8.76%	5.18%

2008	FI Return	Equity Return	Cash Return	Real Estate Return	"Other" Return	Life VIF IDR	Life NBV IDR
United States	7.40%	9.00%	5.00%	7.00%	6.00%	17.12%	11.04%
France	6.00%	8.00%	4.00%	6.50%	n/a	11.01%	8.17%
United Kingdom	5.33%	8.04%	n/a	6.50%	n/a	8.03%	5.78%
Switzerland	3.04%	6.50%	2.17%	5.00%	6.50%	7.14%	5.95%
Japan	3.64%	6.50%	1.99%	n/a	5.00%	6.72%	3.06%
Belgium	5.29%	8.00%	4.15%	6.50%	7.00%	9.38%	9.64%
Australia/New Zaland	5.50%	9.00%	3.50%	7.75%	n/a	6.84%	5.64%
Hong Kong	6.31%	7.77%	n/a	n/a	n/a	9.14%	6.90%
Germany	5.62%	8.00%	4.26%	6.50%	n/a	8.34%	5.27%
MedLA	5.60%	8.00%	4.00%	6.50%	n/a	5.56%	4.33%
CEE	4.77%	9.25%	3.00%	1.76%	4.17%	6.22%	5.36%
TOTAL Life & Savings	5.53%	7.91%	3.73%	6.43%	5.82%	10.22%	5.60%

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

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

Appendix 2: Reconciliation of the IFRS Shareholders equity to Group EV

FY09 Group Embedded Value ("Group EV") was calculated as the sum of the Life & Savings EEV and the Tangible Net Asset Value (TNAV) for other businesses (referred to as AXA methodology in the bottom table). The following table shows a reconciliation from the shareholders' equity to the TNAV for other businesses.

Euro million, Group share	2009			2008		
	Life & Savings	Other businesses	Total Group	Life & Savings	Other businesses	Total Group
IFRS shareholders' equity	**38,018**	**8,211**	**46,229**	**33,513**	**3,927**	**37,440**
Net URCG not included in shareholders' equity	906	1,656	2,561	1,846	1,535	3,381
Excluded TSS/TDI		-7,383	-7,383		-7,360	-7,360
Mark to Market debt		1,389	1,389		2,864	2,864
Excluded Intangibles	-18,946	-9,196	-28,142	-19,643	-9,574	-29,217
other stat/GAAP adjustments	-2,687		-2,687	-965		-965
ANAV (Life & Savings)/TNAV (other businesses)	**17,290**	**-5,323**	**11,967**	**14,750**	**-8,609**	**6,141**
Life & Savings VIF	18,456		18,456	12,459	0	12,459
Group EV (L&S EEV + TNAV)	**35,745**	**-5,323**	**30,422**	**27,209**	**-8,609**	**18,600**

In its 2008 EV report, AXA disclosed a Group EV under the CFO Forum methodology at Euro 31.1 billion that was calculated as the sum of the Life & Savings EEV (Euro 27.2 billion) and IFRS shareholders' equity for other than Life & Savings businesses (Euro 3.9 billion).

The reconciliation between both methodologies is as follows:

AXA Methodology (Euro million)	FY09	FY08
IFRS shareholders' equity	46,229	37,440
Net URCG not included in shareholders' equity	2,561	3,381
Excluded Perpetual subordinated debt (TSS/TDI)	-7,383	-7,360
Mark to Market debt	1,389	2,864
Excluded Intangibles	-28,142	-29,217
Other	-2,687	-965
Life & Savings VIF	18,456	12,459
Group EV	**30,422**	**18,600**

CFO Forum Methodology (Euro million)	FY09	FY08
IFRS shareholders' equity	46,229	37,440
Net URCG not included in shareholders' equity	906	1,846
Excluded Perpetual subordinated debt (TSS/TDI)	0	0
Mark to Market debt	0	0
Excluded Intangibles	-18,946	-19,643
Other	-2,687	-965
Life & Savings VIF	18,456	12,459
Group EV	**43,957**	**31,136**

Appendix 3: Glossary

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

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

APE: *Annual Premium Equivalent*. A measure of new business volume, equal to 100% of regular premiums on newly issued recurring premium contracts plus 10% of single premiums received. APE links closely to the current period cash inflow of business, but is adjusted from the raw premium number because typically single premium policies will generate less profit than recurring premium policies.

Beginning of period reference rate:
This is the first year rate included in the previous year swaps curve

Capitalization factor: This is the multiple of regular premium that single premium plus capitalization factor times regular premium equals PVEP; it is a rough measure of the duration of regular premiums business

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

CoC/NFR: *Cost of Capital/Non-Financial Risks*. This is the cost of holding capital in excess of the policy reserves. The level of capital held is at least the estimated amount necessary to maintain capital consistent with a AA capital requirement (or higher if local regulatory basis or internal Economic Capital models have a higher requirement) at each operation, net of implicit items.

Comparable basis Change on a comparable basis was calculated at constant FX and scope

Current year investment experience:
This includes the variance in experience during the year from that expected in the illustrative investment scenario at the end of the previous year, and the change in value created by reflecting the current yearend yield curves and investment assumptions in the VIF rather than those of last year.

Free surplus This represents the assets not supporting policy liabilities and required capital

Group EV The Group EV is the Life & Savings EEV plus IFRS shareholders equity of other business

IDR: *Implied Discount Rate*. This is the discount rate which would reproduce the market consistent VIF from a deterministic projection of statutory distributable earnings in an illustrative scenario.

Implicit items This represents the amounts allowed by local regulators to be deducted from capital amounts when determining the required minimum margin.

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

NBV/APE Margin: Equals NBV divided by APE.

NBV/PVEP Margin: Equals NBV divided by PVEP.

Operational changes:

These are the impact on the VIF of changes in future assumptions for items like mortality, expenses, lapse rates, as well as the impact of actual versus expected experience.

Operating performance from existing business:

This considers the movements in EEV related to the business inforce at the beginning of the year, excluding the investment impacts that relate to variances from the illustrative investment assumptions used in the previous year.

Operating Return on EEV: This is the movement in the Embedded Value from the beginning to the end of the year, excluding the following elements:

- modeling changes or other opening adjustments,
- exchange rate impacts,
- the impact of acquisitions,
- capital flows into or out of the Life & Savings segment,
- the difference between actual investment performance and that expected as reflected in the IDR at the beginning the year, and
- any changes in investment assumptions for the future, other than those directly tied to observing current market prices.

This therefore includes:

- unwind of discount at the beginning of year IDR on VIF + Required Capital,
- expected return on free surplus assets (i.e. those not supporting policy liabilities and required capital),
- new business impacts,
- differences in operational experience from that expected, and any changes in operational assumptions.

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

Required capital This represents the amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to shareholders is restricted. In AXA's methodology it has been set up to be at least equal to the AA level requirement on a standalone basis net of implicit items.

Reference interest Rate: Refers to the rate used as the basis for the market-consistent valuation. In stable markets, the reference rate is taken as the swap curve yield. In current conditions AXA has used as part of its 2009 market-consistent methodology, a reference rate that includes a premium over swap rates to reflect the ability, for insurers with long term liabilities to earn risk free returns in excess of swaps by investing in corporate bonds and credit default swaps. The Reference interest Rates in the IDR tables reflect the current yields as at year-end 2008 and 2009 based on the average liability duration for inforce or new business, respectively.

Risk Neutral Value: This is equal to the sum of Certainty Equivalent PVFP and Time Value of O&G

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

Total Return on EEV: The Operating Return on EEV, plus the impact of investment experience during the year differing from that assumed for the beginning of year IDR, and the impact of any investment assumption changes (for those assumptions not directly observed in current market prices). Total return on Life & Savings European Embedded Value (EEV) excludes the impact of capital transfers, modeling changes, EEV of acquired business and foreign exchange effect.

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

Appendix 4: Towers Watson opinion

Towers Watson has reviewed the methodology and assumptions used in the Life & Savings European Embedded Value (EEV) at December 31, 2009, and the 2009 Life & Savings New Business Value (NBV) for the principal life operations of the AXA Group. Our review also included the analysis of movement in embedded value from December 31, 2008, and the sensitivities.

Towers Watson has concluded that the methodology and assumptions used comply with the EEV Principles. In particular:

- The methodology makes allowance for the aggregate risks in the covered business through AXA's market consistent methodology as described in the Report. The methodology uses reference rates in excess of swap rates to allow for the impact of liquidity premia, on a uniform basis within major territories, and includes a stochastic allowance for the cost of financial options and guarantees;
- The operating assumptions have been set with appropriate regard to past, current and expected future experience;
- The economic assumptions used are internally consistent and consistent with observable market data; and
- For participating business, the assumed bonus rates, and the allocation of profit between policyholders and shareholders, are consistent with the projection assumptions, established company practice and local market practice.

The methodology and assumptions used also comply with the EEV Guidance (noting the disclosed exception concerning the treatment of affiliated investment management companies, where the value of their profits for managing assets for the Life & Savings segment are not included in the Life & Savings EEV).

Towers Watson has also reviewed the embedded value results, including a review of the underlying models for the major blocks of business in the principal life operations, but without undertaking detailed checks on all of the processes and calculations. Towers Watson's review covered the 2009 embedded value, new business value, analysis of movement and sensitivities. On the basis of this review, Towers Watson has concluded that in all material respects the results have been prepared in a manner consistent with the methodology and assumptions described in this document.

In arriving at these conclusions, Towers Watson relied on data and information provided by AXA. This opinion is made solely to AXA in accordance with the terms of Towers Watson's engagement letter. To the fullest extent permitted by applicable law, Towers Watson does not accept or assume any responsibility, duty of care or liability to anyone other than AXA for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion.