Embedded Value 2011 Report

February 16, 2012

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 2011 annual accounts. AXA believes the non-GAAP measure shown herein, together with the IFRS information, provides a meaningful measure for the investing public to evaluate AXA's business relative to the businesses of peers.

Key principles

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

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

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

In June 2008, the CFO Forum released the new MCEV Principles©[1]. 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under the EEV principles for its 2010 EV disclosure since the mandatory implementation date of MCEV principles has been withdrawn, reflecting the ongoing developments of insurance reporting under Solvency II and IFRS, while the CFO Forum remains committed to the value in supplementary information, including embedded value.

[1] © Stichting CFO Forum Foundation 2008

Contents list

I. Highlights

Key figures

- **2011 Life & Savings European Embedded Value (EEV) was down by Euro 2.3 billion to Euro 38.2 billion**, as the operating return of Euro 4.8 billion, was more than offset by investment experience of Euro -7.4 billion, reflecting the impact of the financial crisis (see below).

  During 2011, the AXA Australia & New Zealand Life & Savings business was sold to AMP, and minority shares of Hong Kong and other South East Asian entities were bought out. The overall transaction resulted in an increase in AXA Life & Savings EEV by Euro 0.3 billion (Euro -1.3 billion of Australia & New Zealand EEV plus Euro 1.6 billion of EEV for the minority shares in Asia) presented as opening adjustment in this report. Cash movements related to this transaction are shown in the Other than Life businesses segment of “Group EV” (see page 12).

  Operating return on Life & Savings European Embedded Value (EEV) was 11% (compared to 18% in 2010) or 4,8 billion compared to 4,5 billion in 2010 when excluding the Euro 1.5bn impact related to the update of technical assumptions in France, not repeated in 2011.

  Total return on Life & Savings European Embedded Value (EEV), was -6% in 2011 (compared to 14% in 2010) significantly impacted by the investment experience, representing a –18% impact on total return (-4% in 2010) driven by changes in market conditions.

- **2011 Life & Savings New Business Value (NBV) increased by 1% to Euro 1.4 billion**, driven by an improved business mix (Euro 0.1 billion) mainly in France, Japan, the US, MedLA and Germany, and lower unit-costs in the US together with an increased contribution from South East Asian countries following minority buyouts in 2011, partly offset by deteriorating market conditions.
  The NBV margin increased to 25.2% (compared to 22.3% in 2010), reflecting the higher profitability of the 2011 business mix.

- **FY11 Implied Discount Rate (IDR) increased to 10.4%**, reflecting a wider gap between the current economic environment and illustrative investment assumptions for future periods, despite less favorable assumptions compared to 2010. It shows that value should rebound if market conditions return to the more reasonable levels.

- **FY11 Internal Rate of Return (IRR)** increased from 10.9% in 2010 to 11.5%, reflecting business mix improvements and increased contribution from emerging markets with high profitability, partly offset by lower illustrative investment assumptions, not allowing such improvements to be fully reflected.

- **FY11 Group Embedded Value ("Group EV") decreased by Euro 2.6 billion to Euro 31.5 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. This decrease was driven by the lower Life & Savings EEV (Euro -2.3 billion), accentuated by a decrease in TNAV for the other than Life businesses (Euro -0.3 billon) to Euro -6.6 billion, including Euro 1.6 billion operating performance, cash movements related to external transactions (Euro -1.2 billion), and adverse investment experience (Euro -0.6 billion).

  Operating return on Group EV was 19% (compared to 24% in 2010) driven by a strong operating performance in Life & Savings. Other than Life businesses underlying earnings contributed up to Euro 1.6 billion to this return.

  Total return on Group EV was -5% in 2011, compared to 16% in 2010. The lower return was driven by Life & Savings EEV strongly impacted by the financial crisis.

Life and savings EEV

Euro million, Group share	Free surplus	+	Required capital	=	ANAV	+	VIF	=	Life EEV 2011	Life EEV 2010
Opening Life & Savings EEV	**7,504**		**12,885**		**20,389**		**20,087**		**40,476**	**35,745**
Modeling changes and opening adj.	(1,217)		1,213		(4)		967		964	(2,481)
Adjusted opening Life & Savings EEV	**6,287**		**14,099**		**20,385**		**21,055**		**41,440**	**33,264**
Operating performance from existing business	3,720		(603)		3,117		195		3,312	4,801
Expected existing business contribution	3,932		(152)		3,780		(874)		2,906	2,853
Current year operational experience	(212)		(451)		(663)		1,119		456	141
Change in operational assumptions	-		-		-		(49)		(49)	1,806
New Business Value	(2,182)		752		(1,429)		2,874		1,444	1,289
Operating Return on Life & Savings EEV	**1,538**		**150**		**1,688**		**3,069**		**4,757**	**6,091**
Current year investment experience	(1,531)		1,430		(101)		(7,260)		(7,361)	(1,367)
Total return on Life & Savings EEV	**7**		**1,580**		**1,586**		**(4,191)**		**(2,604)**	**4,724**
Exchange rate movements impact	218		330		548		233		781	2,617
Others (incl. Life EEV of acquired business)	9		-		9		-		9	363
Dividends paid/received	(1,694)		-		(1,694)		-		(1,694)	(1,157)
Capital injections	221		-		221		-		221	666
Closing Life & Savings EEV	**5,048**		**16,008**		**21,056**		**17,098**		**38,154**	**40,476**
of which Life & Savings VIF									**17,098**	**20,087**
Certainty equivalent PVFP									22,960	26,009
Time value of O&G									(3,955)	(3,996)
CoC/NFR									(1,908)	(1,926)

	Life EEV 2011	Life EEV 2010
Operating Return on Life & Savings EEV	**11%**	**18%**
Total Return on Life & Savings EEV	**-6%**	**14%**

Modeling changes and opening adjustments of Euro 964 million in 2011 were driven by:

- The **US** with Euro 690 million, mainly due to refinements in the tax recoverability assessment, and the application of liquidity premium by products (as some annuities were omitted last year when the allowance by buckets was introduced for the first time).
- The Euro 280 million net impact of selling **Australia & New Zealand** operations to AMP Group, and buying minority shares in **Hong Kong** and **South East Asian** entities: Euro -1.3 billion of Australia & New Zealand EEV plus Euro 1.6 billion of EEV for the minority shares in Asia. The proceeds of this operation are shown in the Other than Life businesses segment of Group EV.
- It also included the Euro 410 million impact of adjusting end of 2010 economic scenarios (as described in the Assumptions section page 42 of this report).
- Remaining changes mainly reflected model refinements in different countries.

Modeling changes and opening adjustments in 2010 mainly reflected the partial deconsolidation of the UK Life & Savings business sold to Resolution Ltd.

Operating performance from existing business of Euro 3,312 million is higher than in 2010 when excluding last year's recognition of a lower loss ratio for Protection business, based on recurring positive experience in recent years. It included the following items:

Expected existing business contribution of Euro 2,906 million is the sum of the expected contribution from existing business assuming assets earned the beginning of period reference rates (Euro 354 million) and additional earnings consistent with the management case scenarios used to calculate IDR for the prior year (Euro 2,551 million).

The **current year operational experience** of Euro 456 million included the following impacts:

- **France** (Euro 400 million), driven by positive reserve development in Group and Individual Protection and Health business and lower tax expenses in 2011 than projected,

- **Switzerland** (Euro 133 million), reflecting additional reserves for Group and Individual Life, offset by future policyholders bonus in statutory earnings (ANAV), with an expected positive run off in VIF,
- **Germany** (Euro 56 million), due to favorable lapses and expenses experience for the Health business,

partly offset by:

- **Japan** (Euro -84 million), reflecting the impact of booking an additional reserve for March 2011 Great East Japan earthquake, and adverse lapses experience
- **South East Asian** entities (Euro -57 million), reflecting technical experience in all entities, as well as expenses overruns in India, China and Singapore, where one-off investments required to support the growth are not expected to be recurrent.

Changes in operational assumptions amounted to Euro -49 million, reflecting the following impacts:

- Euro -271 million of adjusting for lower lapses assumptions for GMxB products in the **US** (including resulting additional fee revenues), partly offset by mortality assumptions updates.
- Euro –87 million due to **Belgium** with higher lapses and lower premiums considered, with partial offset from a decrease in expenses,
- Euro -65 million due to **Hong Kong** reflecting higher expenses, revised persistency assumptions for Wealth Management business, and a higher loss ratio for Medical products.

partly offset by Euro 370 million in **France**, with the projection of a lower loss ratio for Individual and Group Protection and Health businesses based on recurring positive experience, lower unit costs on Group Pension business, and revised lapses assumption.

In 2010, the Euro 1,806 million impact had been largely driven by France with the projection of a lower loss ratio for Group Protection business, based on recurring positive experience in recent years (Euro 1.5 billion).

New Business Value increased by 1%, on a comparable basis, to Euro 1,444 million despite a 1% decrease in New business APE, reflecting improved business mix and significant growths in high growth markets with high NBV margins, partly offset by the negative impact of the financial crisis.

Operating Return on Life & Savings EEV of Euro 4,757 million represented 11% of Adjusted Opening Life & Savings EEV, compared to 18% in 2010. 2010 return included a Euro 1.5 billion impact of updating the loss ratio assumption for Group Protection business in **France**.

Current year investment experience of Euro -7,361 million represented the variation in EEV due to changes in economic conditions compared to the expected performance based on management expectations for future periods summarized in the previous year IDRs, as captured in the **expected existing business contribution** of the rollforward. The total impact of mark to market investment return on the Life & Savings EEV in 2011 is the sum of:

- Euro 2,906 million of expected existing business contribution
- Euro -7,361 million of investment experience compared to the expected contribution

netting to an impact of Euro -4,5 billion.

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

- Euro 1.7 billion due to the passage of time (unwind and TVOG Release) and bonds income net of defaults over the cash return,
- Euro -3.8 billion due to the decrease in swap rates
- Euro -0.6 billion reflecting equity, real estate and hedge funds performance over the cash return
- Euro -1.1 billion impact from the change in equity and interest rates volatilities
- Euro -0.9 billion impact from corporate credit spreads and Eurozone sovereign bonds spreads widening, net of liquidity premium
- Euro 0.2 billion of other impacts, including changes in the strategic asset allocation of funds

Total Return on Life & Savings EEV was Euro -2,604 million or -6% over the Adjusted Opening Life & Savings EEV, as the contribution from the operational performance was more than offset by a negative investment experience in 2011, given the sharp deterioration of financial markets throughout the year.

Exchange rate movements' impact amounted to Euro 781 million, reflecting an appreciation of foreign currencies.

Dividends paid/received reflected the significant increase of net dividends paid by the Life & Savings segment to Other than Life segments in 2011 (Euro 1,694 in 2011 versus Euro 1,157 million in 2010).

Capital injections of Euro 221 million were mainly related to injections into the **UK** business, **South East Asian** entities, and AXA Life Europe (ALE) branches in **Japan**.

*

* *

Closing Life & Savings EEV of Euro 38,154 million was composed of the following items:

- **Life & Savings required capital** increased by Euro 3,123 million to Euro 16,008 million, driven by:
  - Euro 1,244 million due to an increase in the **US** of the AA capital constraint on which the EEV Framework is based, and which significantly increased as a result of the deterioration in market conditions in 2011. This normalized basis is used to be consistent with the general Group EEV Framework but it does not reflect actual statutory capital requirements and artificially decreases available surplus which is not constrained in effect by such level of capital in the US.
  - Euro 930 million due to the adoption of a new Solvency regulation in **Japan**, strongly increasing capital requirements,
  - Euro 752 million New Business capital requirement of the year, slightly decreasing compared to last year, as a result of the Group strategy to invest in less capital consuming products,
  - Euro 330 million impact of foreign currency appreciation,
  - partly offset by a capital release in inforce business, a transfer from required capital to VIF in the **US** reflecting an increase in reserve for GMxB products as a result of updating the lapses assumption which may be used as capital and therefore capital release, and the Asia/Pacific transaction leading to lower capital requirement.

- **Life & Savings free surplus** decreased by Euro 2,455 million to Euro 5,048 million. The free surplus represents the net asset value held in excess of the shareholder's equity required to support the business. While not necessary to back existing liabilities or capital requirements, and sometimes artificially decreased by modeled capital requirements not in line with the way the business is effectively managed, this excess may not be immediately distributable to shareholders, because of, for example (but not limited to):
  - dividend distribution rules including other components than statutory earnings, or
  - implicit items in excess of hard capital but not yet realized (e.g. most of unrealized invested assets gains and losses):
    - total unrealized gains and losses not projected in Value of Inforce (VIF) end of 2011 amounted to Euro 2.9 billion, located mainly in France (Euro 1.1 billion), Asia-Pacific (Euro 1.5 billion), NORCEE (Euro 0.6 billion).

The free surplus decrease was mainly driven by:

- the increase in the required capital (mainly in the US, but reflecting a convention within the Group EEV Framework rather than a true applicable constraint in most cases)
- lower capital gains in ANAV as a result of widening corporate and sovereign bonds spreads
- cost of investing in New Business (strain on statutory earnings and required capital), The 2011 business mix led to less capital intensive New Business with a higher profitability,
- partly offset by a strong existing business contribution and appreciation of foreign currencies.

• **Life & Savings VIF** decreased by Euro 2,990 million to Euro 17,098 million. The decrease was mainly attributable to an adverse investment experience, with a strong negative impact from the lower interest rates, as options and guarantees were more in the money than last year. This impact was balanced by the New Business contribution, favorable operational experience, and an increased ownership of Asian entities.

Certainty Equivalent PVFP decreased by Euro 3,049 million to Euro 22,960 million, impacted by lower interest rates, wider corporate and sovereign bond spreads leading to lower future investment returns, and increasing the intrinsic value of Options and Guarantees, through a higher moneyness of existing contracts.

The Time Value of O&G slightly decreased by Euro -41 million to Euro -3,955 million, as the increase in cost of Options and Guarantees was mostly reflected in Certainty Equivalent PVFP, given the lower interest rates environment leading to contracts being more in the money.

CoC/NFR remained fairly stable at Euro -1,908 million.

*

*   *

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	**2010**	**2011**
Life & Savings Shareholders' equity	**41,502**	**42,272**
Net URCG not included in Shareholders' equity	936	1,337
Goodwill	(7,306)	(6,772)
Deferred Acquisition & Origination Costs (DAC & DOC)	(8,823)	(10,611)
Value of Business Inforce (VBI)	(2,044)	(2,249)
Other intangibles	(941)	(796)
UCG projected in PVFP	(2,298)	(2,684)
other Stat-GAAP adjustments	(638)	559
Life & Savings Adjusted Net Asset Value (ANAV)	**20,389**	**21,056**

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).
- Elimination of all intangible assets.
- Deduction of unrealized gains/losses that are counted as part of the VIF.

- Other adjustments between Statutory and IFRS balance sheet, predominantly reflecting different reserving bases.

VIF risk-neutral maturity profile

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

VIF maturity profile *(Euro million, Group share)*		
1 to 5 years	4,780	28%
6 to 10 years	3,274	19%
11 to 15 years	2,755	16%
16 to 20 years	2,918	17%
more than 20 years	3,371	20%
total	**17,098**	

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

The 2011 expected free cash flows amounted to Euro 1,750 million (as shown in the EEV rollforward presented on page 5 in the ANAV dedicated column) versus Euro 1,423 million in 2010. Projections of future free cash flows for years beyond 2011 are disclosed by the management as additional information, supplementary to this EEV report.

The VIF risk-neutral maturity profile presented above shows that 28% of the VIF should emerge in the first five years and 47% during the first 10 years.

The decrease in expectations of the cash flows in this risk neutral environment in the 1-5 year bucket as compared to 2010 (34%) is mainly due to the US operations, where the projection of unit linked fund values in a sustained low rate and high volatility environment leads to higher statutory reserves and capital requirements. This results in lower expected projected statutory profits in the first years in the US, whereas cash flow profiles using the management case are broadly similar in 2010 and 2011 for the US inforce. The US cashflows included above are calculated using models which do not so far, for simplicity reasons, factor management actions in, which could be projected, hence lowering such requirements.

*

* *

Implied Risk Discount Rate for Life & Savings VIF

Reference Interest Rate		**Total IDR based on distributable earnings**	
2010	**2011**	**2010**	**2011**
3.3%	2.8%	6.9%	10.4%

The **reference rate** reflects the yield used for the certainty equivalent valuation, based on the average business duration. It decreased in 2011, reflecting the lower interest rates environment.

IDR increased to 10.4%, driven by a higher cost of options and guarantees, and reflecting a wider gap between the current environment and illustrative investment assumptions for future periods.

The high level of IDR despite the lower reference rate shows that value should rebound if market conditions return to more reasonable levels.

2011 IDR will be the basis for calculating the 2012 expected return (excluding 2012 NBV).

Life and savings NBV

Euro million - Group share	2010	2011
Full Year - EEV based		
Regular premiums	*2,750*	*3,169*
Single premiums	*30,301*	*25,642*
Annualized Premium Equivalent (APE)	**5,780**	**5,733**
Capitalization factor	*10.0*	*9.7*
Present Value of Expected Premiums (PVEP)	57,794	56,481
New Business Value (NBV)	**1,290**	**1,444**
NBV/APE	**22.3%**	**25.2%**
NBV/PVEP	2.2%	2.6%
New Business IRR	**10.9%**	**11.5%**
APE change at comparable basis		-1%
PVEP change at comparable basis		-1%
NBV change at comparable basis		1%

Rollforward of Life & Savings NBV *(Euro million, Group share)*	
2010 Life & Savings NBV	**1,290**
Modeling changes and opening adjustments	(42)
Change in scope and acquisitions	113
Business-driven evolution:	54
Volume	*48*
Mix	*110*
Expenses	*(9)*
Investment market conditions	*(82)*
Assumptions changes and other	*(13)*
Currency impact	30
2011 Life & Savings NBV	**1,444**

Euro million - Group share	2010	2011
Certainty Equivalent Value less Strain	1,561	1,767
Time Value of O&G	(147)	(212)
CoC/NFR	(124)	(111)
NBV	**1,290**	**1,444**

- **Life & Savings New Business** APE slightly decreased by 1% to Euro 5,733 million, reflecting various offsetting evolutions.
- **Life & Savings New Business Present Value of Expected Premiums (PVEP)** decreased by 1% to 56,481 million, in line with the APE evolution.
- **Life & Savings New Business Value (NBV)** increased by 1%, on a comparable basis, to Euro 1,444 million, mainly due to:
  - a more favorable business mix, driven by **France** reflecting more protection and unit-linked together with repricing actions, a focus towards more profitable products in **Japan**¸ and a shift from General Account Savings to Protection and Health products in **MedLA,**
  - a positive volume impact from entities with relatively high NBV/APE margins compared to the Group level (**Switzerland**, **Hong Kong** and **SEA & China**).
  - partly offset by the negative impact of deteriorated investment market conditions, especially on GMxB products in the **US**, in **MedLA** with a significant widening of Euro zone peripheral countries government bonds spreads above swap rates, and **Japan** with a sharp decrease in interest rates.

The internal rate of return (**IRR**) increased to 11.5%, as the positive business/country (high growth markets) mix improvements were slightly offset by lower management case assumptions for future periods, consistent with the markets' deterioration observed in 2011.

IRR increase is in line with the NBV margin improvement.

Reference Interest Rate		Total NB IDR based on distributable earnings	
2010	2011	2010	2011
3.3%	2.7%	5.3%	5.2%

IDR are lower for new business than those of inforce, reflecting a lower level of guarantees. 2011 IDR was stable compared to 2010, despite a lower reference rate, due to options and guarantees being currently more in the money, partly offset by a change in business mix with lower guarantees.

Life and savings sensitivities

Life & Savings sensitivities (Euro million, Group share)	EEV 2011		NBV 2011	
Original amounts, full year 2011	38,154		1,444	
Upward parallel shift of 100 basis points in reference interest rates	1,231	3%	(17)	-1%
Downward parallel shift of 100 basis points in reference interest rates	(3,456)	-9%	(103)	-7%
10% higher value of equity markets	959	3%	54	4%
10% lower value of equity markets	(1,031)	-3%	(59)	-4%
10% higher value of real estate	493	1%	12	1%
10% lower value of real estate	(514)	-1%	(17)	-1%
Overall 10% decrease in lapse rates	621	2%	121	8%
Overall and permanent decrease of 10% in expenses	1,539	4%	132	9%
5% lower mortality rate for annuity business	(498)	-1%	(7)	0%
5% lower mortality rate for life business	818	2%	49	3%
Upward parallel shift of 25% of the volatility on equity markets	(654)	-2%	(38)	-3%
Upward parallel shift of 25% of the volatility on interest rates	(1,084)	-3%	(91)	-6%
50 basis points higher in credit spreads	(1,674)	-4%	(33)	-2%
50 basis points lower in credit spreads	1,615	4%	31	2%
Reference rate without liquidity premium	(8,319)	-22%	(273)	-19%
Reference rate with liquidity premia 10bps higher	932	2%	31	2%
Sensitivity to using a Government Spreads Premium on EUR liabilities	4,694	12%	153	11%

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.

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

New business often has a very different sensitivity than inforce due to significantly different portfolios with a higher proportion of Protection products in new business. 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 with lower guarantees, so sensitivities for NBV tend to be a larger percentage of value than those of EEV.

At group level, end of 2011 EEV is primarily sensitive to:

- Interest rates, driven by the US, Japan and Switzerland due to shorter duration of assets compared to liabilities,
- Equity markets, driven by the US , France and Hong-Kong due notably to unit-linked business,
- Corporate bonds spreads, driven by the US, France, Germany and Switzerland,
- Interest rates volatility, driven by the US, France and Switzerland.

2011 EEV sensitivities were globally in line with 2010 ones, with the following notable evolutions:

- more sensitive to interest rates due to swaps rates strongly decreased compared to end of 2010 leading to higher moneyness of option and guarantees,
- less sensitive to equity markets notably driven by a decrease of the GMxB equity exposure in the US and de-risking activities in Belgium and Switzerland.

The impact of considering a liquidity premium in the EEV calculation was Euro 8.3 billion. It strongly increased compared to 2010 due to 1) higher level of liquidity premia observed in the markets that in addition of 2) deteriorated economic environment, amplified the impact on EEV allowing for some guarantees to be less in the money.

In line with December, 9th 2011 CFO Forum press release, a sensitivity to the Government Spread Premium (GSP) allowance on EUR liabilities has been performed. The GSP was calculated as GSP=MAX (0, “ECB AAA and other government curve” - swaps). As of end of December 2011, the EUR GSP was 190bps. This allowance consists, for EUR liabilities only, in replacing, in the definition of the reference rate (as described in the Assumptions section of this report), the liquidity premium by the GSP with no bucketing application. The impact of such an allowance would be a Euro 4.7 billion increase in EEV.

2011 NBV sensitivities were globally in line with 2010 ones, with the same notable evolutions as for the inforce:

- more sensitive to interest rates due to deteriorated market conditions with swaps rates strongly decreased compared to end of 2010, mainly driven by France and Switzerland
- less sensitive to equity markets driven by Switzerland and the sell of Australia & New Zealand operations

*

* *

Group EV

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

AXA's Group Embedded Value (Group EV) is calculated as the sum of the Life & Savings European Embedded Value (L&S EEV) for the Life & Savings segment, and the 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 the elimination of intangibles assets. Reconciliation between the IFRS shareholders equity and the tangible net asset value for other than Life & Savings is available in appendix 2.

	2011			2010
Euro million, group share	Life & Savings	Other businesses	Total Group	Total Group
Opening Group EV	**40,476**	**(6,324)**	**34,152**	**30,422**
Modeling changes and opening adjustments	964	(1,257)	(293)	(106)
Adjusted opening Group EV	**41,440**	**(7,581)**	**33,859**	**30,316**
Operating return	**4,757**	**1,588**	**6,345**	**7,156**
Current year investment experience	(7,361)	(640)	(8,001)	(2,228)
Total return	**(2,604)**	**949**	**(1,656)**	**4,928**
Internal dividends payment	(1,694)	1,694	-	-
Dividend paid by the Group	-	(1,601)	(1,601)	(1,259)
Capital flows	221	(221)	-	-
Exchange rate movements impact	781	(400)	382	(193)
Acquired / Disinvested business and others	9	80	89	(25)
Change in shares issued and treasury shares	-	475	475	385
Closing Group EV	**38,154**	**(6,606)**	**31,548**	**34,152**
Operating return on Group EV	**11%**		**19%**	**24%**
Total return on Group EV	**-6%**		**-5%**	**16%**

Modeling changes and opening adjustments of Euro -1,257 million for Other than Life businesses reflected:

- the net impact related to the sale of Canadian operations in 2011, resulting in Euro 1.1 billion increase in other businesses TNAV,
- and cash movements related to selling Australia & New Zealand operations to AMP Group, and buying minority shares in Hong Kong and South East Asian entities, netting to Euro -2.3 billion in other businesses TNAV, while the change in value is recognized in Life & Savings EEV.

Operating return of Euro 1,588 million for Other than Life business mainly included the following items:

- the underlying Earnings of Euro 1,634 million,
- a normalized capital gain assumption of 4.5% before tax on held equities, or Euro 246 million,
- and the adjustment of interest on undated subordinated debts of Euro -291 million which are considered as debt in this movement analysis.

Current year investment experience of Euro -640 million for Other than Life businesses included:

- the after-tax Net Income (adjusted for cash movements related to acquisitions and disposals of the year) less Underlying Earnings and less 4.5% normalized equity capital gain assumption, netting to Euro -1,277 million, including notably the loss resulting from the discontinuation of credit operations in Hungary, the change in incentive compensation program in AllianceBernstein, and change in fair value of derivatives,
- the change in fair value for items not reflected in IFRS net income (e.g. loans at cost in insurance companies, pension actuarial gains and losses in SoCI) of Euro -862 million,
- and the Euro 1,499 million impact of higher corporate spreads on the fair value of debts, (recognized in Shareholder's equity under IFRS and as debt under the Group EV framework), offsetting the decrease in interest rates.

Total Return of Euro 949 million for Other than Life businesses is equal to the operating return plus the current year investment experience.

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

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

Dividend paid by the Group for Other than Life businesses reflected the 2011 dividend paid by the Group Holding to shareholders.

Other Capital Flows for Other than Life businesses include impacts from a variety of internal transfers, resulting in 2011 in a net capital injection made to the Life & Savings segment.

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

Change in shares issued and treasury shares of Euro 475 million mainly reflected 2011 Shareplan.

*

* *

II. Detailed results by region

United States

LIFE AND SAVINGS EEV

Euro million, Group share	Free surplus	+	Required capital	=	ANAV	+	VIF	=	US EEV 2011	US EEV 2010
Opening Life & Savings EEV	**1,560**		**2,015**		**3,575**		**3,221**		**6,795**	**6,478**
Modeling changes and opening adj.	519		-		519		172		690	(546)
Adjusted opening Life & Savings EEV	**2,079**		**2,015**		**4,094**		**3,392**		**7,486**	**5,932**
Operating performance from existing business	779		(423)		356		222		578	954
Expected existing business contribution	721		99		820		28		848	878
Current year operational experience	58		(521)		(464)		465		1	161
Change in operational assumptions	-		-		-		(271)		(271)	(86)
New Business Value	(291)		94		(196)		332		136	122
Operating Return on Life & Savings EEV	**488**		**(329)**		**160**		**554**		**713**	**1,076**
Current year investment experience	(651)		1,244		593		(3,496)		(2,903)	(339)
Total return on Life & Savings EEV	**(163)**		**916**		**753**		**(2,942)**		**(2,189)**	**738**
Exchange rate movements impact	36		130		166		(87)		79	403
Others (incl. Life EEV of acquired business)	-		-		-		-		-	-
Capital flows	(327)		-		(327)		-		(327)	(277)
Closing Life & Savings EEV	**1,625**		**3,060**		**4,685**		**363**		**5,048**	**6,795**
of which Life & Savings VIF									363	3,221
Certainty equivalent PVFP									1,233	4,267
Time value of O&G									(685)	(719)
CoC/NFR									(184)	(327)
Operating Return on Life & Savings EEV									**10%**	**18%**
Total Return on Life & Savings EEV									**-29%**	**12%**

Modeling changes and opening adjustments of Euro 690 million reflected the allowance of a deferred tax asset in **ANAV** mainly due to refinements in the tax recoverability assessment, and in **VIF** driven by the application of liquidity premium for all products once in annuitization phase (as some annuities were omitted last year when the allowance by buckets was introduced for the first time).

The **operating return** at 10% included the following impacts:

- Euro 1 million of **operational experience** mainly included a transfer from ANAV to VIF, reflecting an increase in reserves due to lower lapses for GMxB products.
- Euro -271 million of changes in **operational assumptions** were mainly related to lower lapse assumptions (including resulting additional fee revenues) on GMxB products leading to a higher cost of guarantees, with partial offset from updated mortality assumptions.

The total return of -29% was negatively impacted by an adverse investment experience of Euro -2,903 million, driven by the lower interest rates environment, widening corporate spreads and higher interest rates volatilities.

The **capital flows** of Euro -327 million reflected dividends paid by AXA Equitable and MONY to their parent company AXA Financial Holding.

ANAV increased to Euro 4,685 million, driven by a strong inforce contribution partly offset by a negative change in operational changes driven by lapse assumptions.

- **The required capital** significantly increased by Euro 1,046 million to Euro 3,060 million. The Group EEV Framework is based on a AA capital constraint which significantly increased as a result of the deterioration in market conditions in 2011. This normalized basis is used to be consistent with the general EEV framework but it does not reflect actual statutory capital requirements and artificially decreases available surplus which is not constrained in effect by such level of capital.

- **The free surplus** slightly increased to Euro 1,625 million, as the inforce contribution was partly offset by the following impacts:
  - increase in AA required capital as described above, which differs from the basis on which the business is operated,

- investment in new business,
- dividend payment during the year.

As mentioned on page 7, the free surplus represents the net asset value held in excess of the shareholder's equity required to support the business. While not necessary to back existing liabilities or capital requirements, and sometimes artificially decreased by modeled capital requirements not in line with the way the business is effectively managed, this excess may not be immediately distributable to shareholders because of dividend distribution rules including other components than statutory earnings. This is the case in the US, in the State of New York, where the ordinary dividend is defined as the minimum of previous year's Statutory Net Gains from Operations (based on statutory earnings components) and 10% of the previous year's Statutory Surplus (including AllianceBernstein which is excluded from the Life & Savings EEV scope).

The **VIF** decreased to Euro 363 million, strongly impacted by the financial crisis and the reduction in lapses for GMxB products. The investment experience had a Euro million -3,496 million impact on VIF, reflecting a sharp decrease in interest rates, widening corporate spreads and higher interest rates volatilities, leading to a higher option value for Variable Annuity contracts.

Reference Interest Rate		Total IDR based on distributable earnings	
2010	2011	2010	2011
3.9%	2.9%	14.0%	42.2%

The **IDR** strongly increased despite a lower **reference rate**, reflecting a large gap between the current environment and illustrative investment assumptions for future periods. The particularly high level of IDR shows that value should rebound if markets conditions return to more reasonable levels.

LIFE AND SAVINGS NBV

Euro million - Group share	2010	2011
Full Year - EEV based		
Regular premiums	311	363
Single premiums	6,752	6,551
Annualized Premium Equivalent (APE)	986	1,018
Capitalization factor	10.1	8.8
Present Value of Expected Premiums (PVEP)	9,882	9,749
New Business Value (NBV)	122	136
NBV/APE	12.4%	13.3%
NBV/PVEP	1.2%	1.4%
New Business IRR	9.8%	10.7%
APE change at comparable basis		7%
PVEP change at comparable basis		2%
NBV change at comparable basis		15%

Rollforward of Life & Savings NBV *(Euro million, Group share)*	
2010 Life & Savings NBV	122
Modeling changes and opening adjustments	-
Change in scope and acquisitions	-
Business-driven evolution:	18
Volume	8
Mix	12
Expenses	28
Investment market conditions	(36)
Assumptions changes and other	4
Currency impact	(4)
2011 Life & Savings NBV	136

Euro million - Group share	2010	2011
Certainty Equivalent Value less Strain	164	197
Time Value of O&G	(23)	(42)
CoC/NFR	(18)	(19)
NBV	122	136

- **APE** increased by 7%, reflecting higher sales of Protection & Health products notably driven by the new Indexed Universal Life product.
- **NBV** increased by 15%, to Euro 136 million, mainly due to:
  - favorable changes in mix, reflecting an increased profitability for redesigned Athena Universal Life, Equivest and GMxB products.
  - higher volumes and the related decrease in unit costs also impacted by expense reduction initiatives launched in 2011
  - partly offset by a strong negative impact from the financial crisis.
- This resulted in a higher **NBV margin** at 13.3% compared to 9.8% in 2010.

IRR increased to 10.7%, primarily driven by a decrease in expenses and despite lower illustrative investment assumptions.

Reference Interest Rate		Total NB IDR based on distributable earnings	
2010	2011	2010	2011
3.9%	2.1%	7.2%	8.1%

IDR increased despite a lower reference rate, driven by a wider gap between current investment market conditions and illustrative investment assumptions for future periods.

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities *(Euro million, Group share)*	EEV		NBV	
Original amounts, full year 2011	5,048		136	
Upward parallel shift of 100 basis points in reference interest rates	612	12%	16	12%
Downward parallel shift of 100 basis points in reference interest rates	(1,239)	-25%	(25)	-18%
10% higher value of equity markets	276	5%	31	23%
10% lower value of equity markets	(323)	-6%	(34)	-25%
10% higher value of real estate	17	0%	-	0%
10% lower value of real estate	(17)	0%	-	0%
Overall 10% decrease in lapse rates	(388)	-8%	6	5%
Overall and permanent decrease of 10% in expenses	373	7%	40	29%
5% lower mortality rate for annuity business	(289)	-6%	(2)	-1%
5% lower mortality rate for life business	484	10%	20	15%
Upward parallel shift of 25% of the volatility on equity markets	(180)	-4%	(4)	-3%
Upward parallel shift of 25% of the volatility on interest rates	(231)	-5%	(24)	-18%
50 basis points higher in credit spreads	(486)	-10%	(4)	-3%
50 basis points lower in credit spreads	498	10%	3	2%

EEV remained particularly exposed to interest rates, equity markets, credit spreads and implied volatilities. In percentage, impacts are higher (except for the sensitivities to equity markets) compared to 2010 due to lower level of base EEV.

EEV was more sensitive to interest rates compared to 2010 as a result of the deteriorated economic conditions, partially mitigated by management actions to reduce ALM mismatch.

EEV was less sensitive to equity markets compared to last year, notably driven by a decrease of the GMxB equity exposure.

The high sensitivity to corporate bonds spreads was due to a significant proportion of corporate bonds in the assets portfolio. The US is currently more exposed to credit than equity.

The high sensitivity to implied volatilities was notably due to Variable Annuities business. The sensitivity to equity volatility was, however, mitigated thanks to the volatility tool (AXA Tactical Manager).

The sensitivity to lower mortality rate and lower lapses has increased this year driven by increased moneyness of the GMxB riders.

NBV sensitivities were higher than for inforce business, as only the VIF is shocked (the strain remaining unchanged) while ANAV is shocked for inforce business.

2011 NBV sensitivities were globally in line with 2010 ones.

NBV was slightly more sensitive to interest rates due to the particularly low level of swap rates at the end of 2011.

The strong NBV sensitivities to lower equity markets were explained by lower Unit-Linked fees.

France

LIFE AND SAVINGS EEV

Euro million, Group share	Free surplus	+	Required capital	=	ANAV	+	VIF	=	France EEV 2011	France EEV 2010
Opening Life & Savings EEV	**1,268**		**3,724**		**4,992**		**4,534**		**9,526**	**7,014**
Modeling changes and opening adj.	(246)		-		(246)		277		31	244
Adjusted opening Life & Savings EEV	**1,023**		**3,724**		**4,746**		**4,810**		**9,557**	**7,258**
Operating performance from existing business	1,179		(131)		1,049		454		1,503	2,582
Expected existing business contribution	1,067		(138)		929		(197)		732	653
Current year operational experience	112		8		120		280		400	386
Change in operational assumptions	-		-		-		370		370	1,542
New Business Value	(592)		287		(305)		495		190	159
Operating Return on Life & Savings EEV	**587**		**157**		**744**		**949**		**1,693**	**2,741**
Current year investment experience	(231)		6		(225)		(1,246)		(1,471)	(293)
Total return on Life & Savings EEV	**357**		**162**		**519**		**(297)**		**222**	**2,448**
Exchange rate movements impact	(0)		0		0		-		0	(0)
Others (incl. Life EEV of acquired business)	-		-		-		-		-	-
Capital flows	(603)		-		(603)		-		(603)	(181)
Closing Life & Savings EEV	**776**		**3,886**		**4,662**		**4,514**		**9,176**	**9,526**
of which Life & Savings VIF									4,514	4,534
Certainty equivalent PVFP									6,263	6,185
Time value of O&G									(1,352)	(1,222)
CoC/NFR									(398)	(429)
Operating Return on Life & Savings EEV									**18%**	**38%**
Total Return on Life & Savings EEV									**2%**	**34%**

Modeling changes and opening adjustments reflected various modeling improvements, notably the transfer from ANAV to VIF of some of the profits embedded in statutory reserves and the impact of adjusting end of 2010 economic scenarios (as described in the Assumptions section page 42 of this report).

The 2011 **operating return** of 18% included an increased **New Business Value**, a positive **operational experience** and favorable **operational assumptions changes**.

- The Euro 400 million **operational experience** was driven by positive reserve development in Group (beyond improvements recognized in 2010 assumptions) and Individual Protection and Health business, lower tax expenses in 2011 than projected and the re-negotiation of the financial margin on a key Savings product.
- The Euro 370 million of **changes in operational assumptions** primarily reflected the projection of a lower loss ratio for Protection and Health business based on recurring positive experience in the recent years, a decrease in expenses (unit costs) on Group Pension business, and revised lapses assumptions for Protection business.

The 2010 operating return was exceptionally high at 38%, reflecting the impact of projecting a lower loss ratio for Group Protection and Health business.

The **total return** of 2% was negatively impacted by the **current year investment experience** (Euro -1,471 million) mainly reflecting wider French and Europe peripheral countries' sovereign bonds spreads over swap rates, higher interest rates volatility impacting TVOG, higher corporate bonds spreads and a lower interest rates environment.

The **capital flows** of Euro -603 million reflected net dividends paid in 2011.

The **EEV** of Euro 9,176 million was composed of the following elements:

- **Required capital** slightly increased to Euro 3,886 million driven by New Business requirements slightly higher than the capital release from inforce business.
- **Free surplus** decreased by Euro 492 million to Euro 776 million compared to 2010, as the strong operating free surplus generation driven by an increased existing business contribution was more than offset by New Business investments, dividends paid, change in the appreciation of the statutory reserve, and adverse investment experience affecting unrealized capital gains and losses.

- **VIF** remained stable at Euro 4,514 million, benefiting from the contribution from New Business, and operational performance, but suffering from investment experience.

Reference Interest Rate		Total IDR based on distributable earnings	
2010	2011	2010	2011
3.7%	3.3%	7.2%	7.1%

IDR slightly decreased as the impact of lower reference rates is partly offset by an increased TVOG impact.

LIFE AND SAVINGS NBV

Euro million - Group share	2010	2011
Full Year - EEV based		
Regular premiums	*609*	*663*
Single premiums	*7,748*	*6,779*
Annualized Premium Equivalent (APE)	**1,384**	**1,340**
Capitalization factor	*11.1*	*9.9*
Present Value of Expected Premiums (PVEP)	14,516	13,347
New Business Value (NBV)	**159**	**190**
NBV/APE	**11.5%**	**14.2%**
NBV/PVEP	1.1%	1.4%
New Business IRR	**8.4%**	**8.7%**
APE change at comparable basis		-3%
PVEP change at comparable basis		-8%
NBV change at comparable basis		19%

Rollforward of Life & Savings NBV *(Euro million, Group share)*	
2010 Life & Savings NBV	**159**
Modeling changes and opening adjustments	-
Change in scope and acquisitions	-
Business-driven evolution:	31
Volume	*(5)*
Mix	*40*
Expenses	*4*
Investment market conditions	*(11)*
Assumptions changes and other	*2*
Currency impact	-
2011 Life & Savings NBV	**190**

Euro million - Group share	2010	2011
Certainty Equivalent Value less Strain	239	271
Time Value of O&G	(46)	(52)
CoC/NFR	(34)	(29)
NBV	**159**	**190**

Reference Interest Rate		Total NB IDR based on distributable earnings	
2010	2011	2010	2011
3.7%	3.3%	5.7%	5.4%

- **APE** decreased by 3% to Euro 1,340 million, driven by lower sales of Individual General Account Savings products, partly offset by an increase in Group Protection contracts, consistent with business mix Group's Ambition.
- **NBV** increased by 19% to Euro 190 million, driven by:
  - an improved business mix, reflecting a higher proportion of Protection business and Unit-Linked Savings products, as well as various repricing actions (including the re-negotiation of the financial margin of a key Savings product) improving the profitability
  - a decrease in acquisition expenses
  - partly offset by an adverse investment experience, with lower interest rates and equity return.
- This resulted in a higher **NBV margin** at 14.2%.

IRR slightly improved to 8.7%, as a result of improved product mix and lower expenses, partly offset by lower illustrative investment assumptions.

- **IDR** are lower for new business than those of inforce reflecting a lower level of guarantees.
- **IDR** decreased in line with lower reference rates.

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities *(Euro million, Group share)*	EEV		NBV	
Original amounts, full year 2011	9,176		190	
Upward parallel shift of 100 basis points in reference interest rates	(278)	-3%	(50)	-26%
Downward parallel shift of 100 basis points in reference interest rates	(254)	-3%	32	17%
10% higher value of equity markets	294	3%	11	6%
10% lower value of equity markets	(308)	-3%	(11)	-6%
10% higher value of real estate	165	2%	4	2%
10% lower value of real estate	(179)	-2%	(5)	-2%
Overall 10% decrease in lapse rates	291	3%	37	20%
Overall and permanent decrease of 10% in expenses	504	5%	34	18%
5% lower mortality rate for annuity business	(69)	-1%	(1)	-1%
5% lower mortality rate for life business	59	1%	7	3%
Upward parallel shift of 25% of the volatility on equity markets	(168)	-2%	(6)	-3%
Upward parallel shift of 25% of the volatility on interest rates	(441)	-5%	(35)	-19%
50 basis points higher in credit spreads	(230)	-3%	(9)	-5%
50 basis points lower in credit spreads	266	3%	11	6%

EEV is negatively sensitive to any variation of interest rates due to business mix effects. Indeed, Group Pension business is more sensitive to a decrease in interest rates, and Individual Investment & Savings to an increase in interest rates, but these tow impacts are not perfectly counterbalancing each other, as assets are managed in separate funds. Compared to 2010, the EEV is less sensitive to a decrease in interest rates, as a result of improvements in the model for Group Pension business to better reflect the actual contracts features reactivity to a low interest rates environment.

EEV is more sensitive to interest rates volatility than in 2010 due to the current strongly higher level of market interest rates implied volatilities.

NBV sensitivities are higher than for inforce business, as only the VIF is shocked (the strain remaining unchanged) while ANAV is shocked for inforce business. NBV is more sensitive to economic shocks due to a deteriorated economic environment compared to 2010.

NBV is positively impacted by a decrease in reference interest rates, while EEV is negatively impacted, as a result of a very low proportion of contracts with interest rates guarantees sold in 2011, as opposed to the inforce portfolio.

United Kingdom

LIFE AND SAVINGS EEV

Euro million, Group share	Free surplus	+	Required capital	=	ANAV	+	VIF	=	UK EEV 2011	UK EEV 2010
Opening Life & Savings EEV	353		26		379		566		945	3,220
Modeling changes and opening adj.	5		-		5		(3)		2	(2,623)
Adjusted opening Life & Savings EEV	359		26		384		563		947	596
Operating performance from existing business	62		1		63		(34)		28	(49)
Expected existing business contribution	101		-		101		(58)		43	31
Current year operational experience	(39)		1		(38)		16		(22)	(84)
Change in operational assumptions	-		-		-		8		8	4
New Business Value	(146)		3		(143)		172		29	29
Operating Return on Life & Savings EEV	(84)		3		(81)		138		57	(20)
Current year investment experience	14		-		14		(59)		(45)	28
Total return on Life & Savings EEV	(70)		3		(67)		79		12	8
Exchange rate movements impact	9		1		10		17		27	23
Others (incl. Life EEV of acquired business)	19		-		19		-		19	-
Capital flows	44		-		44		-		44	318
Closing Life & Savings EEV	361		30		391		659		1,050	945
of which Life & Savings VIF									659	566
Certainty equivalent PVFP									662	577
Time value of O&G									-	-
CoC/NFR									(3)	(11)
Operating Return on Life & Savings EEV									6%	-3%
Total Return on Life & Savings EEV									1%	1%

Modeling changes and opening adjustments in 2010 reflected the partial deconsolidation of the UK Life & Savings business sold to Resolution Ltd.

The operating return of 6% included a growing contribution from existing business, and negative **operational experience** of Euro -22 million, mainly reflecting development costs (not factored in the unit costs considered for the expected existing business contribution), supporting the growth of the business. 2010 operating return had been negatively impacted by the separation costs following the transaction with Resolution Ltd.

The total return of 1% was adversely impacted by the current year **investment experience** of Euro -45 million, mainly reflecting the negative impact of lower equity markets on unit funds, leading to lower Unit-Linked investment fees.

Others movements of Euro 19 million were related to remaining proceeds of last year's transaction with Resolution Ltd and capitalization of AXA Global Distributors UK.

The capital flows of Euro 44 million reflected a capital injection in BlueFin Advisory Services.

The EEV of Euro 1,050 million was composed of the following elements:

- **Required capital** remained stable at Euro 30 million, as the remaining AXA UK Life & Savings portfolios and the new business gives rise to very low capital requirement.
- **Free surplus** remained fairly stable, as the various movements of the year were offset by capital injections.
- **VIF** increased to Euro 659 million, driven by a strong New Business contribution.

Reference Interest Rate		Total IDR based on distributable earnings	
2010	2011	2010	2011
3.6%	3.0%	7.5%	5.1%

IDR decreased, driven by a decrease in the **reference rate** and by lower equity margins in the illustrative investment assumptions, as Unit-Linked business is particularly sensitive to equity returns.

LIFE AND SAVINGS NBV

Euro million - Group share	2010	2011
Full Year - EEV based		
Regular premiums	107	104
Single premiums	4,379	4,308
Annualized Premium Equivalent (APE)	**545**	**535**
Capitalization factor	6.7	5.4
Present Value of Expected Premiums (PVEP)	5,092	4,873
New Business Value (NBV)	**29**	**29**
NBV/APE	**5.4%**	**5.4%**
NBV/PVEP	0.6%	0.6%
New Business IRR	**8.4%**	**7.7%**
APE change at comparable basis		-1%
PVEP change at comparable basis		-4%
NBV change at comparable basis		0%

Rollforward of Life & Savings NBV *(Euro million, Group share)*	
2010 Life & Savings NBV	**29**
Modeling changes and opening adjustments	(3)
Change in scope and acquisitions	-
Business-driven evolution:	3
Volume	*0*
Mix	*(5)*
Expenses	*6*
Investment market conditions	*(1)*
Assumptions changes and other	*2*
Currency impact	(0)
2011 Life & Savings NBV	**29**

Euro million - Group share	2010	2011
Certainty Equivalent Value less Strain	30	30
Time Value of O&G	-	-
CoC/NFR	(1)	(1)
NBV	**29**	**29**

- **APE** remained stable at Euro 535 million, as the growth in Mutual Funds on Elevate platform was offset by lower sales of Unit Linked products.
- **NBV** remained stable at Euro 29 million, as a result of offsetting impacts:
  - a less favorable business mix, with slightly less profitable new products
  - negative impact from investment markets
  - the positive impact of a refinement in expenses allocation
- The **NBV/APE** margin remained stable at 5.4%.

The **IRR** decreased to 7.7%, driven by an adverse product mix evolution.

Reference Interest Rate		Total NB IDR based on distributable earnings	
2010	2011	2010	2011
3.7%	3.0%	5.5%	5.5%

IDR remained stable at 5.5%.

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities *(Euro million, Group share)*	EEV		NBV	
Original amounts, full year 2011	945		29	
Upward parallel shift of 100 basis points in reference interest rates	13	1%	(1)	-4%
Downward parallel shift of 100 basis points in reference interest rates	(24)	-2%	4	12%
10% higher value of equity markets	26	2%	3	10%
10% lower value of equity markets	(26)	-2%	(3)	-10%
10% higher value of real estate	2	0%	0	1%
10% lower value of real estate	(2)	0%	(0)	-1%
Overall 10% decrease in lapse rates	23	2%	6	21%
Overall and permanent decrease of 10% in expenses	69	7%	13	43%
5% lower mortality rate for annuity business	-	0%	-	0%
5% lower mortality rate for life business	23	2%	5	16%
Upward parallel shift of 25% of the volatility on equity markets	-	0%	-	0%
Upward parallel shift of 25% of the volatility on interest rates	-	0%	-	0%
50 basis points higher in credit spreads	(1)	0%	(0)	-1%
50 basis points lower in credit spreads	1	0%	0	1%

EEV is mainly sensitive to equity markets, expenses and lapses, reflecting the high proportion of Unit-Linked business.

NBV sensitivities are in line with EEV sensitivities, the higher impacts being due to the weight of the New Business Strain not shocked in these sensitivities.

Northern and Central Eastern Europe

LIFE AND SAVINGS EEV

Euro million, Group share	Free surplus	+	Required capital	=	ANAV	+	VIF	=	NORCEE EEV 2011	NORCEE EEV 2010
Opening Life & Savings EEV	702		4,835		5,536		6,441		11,978	9,301
Modeling changes and opening adj.	(296)		341		45		214		259	584
Adjusted opening Life & Savings EEV	406		5,175		5,581		6,656		12,237	9,885
Operating performance from existing business	787		(69)		717		119		836	758
Expected existing business contribution	954		(61)		893		(151)		742	700
Current year operational experience	(168)		(9)		(176)		365		188	(179)
Change in operational assumptions	-		-		-		(95)		(95)	236
New Business Value	(559)		203		(356)		689		332	299
Operating Return on Life & Savings EEV	227		133		361		808		1,168	1,056
Current year investment experience	(342)		191		(151)		(1,323)		(1,474)	(346)
Total return on Life & Savings EEV	(115)		325		210		(515)		(305)	711
Exchange rate movements impact	25		54		79		13		91	763
Others (incl. Life EEV of acquired business)	(3)		-		(3)		-		(3)	362
Capital flows	(130)		-		(130)		-		(130)	257
Closing Life & Savings EEV	182		5,554		5,736		6,153		11,889	11,978
of which Life & Savings VIF									6,153	6,441
Certainty equivalent PVFP									8,137	8,694
Time value of O&G									(1,095)	(1,428)
CoC/NFR									(889)	(825)
Operating Return on Life & Savings EEV									10%	11%
Total Return on Life & Savings EEV									-2%	7%

Euro million, Group share	Germany 2011	Belgium 2011	Switzerland 2011	CEE 2011	NORCEE EEV 2011
Opening Life & Savings EEV	3,492	2,512	5,097	877	11,978
Modeling changes and opening adj.	165	93	(6)	6	259
Adjusted opening Life & Savings EEV	3,657	2,606	5,091	883	12,237
Operating performance from existing business	332	156	327	21	836
Expected existing business contribution	257	219	232	35	742
Current year operational experience	56	24	133	(25)	188
Change in operational assumptions	19	(87)	(38)	12	(95)
New Business Value	112	19	160	41	332
Operating Return on Life & Savings EEV	444	176	487	62	1,168
Current year investment experience	(286)	(856)	(270)	(60)	(1,474)
Total return on Life & Savings EEV	157	(681)	217	1	(305)
Exchange rate movements impact	-	-	159	(68)	91
Others (incl. Life EEV of acquired business)	-	-	-	(3)	(3)
Capital flows	(129)	(110)	81	27	(130)
Closing Life & Savings EEV	3,686	1,815	5,548	840	11,889
of which Life & Savings ANAV	743	1,462	3,280	251	5,736
Required capital	1,348	1,750	2,267	189	5,554
Free surplus	(605)	(288)	1,013	62	182
of which Life & Savings VIF	2,943	353	2,269	589	6,153
Certainty equivalent PVFP	3,696	864	2,959	618	8,137
Time value of O&G	(428)	(222)	(433)	(12)	(1,095)
CoC/NFR	(326)	(290)	(257)	(17)	(889)
Operating Return on Life & Savings EEV	12%	7%	10%	7%	10%
Total Return on Life & Savings EEV	4%	-26%	4%	0%	-2%

Modeling changes and opening adjustments of Euro 259 million mainly reflected the impact of adjusting end of 2010 economic scenarios (as described in the Assumptions section of this report), various assets modeling refinements in Germany and Switzerland, and model corrections in Belgium including the level of required capital.

The operating return was 10%, lower than 11% in 2010. The decrease could primarily be explained by a higher adjusted opening value in 2011, driving the return down while the 2011 results are slightly higher than 2010. It included the following contributions:

- **Germany** had a 12% **operating return**, reflecting:
  - Euro 56 million of **operational experience** due to favorable lapses and expenses experience for the Health business.
  - Euro 19 million of **operational assumption changes**, reflecting refined lapses and investment expenses assumptions.
  - Euro 112 million of **New Business Value**, significantly higher than in 2010.
- **Belgium** had a 7% **operating return**, including:
  - Euro -87 million of **operational assumption changes**, reflecting higher lapses and lower premiums considered, with partial offset from a decrease in expenses.
  - Euro 24 million of **operational experience**, due to a favorable mortality experience and a transfer from ANAV to VIF, reflecting an increase in statutory reserves due to the low interest rates environment.
  - Euro 19 million of **New Business Value**, slightly lower than in 2010.
- **Switzerland** had a 10% **operating return**, due to:
  - Euro 133 million of **operational experience**, reflecting additional reserves for Group and Individual Life offset by future policyholders bonus in statutory earnings (ANAV), with an expected positive run off in VIF,
  - partly offset by Euro -38 million of **operational assumptions changes**, reflecting less favorable new tariff for Group Life products, with partial offset from improved mortality and disability assumptions.
  - Euro 160 million of **New Business Value**, significantly higher than in 2010.
- **CEE** had a **7% operating return**, impacted by :
  - Euro -25 million of adverse **operational experience**, reflecting adverse lapses experience, as well as higher expenses in Hungary and Czech Republic
  - Euro 12 million of **changes in operational assumptions**, mainly related to the greater than expected 2011 contributions due to the late closing of the transfer market in the Poland Pension Fund, revised disability assumptions in Czech Republic and partly offset by the lapse experience in Hungary
  - Euro 41 million of **New Business Value**, slightly lower than in 2010, as a consequence of Pension Funds reforms in Poland and Hungary.

The total return decreased to -2%, negatively impacted by the financial markets evolution. **Investment experience** had a negative impact of Euro -1,474 million, mainly driven by the widening of the Belgian sovereign bonds spreads, the rise of Euro zone peripheral countries government spreads impacting AXA Germany investments to a lesser extent, lower interest rates environment in all countries, Euro corporate bonds spreads increase, and higher interest rate volatility, partly offset by a higher liquidity premium.

The disposal of Taikang Life in 2011, previously held by AXA Switzerland, did not impact the Life & Savings EEV (as opposed to the realized gains recognized under IFRS), as this company was accounted for at its market value in AXA Switzerland ANAV.

The Euro -130 million **capital flows** were due to:

- in **Germany**, dividend payment partly offset by a capital injection in the German branch of AXA Life Europe to support New Business,
- dividend payment in **Belgium**,
- dividend received from AXA Japan in **Switzerland**,
- and capital injections in **CEE** to invest in new business.

The EEV of Euro 11,889 million was composed of the following elements:

- **Required capital** increased by Euro 719 million to Euro 5,554 million, driven by New Business requirements, a correction of the AA capital model calibration and lower soft capital available due to a decrease in **VIF** leading to higher locked-in **required capital** in **Belgium**, and **Germany** due to an increased local capital requirement for Variable Annuties.

- **Free surplus** decreased by Euro 519 million to Euro 182 million, driven by New Business investments, correction of the normalized AA required capital in **Belgium**, operational experience in **Germany** reflecting additional local Variable Annuities reserves (with however positive developments in VIF), and losses due to deteriorated investment markets, while the contribution of existing business remained at comparable levels with 2010.
- **VIF** decreased by Euro 288 million to Euro 6,153 million, as the expected performance from existing business and New Business of the year was more than offset by investment experience.

	Reference Interest Rate		Total IDR based on distributable	
	2010	2011	2010	2011
Switzerland	2.8%	2.2%	3.8%	3.9%
Belgium	3.3%	3.4%	8.9%	9.9%
Germany	3.7%	3.1%	6.8%	5.5%
Central Eastern Europe	4.8%	3.9%	4.9%	5.7%

The IDR slightly increased in **Switzerland** as options closer to the money more than offset the decrease in reference rate and related increase of the cost of capital.

The IDR strongly increased in **Belgium**, reflecting the higher moneyness of the business, particularly impacted by the widening of the Belgian sovereign bonds spreads.

In **Germany**, the IDR decreased strongly due to a decrease in reference rates and lower risk margins in the illustrative investment assumptions.

In **CEE** IDR increased despite a lower reference interest rate, reflecting a wider gap between current market conditions and illustrative investment assumptions for future periods.

LIFE AND SAVINGS NBV

Euro million - Group share	NORCEE 2010	NORCEE 2011	Germany 2011	Belgium 2011	Switzerland 2011	CEE 2011
Full Year - EEV based						
Regular premiums	*837*	*896*	*401*	*108*	*239*	*148*
Single premiums	*4,016*	*3,931*	*1,057*	*647*	*1,577*	*650*
Annualized Premium Equivalent (APE)	**1,239**	**1,289**	**506**	**173**	**397**	**213**
Capitalization factor	*12.7*	*14.1*	*12.5*	*10.0*	*21.7*	*9.1*
Present Value of Expected Premiums (PVEP)	14,641	16,561	6,057	1,732	6,772	2,001
New Business Value (NBV)	**299**	**332**	**112**	**19**	**160**	**41**
NBV/APE	**24.1%**	**25.8%**	**22.1%**	**11.3%**	**40.4%**	**19.1%**
NBV/PVEP	2.0%	2.0%	1.8%	1.1%	2.4%	2.0%
New Business IRR	**9.1%**	**8.8%**	**8.3%**	**7.9%**	**9.4%**	**9.8%**
APE change at comparable basis		0%	9%	-21%	25%	-23%
PVEP change at comparable basis		8%	17%	-23%	27%	-18%
NBV change at comparable basis		5%	17%	-13%	15%	-28%

Rollforward of Life & Savings NBV (Euro million, Group share)					
2010 Life & Savings NBV	299	96	22	124	56
Modeling changes and opening adjustments	(29)	(15)	(1)	(12)	(1)
Change in scope and acquisitions	0	-	-	-	0
Business-driven evolution:	48	31	(2)	33	(14)
Volume	*21*	*8*	*(5)*	*37*	*(19)*
Mix	*29*	*12*	*7*	*2*	*8*
Expenses	*2*	*7*	*(5)*	*(2)*	*2*
Investment market conditions	*3*	*6*	*1*	*(6)*	*2*
Assumptions changes and other	*(6)*	*(2)*	*0*	*2*	*(6)*
Currency impact	15	-	-	16	(1)
2011 Life & Savings NBV	332	112	19	160	41

APE remained stable at Euro 1,289 million. It included the following offsetting contributions:

- **Germany** (+9%), with higher sales of Health products and General Account Savings products, partly offset by less volumes in Unit-Linked products
- **Belgium** (-21%), with lower sales in General Account Savings products Savings products reflecting a conservative commercial policy in a highly competitive market
- **Switzerland** (+25%), reflecting higher sales of Group Protection products
- **CEE** (-23%) due to lower Pension Funds sales as a result of changes in regulation in Poland and Hungary reducing the mandatory contributions

NBV increased by 5% to Euro 332 million, driven by increases in Germany and Switzerland, with partial offset in Belgium and CEE. The evolution could be analyzed as follows:

- **Germany:** up by 17% to Euro 112 million, due to:
  - improved business mix reflecting the positive impact of repricing Twinstar product, with better profitability, and an overall shift towards more profitable products including Health products,
  - higher volumes,
  - lower acquisition expenses,
  - favorable impact from higher interest rates in 2011 than in 2010 on average on Twinstar guarantee, hedged at point of sale

- **Belgium:** down by 13% to Euro 19 million, due to:
  - lower volumes, in line with APE decrease, and related increase in unit costs
  - higher acquisition expenses,

  partly offset by

  - an improved business mix, reflecting a shift towards Pure Protection and Group Life products with an average higher profitability than for other products

- **Switzerland:** up by 15% to Euro 160 million, largely driven by higher volumes, with partial offset from deteriorated investment conditions.

- **CEE:** down by 28% to Euro 41 million, driven by a large decrease in volumes (as a results of changes in Pension Funds regulations in Poland and Hungary) with partial offset due to an improvement of other Life products (+17% in APE), not fully compensated by a change in business mix.

  Excluding Pension Funds, the CEE NBV increased by 38%, reflecting an accelerated growth in Unit-Linked and Mutual Funds products.

IRR for the total region slightly decreased to 8.8%, driven by the following contributions:

- In **Germany**, the IRR remained stable at 8.3%.
- In **Belgium**, the IRR decreased to 7.9%, mainly reflecting a lower wealth in the funds, and asset de-risking reducing risk margins to be captured in the future.
- In **Switzerland**, the IRR increased to 9.4%, positively impacted by the allowance of soft capital to New Business (previously not considered for IRR calculation).
- In **CEE**, the IRR decreased to 9.8% mainly due to the changes in Pension Funds regulation leading to lower future contributions not fully compensated by a change in business mix.

In both Switzerland and Germany, while NBV margins reach significant level, IRRs are negatively impacted by the long term nature of underlying businesses.

Euro million - Group share	NORCEE 2010	NORCEE 2011	Germany 2011	Belgium 2011	Switzerland 2011	CEE 2011
Certainty Equivalent Value less Strain	377	437	150	36	207	44
Time Value of O&G	(37)	(64)	(21)	(8)	(34)	(0)
CoC/NFR	(42)	(40)	(17)	(9)	(12)	(3)
NBV	**299**	**332**	**112**	**19**	**160**	**41**

The increase in Options and Guarantees was mainly attributable to Germany and Switzerland due to lower interest rates and higher interest rate volatilities triggering guarantees, while for Belgium the Time Value of Option and Guarantees decreased with a transfer to the Certainty Equivalent Value given current market conditions.

	Reference Interest Rate		Total NB IDR based on distributable earnings	
	2010	2011	2010	2011
Switzerland	2.9%	2.0%	3.5%	4.0%
Belgium	3.6%	3.2%	6.8%	6.4%
Germany	3.6%	3.0%	4.8%	4.6%
Central Eastern Europe	4.8%	3.9%	7.2%	5.0%

Compared to 2010, the IDR increased in Switzerland due to an important increase in TVOG and decreased in other territories in line with the decrease in reference rates. The decrease is strong in CEE notably due to change in business mix (lower pension funds)

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

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities (Euro million, Group share)	EEV		NBV	
Original amounts, full year 2011	11,889		332	
Upward parallel shift of 100 basis points in reference interest rates	486	4%	(15)	-5%
Downward parallel shift of 100 basis points in reference interest rates	(958)	-8%	(31)	-9%
10% higher value of equity markets	186	2%	6	2%
10% lower value of equity markets	(189)	-2%	(6)	-2%
10% higher value of real estate	297	2%	7	2%
10% lower value of real estate	(304)	-3%	(12)	-4%
Overall 10% decrease in lapse rates	279	2%	28	8%
Overall and permanent decrease of 10% in expenses	355	3%	24	7%
5% lower mortality rate for annuity business	(56)	0%	(4)	-1%
5% lower mortality rate for life business	8	0%	3	1%
Upward parallel shift of 25% of the volatility on equity markets	(185)	-2%	(18)	-5%
Upward parallel shift of 25% of the volatility on interest rates	(249)	-2%	(18)	-5%
50 basis points higher in credit spreads	(591)	-5%	(14)	-4%
50 basis points lower in credit spreads	521	4%	14	4%

As compared to 2010, EEV is:

- more sensitive to interest rates driven by lower interest rates and ensuing higher liability duration in **Switzerland**,
- less sensitive to equity markets due to de-risking strategies in **Belgium** and **Switzerland** leading to a strong decrease in equity exposure,
- more sensitive to real estate driven by **Belgium** following the reclassification of investments previously considered as equity (look through approach).
- less sensitive to interest rate volatility due to some asset modeling refinements in **Switzerland**

High sensitivities to interest rates were driven by **Switzerland** and sensitivity to credit spreads by **Germany.**

NBV sensitivities were in line with EEV sensitivities, the higher impacts being due to the weight of the New Business Strain not shocked in these sensitivities.

Developments on NBV equity and interest rate sensitivities compared to 2010 were in line with EEV sensitivities.

Asia-Pacific

LIFE AND SAVINGS EEV

Euro million, Group share	Free surplus +	Required capital =	ANAV +	VIF =	Asia-Pacific EEV 2011	Asia-Pacific EEV 2010
Opening Life & Savings EEV	3,598	1,084	4,681	4,722	9,403	7,731
Modeling changes and opening adj.	(1,229)	864	(365)	580	214	(107)
Adjusted opening Life & Savings EEV	2,368	1,948	4,316	5,301	9,618	7,624
Operating performance from existing business	652	139	791	(548)	242	372
Expected existing business contribution	810	75	885	(476)	408	455
Current year operational experience	(158)	64	(94)	(9)	(103)	(124)
Change in operational assumptions	-	-	-	(63)	(63)	40
New Business Value	(412)	44	(368)	1,052	684	589
Operating Return on Life & Savings EEV	240	182	423	504	926	961
Current year investment experience	(291)	33	(258)	(619)	(878)	(86)
Total return on Life & Savings EEV	(51)	216	164	(116)	49	875
Exchange rate movements impact	148	157	306	297	603	1,409
Others (incl. Life EEV of acquired business)	-	-	-	-	-	1
Capital flows	(402)	-	(402)	-	(402)	(506)
Closing Life & Savings EEV	2,063	2,321	4,384	5,483	9,866	9,403
of which Life & Savings VIF					5,483	4,722
Certainty equivalent PVFP					6,559	5,408
Time value of O&G					(736)	(458)
CoC/NFR					(340)	(228)
Operating Return on Life & Savings EEV					10%	13%
Total Return on Life & Savings EEV					1%	11%

Euro million, Group share	Japan 2011	Australia & New Zealand 2011	Hong Kong 2011	SEA & China 2011	Asia-Pacific EEV 2011
Opening Life & Savings EEV	6,222	1,299	1,525	357	9,403
Modeling changes and opening adj.	(72)	(1,299)	1,354	231	214
Adjusted opening Life & Savings EEV	6,150	-	2,879	588	9,618
Operating performance from existing business	102	-	164	(24)	242
Expected existing business contribution	189	-	192	28	408
Current year operational experience	(84)	-	38	(57)	(103)
Change in operational assumptions	(3)	-	(65)	5	(63)
New Business Value	346	-	208	130	684
Operating Return on Life & Savings EEV	448	-	372	106	926
Current year investment experience	(531)	-	(351)	3	(878)
Total return on Life & Savings EEV	(82)	-	22	109	49
Exchange rate movements impact	487	-	98	18	603
Others (incl. Life EEV of acquired business)	-	-	-	-	-
Capital flows	(399)	-	(42)	39	(402)
Closing Life & Savings EEV	6,156	-	2,956	754	9,866
of which Life & Savings ANAV	3,578	-	519	287	4,384
Required capital	1,522	-	667	132	2,321
Free surplus	2,056	-	(148)	155	2,063
of which Life & Savings VIF	2,578	-	2,437	467	5,483
Certainty equivalent PVFP	2,995	-	3,059	505	6,559
Time value of O&G	(221)	-	(490)	(26)	(736)
CoC/NFR	(197)	-	(132)	(12)	(340)
Operating Return on Life & Savings EEV	7%		13%	18%	10%
Total Return on Life & Savings EEV	-1%		1%	19%	1%

The modeling changes and opening adjustments of Euro 214 million mainly reflected the Euro 280 million net impact of selling Australia & New Zealand operations to AMP Group, and buying minority shares in Hong Kong and South East Asian entities. The proceeds of this operation are shown in the Other than Life businesses segment of Group EV. This Euro 280 million impact on EEV could be split as follows:

- Euro -263 million decrease in **free surplus**, as the free surplus was negative for Hong Kong in 2010
- Euro -101 million decrease in **required capital**, as capital requirements are less important in Asian entities compared to Australia & New Zealand
- Euro 644 million increase in **VIF** (including Euro -673 million of removing Australia & New Zealand, VIF more than offset by Euro 1,317 million corresponding to minority shares in Asian entities).

The operating return of 10% was driven by a strong **New Business Value** (Euro 684 million), partly offset by adverse **operational experience** (Euro -103 million) during the year and update of **operational assumptions** (Euro -63 million). This included the following contributions:

- **Japan** had a 7% operating return, negatively impacted by operational experience (Euro -84 million) reflecting the impact of booking an additional reserve following the March 2011 Great East Japan earthquake, and adverse lapses experience.

- **Hong Kong** was impacted by:
  - Euro -65 million of **assumptions changes**, reflecting higher expenses, revised persistency assumptions for Wealth Management business, and a higher loss ratio for Medical products
  - partly offset by Euro 38 million of **operational experience** due to lower lapses than expected, and higher premiums due to the inflation indexation option.

- **SEA & China** suffered a negative 2011 **operational experience** (Euro -57 million), reflecting technical experience in all entities compared to the modeled parameters, as well as expenses overruns in India, China and Singapore, where one-off investments required to support the growth are not expected to be recurrent.

The total return was 1%, strongly impacted by market conditions.

Investment experience had an impact of Euro -878 million, mainly driven by:

- **Japan** (Euro -531 million) hit by the lower interest rates environment, and wider corporate bonds spreads,
- and **Hong Kong** (Euro -351 million), as a result of lower interest rates, higher interest rates volatilities, and wider corporate bonds spreads.

The Euro -402 million **capital flows** reflected the payment of dividends of Euro 525 million, partly offset by capital injections in AXA Life Europe branch dedicated to Japan, and in China, Singapore and India.

The **EEV** of Euro 9,866 million was composed of the following elements:

- **Required capital** increased by Euro 1,237 million to Euro 2,321 million, mainly due to the adoption of a new Solvency regulation in Japan, strongly increasing capital requirements. This was partly offset by the Asia/Pacific transaction leading to lower capital requirement.
- **Free surplus** strongly decreased by Euro 1,535 million to Euro 2,063 million, as a consequence of the higher capital requirement in **Japan**, and due to the Asia/Pacific transaction, with an increased Group share in **Hong Kong** (with a negative Free surplus) while removing **Australia & New Zealand** Free surplus.
- **VIF** increased by Euro 761 million to Euro 5,483 million, as the negative impact from deteriorated market conditions in Japan and Hong Kong was more than offset by increasing Group share in Hong Kong, and a strong overall New Business contribution.

	Reference Interest Rate		Total IDR based on distributable earnings	
	2010	2011	2010	2011
Japan	1.7%	1.6%	4.9%	6.2%
Australia/New Zealand	6.2%		7.7%	
Hong Kong	4.0%	2.6%	6.8%	7.5%

The **IDR** of **Japan** and **Hong Kong** increased compared to 2010 reflecting the higher moneyness of the inforce portfolio. The impact of future risk margins (as taken into account for 2011 IDR calculation) is expected to be higher than in 2010.

LIFE AND SAVINGS NBV

Euro million - Group share	Asia-Pacific 2010	Asia-Pacific 2011	Japan 2011	Australia & New Zealand 2011	Hong Kong 2011	SEA & China 2011
Full Year - EEV based						
Regular premiums	*692*	*961*	*350*		*308*	*303*
Single premiums	*3,810*	*1,582*	*1,132*		*221*	*229*
Annualized Premium Equivalent (APE)	**1,073**	**1,119**	**463**		**330**	**326**
Capitalization factor	*7.8*	*7.3*	*10.0*		*7.6*	*4.0*
Present Value of Expected Premiums (PVEP)	9,177	8,627	4,635		2,554	1,438
New Business Value (NBV)	**589**	**684**	**346**		**208**	**130**
NBV/APE	**54.9%**	**61.1%**	**74.7%**		**62.9%**	**40.0%**
NBV/PVEP	6.4%	7.9%	7.5%		8.1%	9.1%
New Business IRR	**21.8%**	**21.2%**	**11.7%**		**24.5%**	**61.3%**
APE change at comparable basis		5%	-8%		16%	15%
PVEP change at comparable basis		4%	-1%		19%	-1%
NBV change at comparable basis		-4%	-9%		2%	-2%
Rollforward of Life & Savings NBV (Euro million, Group share)						
2010 Life & Savings NBV		**589**	**354**	**44**	**114**	**77**
Modeling changes and opening adjustments		(1)	(2)	-	6	(5)
Change in scope and acquisitions		113	1	(44)	97	59
Business-driven evolution:		(37)	(34)	-	(2)	(2)
Volume		*33*	*(29)*	-	*33*	*29*
Mix		*12*	*35*	-	*(20)*	*(4)*
Expenses		*(51)*	*(18)*	-	*(15)*	*(17)*
Investment market conditions		*(4)*	*(20)*	-	*15*	*1*
Assumptions changes and other		*(28)*	*(3)*	-	*(15)*	*(10)*
Currency impact		20	27	-	(8)	1
2011 Life & Savings NBV		**684**	**346**	-	**208**	**130**

- **APE up by 5%** to Euro 1,119 million, driven by:
  - +16% in **Hong Kong** with higher Mutual Funds and Unit-Linked products sales
  - +15% in **SEA & China**, reflecting a solid growth across the region
  - partly offset by lower volumes in **Japan**, with lower sales of Medical Products.

- **NBV down by 4%** to **Euro 684** million, as analyzed by factor in the above table :
  - **Japan:** down by 9% to Euro 346 million, largely impacted by lower volumes and the related increase in unit costs, as well as by lower interest rates, with partial offset from an improved business mix with a focus on more profitable products (notable Cancer policies).
  - **Hong Kong:** up by 2% to Euro 208 million, reflecting higher volumes and a positive impact from lower interest rates on Protection business, partly offset by higher expenses despite higher volumes and slightly lower margins in a competitive environment.
  - **SEA & China:** down by 2% to Euro 130 million, as the higher volumes were offset by a negative impact from increasing costs allocated to New Business in Singapore, China and

India (previously these costs were excluded from New Business to reflect the under-scale situation of these entities), and adverse lapses assumptions.

- Overall, the **NBV margin** increased to **61.1%**, as a result from the increased contribution from Hong Kong and SEA & China following minority buyout.

- **IRR** of the region slightly decreased to 21.2%, as the higher contribution from **Hong Kong** and **SEA & China** entities, with higher levels of profitability compared to **Australia & New Zealand**, was offset by the allowance for all costs in the calculation for **SEA & China**.

Euro million - Group share	Asia-Pacific 2010	Asia-Pacific 2011	Japan 2011	Australia & New Zealand 2011	Hong Kong 2011	SEA & China 2011
Certainty Equivalent Value less Strain	625	749	349	-	258	141
Time Value of O&G	(24)	(52)	(0)	-	(42)	(10)
CoC/NFR	(12)	(13)	(3)	-	(8)	(1)
NBV	**589**	**684**	**346**	**-**	**208**	**130**

	Reference Interest Rate 2010	Reference Interest Rate 2011	Total NB IDR based on distributable earnings 2010	Total NB IDR based on distributable earnings 2011
Japan	1.5%	1.8%	2.6%	3.3%
Australia/New Zealand	6.2%		7.1%	
Hong Kong	3.5%	2.3%	5.3%	5.9%

- **IDR** of Japan increased compared to 2010 reflecting New Business options and guarantees being more in the money, in a lower interest rate environment. The impact of future risk margins is expected to be higher than in 2010.
- **IDR** of Hong Kong increased compared to 2010 driven by the increase of the impact of future risk margins and increased TVOG.
- **IDR** were lower for New Business than for inforce, reflecting a lower risk profile.

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities (Euro million, Group share)	**EEV**		**NBV**	
Original amounts, full year 2011	9,866		684	
Upward parallel shift of 100 basis points in reference interest rates	392	4%	35	5%
Downward parallel shift of 100 basis points in reference interest rates	(906)	-9%	(76)	-11%
10% higher value of equity markets	152	2%	4	1%
10% lower value of equity markets	(156)	-2%	(4)	-1%
10% higher value of real estate	4	0%	-	0%
10% lower value of real estate	(4)	0%	-	0%
Overall 10% decrease in lapse rates	361	4%	31	4%
Overall and permanent decrease of 10% in expenses	198	2%	18	3%
5% lower mortality rate for annuity business	(62)	-1%	0	0%
5% lower mortality rate for life business	195	2%	10	1%
Upward parallel shift of 25% of the volatility on equity markets	(115)	-1%	(11)	-2%
Upward parallel shift of 25% of the volatility on interest rates	(141)	-1%	(12)	-2%
50 basis points higher in credit spreads	(301)	-3%	(0)	0%
50 basis points lower in credit spreads	285	3%	0	0%

2011 EEV sensitivities are in line with 2010 ones. EEV was slightly more sensitive to interest rates, driven by **Japan**, where the lower lapse assumption on some products with high guaranteed rates, and change in product mix which resulted in higher sensitivity to interest rates variations.

NBV was slightly less sensitive to market variations as compared to 2010.

Mediterranean and Latin American region

LIFE AND SAVINGS EEV

Euro million, Group share	Free surplus	+	Required capital	=	ANAV	+	VIF	=	MedLA EEV 2011	MedLA EEV 2010
Opening Life & Savings EEV	(190)		1,203		1,012		604		1,616	1,720
Modeling changes and opening adj.	126		8		135		(272)		(137)	(32)
Adjusted opening Life & Savings EEV	(64)		1,211		1,147		332		1,479	1,688
Operating performance from existing business	261		(119)		142		(16)		126	185
Expected existing business contribution	279		(126)		153		(20)		132	135
Current year operational experience	(18)		7		(11)		2		(9)	(20)
Change in operational assumptions	-		-		-		2		2	70
New Business Value	(182)		122		(60)		133		73	91
Operating Return on Life & Savings EEV	79		3		82		117		198	276
Current year investment experience	(32)		(45)		(76)		(517)		(593)	(264)
Total return on Life & Savings EEV	47		(42)		5		(400)		(395)	12
Exchange rate movements impact	(0)		(12)		(12)		(6)		(18)	19
Others (incl. Life EEV of acquired business)	(7)		-		(7)		-		(7)	-
Capital flows	(54)		-		(54)		-		(54)	(103)
Closing Life & Savings EEV	(78)		1,157		1,079		(75)		1,005	1,616
of which Life & Savings VIF									(75)	604
Certainty equivalent PVFP									105	878
Time value of O&G									(87)	(169)
CoC/NFR									(93)	(106)
Operating Return on Life & Savings EEV									13%	16%
Total Return on Life & Savings EEV									-27%	1%

The modeling changes and opening adjustments of Euro -137 million primarily reflected assets and dynamic policyholder behavior modeling improvements across the region, with main impacts in Spain, AXA MPS and Mexico, and a better alignment of reserves projected in VIF with segregated funds accounting at AXA MPS, leading to transfer from VIF to ANAV.

The 2011 **operating return** of 13% slightly decreased compared to 16% in 2010, due to no significant positive operational variations, and a lower New Business Value in 2011. In 2010, the operating return had benefitted from favorable mortality assumptions update.

The **total return** of -27% was negatively impacted by the financial market conditions deterioration. **Investment experience** had a sharp negative impact of Euro -593 million, mainly due to a widening of the sovereign bonds spreads in Euro zone peripheral countries, as well as higher corporate spreads, with a partial offset from the higher liquidity premium.

The Euro -54 million **capital flows** reflected dividend payments.

The EEV of Euro 1,005 million was composed of the following elements:

- **Required capital** decreased by 46 million to Euro 1,157 million, as a result of an increase in soft capital due to an additional subordinated debt in Spain and lower New Business requirements compared to 2010.
- **Free surplus** increased by Euro 113 million to Euro -78 million, driven by an opening transfer from VIF to Free surplus at AXA MPS, partly offset by New Business investments (lower than last year, reflecting a more favorable product mix with lower General Account Savings products).
- **VIF** sharply decreased by Euro 678 million to Euro -75 million, with a strong negative impact from widening sovereign bonds spreads.

Reference Interest Rate		Total IDR based on distributable earnings	
2010	2011	2010	2011
3.8%	3.0%	8.5%	15.2%

IDR sharply increased to 15.2% as a result of VIF decrease driven by widening sovereign spreads.

LIFE AND SAVINGS NBV

Euro million - Group share	2010	2011
Full Year - EEV based		
Regular premiums	*193*	*183*
Single premiums	*3,595*	*2,491*
Annualized Premium Equivalent (APE)	**553**	**432**
Capitalization factor	*4.6*	*4.5*
Present Value of Expected Premiums (PVEP)	4,484	3,324
New Business Value (NBV)	**91**	**73**
NBV/APE	**16.5%**	**16.8%**
NBV/PVEP	2.0%	2.2%
New Business IRR	**9.9%**	**10.6%**
APE change at comparable basis		-22%
PVEP change at comparable basis		-26%
NBV change at comparable basis		-20%

Rollforward of Life & Savings NBV (Euro million, Group share)	
2010 Life & Savings NBV	**91**
Modeling changes and opening adjustments	(10)
Change in scope and acquisitions	0
Business-driven evolution:	(9)
Volume	*(10)*
Mix	*22*
Expenses	*1*
Investment market conditions	*(33)*
Assumptions changes and other	*12*
Currency impact	(0)
2011 Life & Savings NBV	**73**

Euro million - Group share	2010	2011
Certainty Equivalent Value less Strain	126	85
Time Value of O&G	(17)	(2)
CoC/NFR	(17)	(10)
NBV	**91**	**73**

- **APE** was down by 22% to Euro 432 million, reflecting lower sales of General Account Savings products, especially at AXA MPS and Italy.
- **NBV** was down by 20% to Euro 73 million, mainly due to:
  - strong negative impact from investment market conditions, driven by the widening of sovereign bonds spreads,
  - lower volumes, in line with APE evolution,
  - partly offset by an improved business mix with lower volumes of General Account Savings products, and more Unit-linked and Protection business,
  - and more favorable mortality assumptions in Spain, Italy and Portugal.
- This resulted in a slightly higher **NBV margin** at 16.8%.
- The **IRR** increased to 10.6%, as a result of an improved product mix: higher weight of unit-linked and protection business

Reference Interest Rate		Total NB IDR based on distributable earnings	
2010	2011	2010	2011
3.8%	3.8%	5.3%	5.5%

IDRs are lower for new business than for inforce, reflecting a lower risk profile driven by product mix evolution.

LIFE AND SAVINGS SENSITIVITIES

Life & Savings sensitivities (Euro million, Group share)	EEV		NBV	
Original amounts, full year 2011	1,005		73	
Upward parallel shift of 100 basis points in reference interest rates	6	1%	(1)	-2%
Downward parallel shift of 100 basis points in reference interest rates	(74)	-7%	(8)	-10%
10% higher value of equity markets	25	3%	1	1%
10% lower value of equity markets	(30)	-3%	(1)	-1%
10% higher value of real estate	8	1%	(0)	0%
10% lower value of real estate	(8)	-1%	(0)	0%
Overall 10% decrease in lapse rates	54	5%	12	17%
Overall and permanent decrease of 10% in expenses	39	4%	4	6%
5% lower mortality rate for annuity business	(21)	-2%	(0)	0%
5% lower mortality rate for life business	48	5%	6	8%
Upward parallel shift of 25% of the volatility on equity markets	(6)	-1%	0	0%
Upward parallel shift of 25% of the volatility on interest rates	(22)	-2%	(1)	-1%
50 basis points higher in credit spreads	(65)	-6%	(5)	-7%
50 basis points lower in credit spreads	44	4%	3	4%

2011 EEV sensitivities are relatively in line with 2010 ones, the impact in percentage being higher due to the strong decrease of the original EEV amount.

The sensitivity to a decrease in interest rates is particularly high as options and guarantees of investment & Savings business are strongly in the money. In case of rates increase, the positive impact on Investments & Savings is offset by a reduction in Protection business which represents most of the value.

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 61%, or Euro 52 billion of AXA's consolidated IFRS gross revenues for the year ended 12/31/11.

Cash flows projected in the VIF are from the following entities, which represented 98.9 % of the total Life & Savings technical reserves and 100% 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 12/31/11:

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

Some entities are not taken into account for the VIF and NBV calculations, but have their Life & Savings business operations included in the Life ANAV. Their ANAV represented Euro 119 million, or 0.6% of the total ANAV as of 12/31/11.

Valuation date

Life & Savings EEV is determined using data and assumptions as of December 31, 2011 for all covered business except Japan where consistent with the IFRS accounts, data and assumptions are at September 30, 2011. The conversion of local EEV into the reporting currency (Euro) is performed using exchange rates consistent with the IFRS accounts.

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, and with that respect is not compliant with the CFO Forum EEV Guidance 9.11. This choice is linked to the commercially sensitive nature of disclosing margins for companies that also manage third-party assets, and because 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 12/31/11 market value of Euro 1.2 billion (gross of tax) in the Life & Savings EEV; instead, these units are carried at their cost basis of Euro 0.9 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 premia (which are the expected excess returns of equities, corporate bonds, etc. over the reference interest rate). This value includes the intrinsic value of the 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[2] 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, except for European variable annuities, where an internally developed generator is used. A number of asset classes and economic assumptions are modeled stochastically. This includes equities, bond yields, credit spreads, credit defaults, property, foreign exchange and inflation.

The 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

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

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 local regulatory requirement
- the capital consistent with a AA capital requirement in each operation.

These two 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 regulatory capital and is considered to be locked-in.

The non-financial risks represent the economic cost incurred through the exposure of the company to insurance and operational risks. 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 in the EEV framework. Hence, AXA has calculated the allowance for non-financial risk by assuming a higher locked-in capital base, corresponding to a local AA capital requirement. The CoC/NFR was approximately Euro 0.9 billion higher than the minimum local regulatory requirements (and corresponding level of required capital in 2011 AXA Life & Savings EEV was Euro 7.0bn higher than the minimum solvency requirement).

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

New business 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. Inforce cash flows may include certain renewals flows from existing contracts as well as some future flexible premium receipts when consistent with pricing, commercial and ALM practices.

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

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

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

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 VIF of the new business written during the year would have been affected by an economic shock occurring after the year-end. It also indicates what the NBV might have been if sales occurred at the same volume, mix and pricing as those in 2011 but in a new market environment.

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

Upward parallel shift of 100 basis points in reference rates simulates a sudden shock to the initial conditions. This means changes to: 1) the current market values of fixed-interest assets, with related possible changes to projected capital gains/losses and/or fee revenues, 2) future reinvestment rates for all asset classes, and 3) risk-discount rates. Inflation rates are not changed.

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

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

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

10% higher value of real estate simulates a shock to the initial conditions just for real estate. This means changes to current market values of real estate, with related possible changes to projected capital gains/losses and/or fee revenues.

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

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

Upward parallel shift of 25% of the volatility on equity markets simulates a shock to the initial conditions, representing the base volatility times 1.25 for the key duration and then apply a parallel shift for the other durations.

Upward parallel shift of 25% of the volatility on interest rates simulates a shock to the initial conditions, representing the base volatility times 1.25 for the key duration and a parallel shift for other durations.

50 basis point instantaneous increase in credit spreads is immediately applied at the valuation date and is applicable to all corporate credit asset classes and associated derivatives. This should be calibrated as a sudden shock of plus 50bps on the single A credit spread. This means changes to the current market value of credit assets, with related possible changes to projected capital gains/losses and/or fee revenues.

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

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

Overall and permanent decrease of 10% in expenses applies to all future expenses other than commission and commission-related (for example, agency manager payments that are a percentage of agent commissions) expenses and investment expenses (as they are managed separately from Life companies general expenses).

5% lower mortality rate for annuity business reflects the impact on annuity business profits from assuming 5% lower mortality rate. The base assumption in VIF for annuity business 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.

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

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

Sensitivity to using a Government Spreads Premium (GSP) on EUR liabilities reflects the impact of applying the GSP (as described page 11 of this report) uniformly to all products, instead of the liquidity premium, for EUR liabilities only.

IMPLIED DISCOUNT RATES

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

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

IDRs are disclosed on the basis of discounted distributable 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 management case assumptions used in calculating Implied Discount Rates can be found in Appendix 1.

IV. Assumptions

Financial assumptions

INVESTMENT MARKET CONDITIONS

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

Consistent with the CFO Forum MCEV Principles clarified in 2009, AXA has used since 2008, as part of its market-consistent methodology, a **reference 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.

In line with industry's research also performed in the context of Solvency II and applied during the QIS5 exercise and following industry's converging practices, AXA has adjusted the approach introduced in 2008 in its market-consistent methodology in terms of liquidity premium (calibration and allowance by products) and yield curve extrapolation for long term maturities where not enough liquid data is available on the markets.

The liquidity premium allowance is based on a two step approach.

- The first step consists in measuring the liquidity premium available in the markets by economy. In line with the industry research and QIS5, the liquidity premium is calibrated using the so called 50/40 formula corresponding to a liquidity premium equal to Maximum (0; 50%*(corporate spread – 40bps)) where the corporate spread is measured with appropriate market indices for each economy.
- As a second step, a ratio is applied to the measure obtained in the first step to reflect the nature of the liabilities and, consequently, AXA's ability to capture the liquidity premium.

  In line with market converging practices, AXA considers four buckets:
  - 100% liquidity premium for Annuities in payment including assumed future conversions
  - 75% liquidity premium for all General Account business with participating features or with guaranteed rates higher than current 10 year rate
  - 50% liquidity premium for all other General Account business and will mainly capture Pure Protection business with annually renewal premia
  - 0% liquidity premium for all Unit-Linked business including Variable Annuities

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

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

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

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

The interpolation method is based on the Smith-Wilson technique with the alpha parameter set equal to 0.1 and the maturity at which the forward rate reaches the UFR set equal to 90 years.

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

Currency	Liquidity premium (Bucket 100%) 31/12/10	Liquidity premium (Bucket 100%) 31/12/11	UFR (%)	Extrapolation entry point
EUR	36 bps	108 bps	4,2%	30
GBP	79 bps	132 bps	4,2%	50
USD	56 bps	90 bps	4,2%	30
JPY	0 bps	0 bps	3,2%	20
CHF	8 bps	25 bps	3,2%	15
HKD	38 bps	81 bps	4,2%	15

The following table shows the reference yield curves as of 31 December 2011 and 31 December 2010 corresponding to buckets 0% and 100%.

Bucket 0% reference yield curves:

	EUR		USD		GBP		JPY (*)		CHF		HKD	
maturity	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	30/09/10	30/09/11	31/12/10	31/12/11	31/12/10	31/12/11
1	1.31%	1.41%	0.45%	0.68%	1.14%	1.36%	0.40%	0.34%	0.29%	0.05%	0.40%	0.51%
2	1.56%	1.31%	0.81%	0.73%	1.51%	1.33%	0.39%	0.35%	0.51%	0.09%	0.74%	0.63%
3	1.90%	1.36%	1.29%	0.83%	1.98%	1.37%	0.40%	0.38%	0.83%	0.19%	1.23%	0.81%
5	2.52%	1.73%	2.23%	1.25%	2.69%	1.58%	0.49%	0.48%	1.40%	0.58%	2.17%	1.28%
7	2.99%	2.09%	2.93%	1.68%	3.21%	1.90%	0.67%	0.68%	1.83%	0.93%	2.84%	1.64%
10	3.43%	2.43%	3.56%	2.10%	3.70%	2.36%	1.05%	1.04%	2.22%	1.25%	3.46%	1.91%
15	3.79%	2.74%	4.12%	2.51%	4.09%	2.78%	1.53%	1.51%	2.49%	1.53%	3.70%	2.00%
20	3.83%	2.75%	4.29%	2.63%	4.15%	2.99%	1.81%	1.76%	2.58%	1.70%	3.73%	2.16%
25	3.67%	2.65%	4.36%	2.69%	4.12%	3.13%	1.99%	1.90%	2.67%	1.88%	3.78%	2.38%
30	3.47%	2.55%	4.39%	2.73%	4.04%	3.19%	2.14%	2.05%	2.73%	2.04%	3.82%	2.59%

Bucket 100% reference yield curves:

	EUR		USD		GBP		JPY (*)		CHF		HKD	
maturity	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	30/09/10	30/09/11	31/12/10	31/12/11	31/12/10	31/12/11
1	1.68%	2.51%	1.02%	1.59%	1.94%	2.70%	0.40%	0.34%	0.37%	0.31%	0.79%	1.33%
2	1.92%	2.41%	1.38%	1.64%	2.32%	2.68%	0.39%	0.35%	0.59%	0.35%	1.13%	1.45%
3	2.27%	2.46%	1.86%	1.74%	2.79%	2.71%	0.40%	0.38%	0.91%	0.44%	1.62%	1.63%
5	2.89%	2.84%	2.80%	2.16%	3.50%	2.92%	0.49%	0.48%	1.48%	0.83%	2.56%	2.10%
7	3.36%	3.20%	3.51%	2.60%	4.03%	3.25%	0.67%	0.68%	1.91%	1.19%	3.23%	2.46%
10	3.80%	3.54%	4.15%	3.03%	4.52%	3.72%	1.05%	1.04%	2.30%	1.51%	3.86%	2.74%
15	4.16%	3.86%	4.71%	3.43%	4.92%	4.15%	1.53%	1.51%	2.58%	1.78%	4.10%	2.83%
20	4.20%	3.87%	4.88%	3.56%	4.98%	4.36%	1.81%	1.76%	2.66%	1.94%	4.10%	2.93%
25	4.05%	3.77%	4.95%	3.62%	4.95%	4.50%	1.99%	1.90%	2.74%	2.09%	4.11%	3.06%
30	3.84%	3.66%	4.98%	3.66%	4.87%	4.56%	2.14%	2.05%	2.80%	2.23%	4.12%	3.20%

(*) AXA Japan results are based on end of September economic assumptions in line with their IFRS accounting closing date.

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 10 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.

With the aim of reaching greater consistency in the economic assumptions, some adjustments in relation to the liquidity premium allowance were introduced in 2011:

- Corporate credit spreads targets, driving the volatility of the credit component of the asset returns, are set consistently with the calibration of the liquidity premium; and
- Swaption implied volatility targets, used in the models, are adjusted for each liquidity premium bucket in order to maintain the relationship between interest rates and swaption implied volatility in line with observed market data.

The resulting opening adjustments amounted to Euro 410 million.

Target volatilities 2010	Equities year 5	Equities year 10	Equities year 20	10 yr Swaptions year 5	10 yr Swaptions year 10	10 yr Swaptions year 15
USD	23.99%	27.40%	30.68%	21.77%	17.94%	16.34%
EUR	26.49%	27.48%	28.14%	19.10%	17.60%	19.15%
JPY(*)	27.02%	30.02%	32.19%	28.83%	24.83%	25.37%
GBP	24.19%	25.93%	27.97%	15.29%	13.02%	13.20%
CHF	19.96%	20.46%	20.94%	28.60%	31.60%	34.38%
HKD	27.65%	28.65%	32.07%	21.00%	22.50%	20.49%

Target volatilities 2011	Equities year 5	Equities year 10	Equities year 20	10 yr Swaptions year 5	10 yr Swaptions year 10	10 yr Swaptions year 15
USD	28.79%	31.09%	33.50%	34.42%	31.11%	31.04%
EUR	27.30%	27.61%	27.96%	27.59%	25.47%	28.78%
JPY(*)	24.72%	27.36%	29.74%	30.80%	27.28%	27.23%
GBP	25.70%	27.24%	28.78%	22.29%	16.69%	14.86%
CHF	20.94%	20.57%	20.83%	38.60%	38.50%	25.19%
HKD	27.62%	29.74%	32.05%	40.00%	29.75%	29.68%

(*) AXA Japan results are based on end of September economic assumptions in line with their IFRS accounting closing date.

As in 2010, AXA used at year-end 2011 spot daily at-the-money forward volatilities for both equities and swaptions.

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%.

Inflation rates targets in a risk neutral calculation are based on market implied inflation. For economies where data is not available a management case assumption is considered. Inflation is mainly impacting the EEV through expenses, premiums and some benefits indexations. The table below shows the average implied inflation rates for economies where the information is available (for others please refer to appendix1).

Inflation Rate	2010	2011
EUR	2.2%	2.5%
USD	2.9%	2.4%
GBP	3.7%	3.5%

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)	2010	2011
United States	86/3/12	92/3/5
France	88/7/6	89/6/5
United Kingdom	33/62/5	30/60/10
Switzerland	72/6/22	74/5/21
Japan	82/6/13	81/7/13
Belgium	78/10/12	88/5/7
Hong Kong	74/26/0	76/16/8
Germany	91/2/7	91/2/7
MedLA	73/6/21	92/3/5
CEE	65/27/8	65/27/8

EXCHANGE RATES

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

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

Exchange rates local currency vs Euro	2010		2011	
	EoY	Avg	EoY	Avg
United States	1.342	1.337	1.298	1.387
United Kingdom	0.8568	0.8615	0.8353	0.8663
Switzerland	1.250	1.391	1.214	1.237
Japan	108.8	117.6	99.9	110.9
Australia	1.309	1.458	1.266	1.346
Hong Kong	10.43	10.38	10.08	10.79
Czech Republic	25.09	25.35	25.50	24.63
Hungary	278.3	275.2	314.8	279.2
Poland	3.964	4.006	4.458	4.109
Singapore	1.719	1.826	1.683	1.747
Philippines	58.77	60.41	56.93	60.09
Thailand	40.44	42.57	40.96	42.22
Indonesia	12088	12185	11771	12170
China	8.840	9.056	8.171	8.983
Turkey	2.065	2.013	2.452	2.311

Operational assumptions

ACTUARIAL ASSUMPTIONS

All cash flows (premia, expenses, commissions, death and surrender claims, etc…) are included on a best estimate basis up until the termination of AXA's obligations towards the policyholder and beneficiaries. AXA's embedded value uses an active basis where the assumptions are 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. The tax recoverability is assumed in accordance with current IFRS principles at the level of each tax group.

A reduction in the Japanese corporation tax rate to a long term level of 33% was enacted in November 2011. In line with stated policy, no change was made to the reported embedded value. It is estimated that the AXA Japan embedded value would increase by approximately Euro 100 million from the reduction in corporation tax rate.

Tax Rate	2010	2011
United States	35%	35%
France	34%	34%
United Kingdom	27%	27%
Switzerland	21%	21%
Japan	36%	36%
Belgium	34%	34%
Australia/New Zealand	30%	
Hong Kong	0,875% of premia	0,875% of premia
Germany	32%	32%
MedLA	30%	32%
CEE	16%	17%

EXPENSES

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

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

Excluded expenses		
Euro million, Group share, pre-tax	**2010**	**2011**
Germany	23	45
United States	8	43
United Kingdom	38	42
France	23	24
Belgium	4	9
MedLA	4	5
CEE	7	2
Switzerland	0	0
Other countries	2	5
Total excluded expenses	**108**	**176**

The level of excluded expenses significantly increased in 2011 compared to 2010, driven by a strong increase in the US and Germany. In the US, these excluded expenses were mainly related to exceptional initiatives launched in 2011 to reduce the costs basis, while in Germany, these expenses mainly covered non recurring projects.

In the UK, excluded expenses were mainly related to Elevate Platform startup business.

MODELING OF PARTICIPATING AND ADJUSTABLE CREDITED RATES BUSINESS

Participating business is generally characterized by the following key features:

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

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

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

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

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

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

Appendix 1: Details on the Implied Discount Rates

As explained previously in the report, the risk-neutral valuation method applied in AXA's EEV means that future returns of different asset classes are directly derived from the reference rate and market implied volatility assumptions. The methodology is equivalent mechanically to assuming that the expected return on all asset classes is in average the reference forward rate. However, to facilitate comparisons to other companies (especially those not following a market consistent basis), and to Traditional EV, we have made calculations with illustrative future investment returns, and derived implied risk discount rates. The illustrative assumptions for 2010 and 2011 are shown in the tables below. It is important to always view IDRs in the context of their management case assumptions, because a change in assumptions will change IDR.

2010	FI Return	Equity Return	Cash Return	Real Estate Return	"Other" Return	Inflation rate	Life VIF IDR	Life NBV IDR
United States	6.7%	5.5%	5.0%	7.0%	6.0%	2.5%	14.0%	7.2%
France	5.0%	7.8%	4.3%	6.0%	n/a	2.0%	7.2%	5.7%
United Kingdom	5.2%	9.0%	n/a	6.5%	n/a	2.9%	7.5%	5.5%
Switzerland	3.8%	6.0%	3.2%	6.9%	6.0%	1.5%	3.8%	3.5%
Japan	4.2%	5.0%	n/a	n/a	2.0%	1.0%	4.9%	2.6%
Belgium	5.2%	7.5%	4.3%	6.0%	8.3%	2.0%	8.9%	6.8%
Australia/New Zealand	8.3%	10.0%	4.8%	7.8%	n/a	2.5%	7.7%	7.1%
Hong Kong	6.0%	9.0%	5.0%	n/a	n/a	2.5%	6.8%	5.3%
Germany	5.6%	7.5%	4.3%	6.0%	6.0%	2.0%	6.8%	4.8%
MedLA	4.9%	7.5%	4.0%	6.0%	4.5%	2.0%	8.5%	5.3%
CEE	4.6%	5.1%	3.8%	2.6%	0.5%	2.3%	4.9%	7.2%
TOTAL Life & Savings	5.2%	6.8%	4.3%	6.3%	5.0%	1.9%	6.9%	5.3%

2011	FI Return	Equity Return	Cash Return	Real Estate Return	"Other" Return	Inflation rate	Life VIF IDR	Life NBV IDR
United States	7.0%	5.5%	5.0%	7.0%	6.0%	2.5%	42.2%	8.1%
France	4.3%	7.1%	3.9%	5.2%	n/a	1.9%	7.1%	5.4%
United Kingdom	5.2%	7.8%	4.1%	6.2%	n/a	3.7%	5.1%	5.5%
Switzerland	3.7%	3.3%	3.0%	6.9%	3.3%	1.5%	3.9%	4.0%
Japan	3.2%	4.0%	n/a	n/a	2.0%	1.0%	6.2%	3.3%
Belgium	4.3%	6.7%	4.2%	5.2%	6.7%	1.9%	9.9%	6.4%
Hong Kong	6.3%	9.0%	5.0%	7.0%	9.6%	2.5%	7.5%	5.9%
Germany	4.9%	6.7%	3.9%	5.2%	6.0%	2.9%	5.5%	4.6%
MedLA	4.7%	6.7%	3.6%	5.6%	2.1%	1.9%	15.2%	5.5%
CEE	4.4%	5.6%	3.6%	2.4%	0.4%	1.9%	5.7%	5.0%
TOTAL Life & Savings	4.7%	5.9%	4.0%	5.9%	4.6%	2.0%	10.4%	5.2%

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

FY11 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 reconciliation from the shareholders' equity to the TNAV for other businesses.

Euro million, Group share	2011			2010		
	Life & Savings	Other businesses	Total Group	Life & Savings	Other businesses	Total Group
IFRS shareholders' equity	**42,272**	**6,290**	**48,562**	**41,502**	**8,196**	**49,698**
Net URCG not included in shareholders' equity	1,337	2,080	3,417	936	1,920	2,855
Excluded TSS/TDI	-	(7,835)	(7,835)	-	(7,683)	(7,683)
Mark to Market debt	-	2,369	2,369	-	870	870
Excluded Intangibles	(20,428)	(9,509)	(29,937)	(19,990)	(9,627)	(29,617)
other stat/GAAP adjustments	559	-	559	239	-	239
Group TNAV (before elimination of UCG projected in VIF)	**23,740**	**(6,606)**	**17,134**	**22,687**	**(6,324)**	**16,363**
elimination of UCG projected in L&S VIF	(2,684)	-	(2,684)	(2,298)	-	(2,298)
Life & Savings ANAV + TNAV for Other businesses	**21,056**	**(6,606)**	**14,451**	**20,389**	**(6,324)**	**14,065**
Life & Savings VIF	17,098	-	17,098	20,087	-	20,087
Group EV (L&S EEV + TNAV)	**38,154**	**(6,606)**	**31,548**	**40,476**	**(6,324)**	**34,152**

(*) Does not include net UCG on assets and liabilities related to banking activities.

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 premia on newly issued recurring premium contracts plus 10% of single premia 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.

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

Required capital 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 at each operation net of implicit items

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

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. 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: Report on embedded value

Report on embedded value

To AXA Chief Financial Officer

As statutory auditors of AXA Group and in accordance with your request, we have examined the Life & Savings European Embedded Value (EEV) information regarding the EEV and its components, the new business value, the analysis of movement in EEV and the sensitivities (hereinafter referred to as "the EEV Information") at December 31, 2011 of the AXA Group contained in the attached document ("Embedded Value 2011 Report" hereinafter referred to as "the EV Report").

The EEV Information and underlying significant assumptions, upon which the information relies, have been established under the responsibility of management. The methods and significant assumptions adopted are detailed in the EV Report.

We are responsible for expressing a conclusion on the compliance of the results of the EEV Information with the methodology and assumptions adopted by management and on the consistency of accounting information used with the AXA Group consolidated financial statements at December 31, 2011.

Our work, which does not constitute an audit, has been performed in accordance with the professional standards applicable in France, and aims at forming a conclusion based on appropriate procedures.

Our work included the following procedures:

- Understanding the procedures adopted by management to prepare the EEV information.
- A review of the "market consistent" approach adopted by management, and described in the EV Report for consistency with the European Embedded Value Principles and Guidance defined by the European Insurance CFO Forum.
- A review of the consistency of the methodology used and implemented by management with that described in the EV Report.
- A review of the internal consistency of the economic assumptions and of their consistency with observable market data.
- A review of the consistency of the operational assumptions with regard to past, current and expected future experience.
- A review of the testing performed by management on the underlying models used to calculate the EEV Information.
- Checking by review and reconciliation the consistency of the EEV Information with the methodology and assumptions in the EV Report.
- Checking the consistency of the accounting information and other relevant underlying data used in preparing the EEV Information with the annual financial statements and underlying accounting records at December 31, 2011.
- Obtaining the information and explanations as deemed necessary to deliver our conclusion.

We note that, due to the uncertain nature of estimation, actual outcomes can differ, perhaps significantly, from those expected in the EEV Information. We express no conclusion relating to the possibility of such outcomes.

Based on our work, we have no observations regarding:

- The compliance of the results of the EEV Information at December 31, 2011 that AXA Group presented in the EV Report with the AXA Group's market consistent methodology and assumptions adopted by management and described in the EV Report which are consistent with the European Insurance CFO Forum EEV Principles and Guidance.
- The consistency of accounting information used with the AXA Group consolidated financial statements at December 31, 2011, on which we expect to issue our audit report on the 14 March 2012.

Neuilly-sur-Seine and Courbevoie, 16 February, 2012

PricewaterhouseCoopers Audit	Mazars
Michel Laforce	Gilles Magnan
Stéphane Kuypers	Maxime Simoen