# Building confidence

DOCUMENT DE RÉFÉRENCE

2006 ANNUAL REPORT

FINANCIAL PROTECTION

Be Life Confident

**52** **million customers** (1)
across the globe trust
in the AXA Group

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**120,000**
**AXA people** (1) (employees and exclusive distributors)
On December 22, 2006, 30,000 people
from Winterthur joined AXA,
bringing the Group's total workforce to **150,000**
on January 1, 2007

**including**
**17,000**
**employees** (1)
who volunteer in their
local community

---

**The AXA Group**
**is present in**
**47** **countries** (1)

**79** **billion euros** (1)
in consolidated revenues
+11% on a comparable
basis

---

**4.0**
**billion euros** (1)
in underlying earnings
+21% at constant exchange rates

**5.1**
**billion euros** (1)
in net income, Group share
+18% at constant exchange rates

---

**1.06** **euro** dividend per share
pending shareholder approval
on May 14, 2007

*(1) Excluding Winterthur.*

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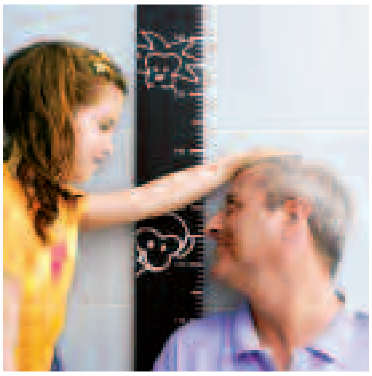

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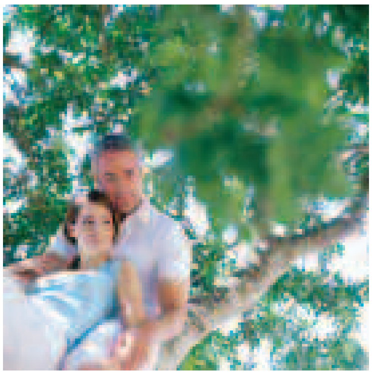

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# AXA GROUP

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# HISTORY
## AND DEVELOPMENT

AXA[1] originated from several French regional mutual insurance companies, known collectively as "les Mutuelles Unies".

**In 1982,** les Mutuelles Unies took control of Groupe Drouot and following this transaction the new Group began operating under the name of AXA.

**In 1986,** AXA acquired Groupe Présence.

**In 1988,** AXA transferred its insurance businesses to Compagnie du Midi and operated under the name of AXA Midi, which subsequently reverted back to the AXA name. Two years later, the French insurance operations were reorganized to operate by distribution channel.

**In 1992,** AXA took control of Equitable Companies Incorporated following the demutualization of Equitable Life. The Equitable Companies Incorporated changed its name in 1999 to AXA Financial, Inc. ("AXA Financial").

**In 1995,** AXA acquired a majority ownership interest in National Mutual Holdings following its demutualization. National Mutual Holdings changed its name to AXA Asia Pacific Holdings Ltd.

**In 1997,** AXA merged with Compagnie UAP. This transaction enabled AXA to significantly increase its size and reinforce its strategic positions, especially in Europe.

**In 1998,** AXA purchased the minority interests of AXA Royale Belge and, **in 1999,** acquired Guardian Royal Exchange in Great Britain through its subsidiary Sun Life & Provincial Holdings ("SLPH"). The Guardian Royal Exchange acquisition allowed AXA to further establish its positions in both the United Kingdom and Germany.

**In 2000,** AXA acquired a majority ownership interest in "Nippon Dantaï Life Insurance Company", resulting in a new company called "AXA Nichidan" (which became in 2001 "AXA Life Insurance Co."). In addition, in July 2000, AXA increased its interest in SLPH from 56.3% to 100%. In August 2000, AXA sold its interest in Donaldson Lufkin & Jenrette to Credit Suisse Group. In October 2000, Alliance Capital, a subsidiary of AXA Financial, acquired the U.S. asset management company Sanford C. Bernstein giving rise to a Company named "AllianceBernstein". In December 2000, AXA acquired the remaining minority interests in AXA Financial, which is now a 100% owned subsidiary of AXA.

**In 2001 and 2002,** AXA acquired two financial advisory networks in Australia, Sterling Grace and Ipac Securities, as well as a banking platform in France, Banque Directe. AXA also continued to streamline its portfolio of businesses, selling its health business in Australia and insurance operations in Austria and Hungary, and reorganizing its reinsurance business. In 2002, the Group sold its bank and insurance businesses in Chile.

**In 2003,** AXA sold all its activities in Argentina and Brazil.

(1) In this annual report:
- the "Company" refers to the holding company AXA, organized under the laws of France,
- "AXA" refers to the Company and its direct and indirect subsidiaries.

**In 2004,** AXA purchased the American group MONY; this operation allowed AXA to reinforce by approximately 25% the capacity of distribution of AXA Life activities in the United States. In addition, AXA sold its insurance activities in Uruguay (AXA Seguros Uruguay) thereby finalizing its disengagement from South America; it also disposed of its broking activities (Unirobe) and its activity of health insurance in the Netherlands, and finally its activity of loan on real property in Germany (AXA Bausparkasse AG).

**In December 2005,** AXA and Finaxa shareholders' meetings voted in favour of the merger of FINAXA into AXA. Finaxa was a holding company listed on the Paris Stock Exchange and its main subsidiary was AXA. It also owned the “AXA” brand. This merger resulted in a simplification of AXA's shareholder structure and in an increase in the proportion of publicly traded shares. In addition, AXA obtained ownership of the “AXA” brand.

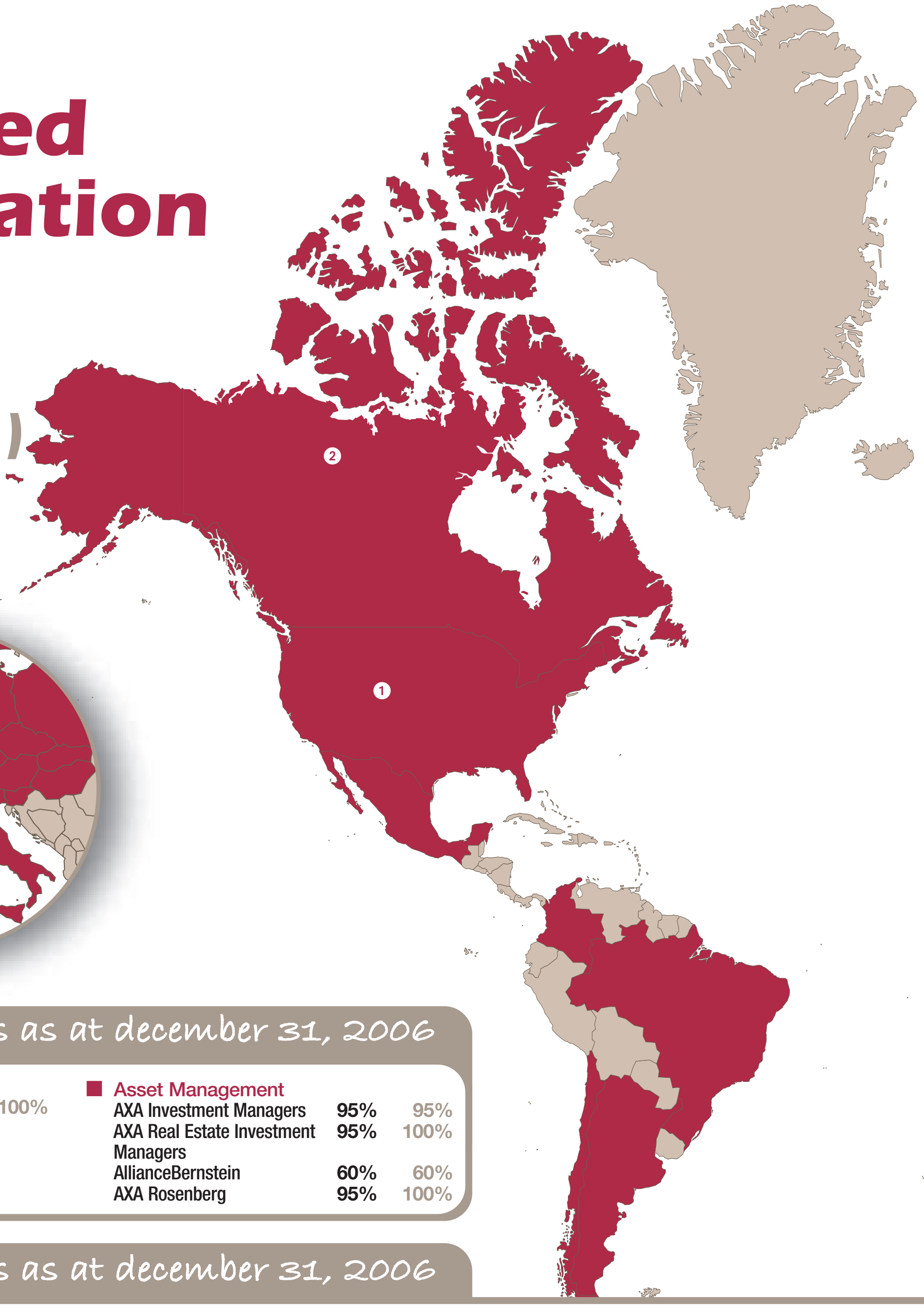
**In 2006,** AXA acquired the Winterthur Group, which is active in 17 countries and serves 13 million clients worldwide. This operation gives AXA the opportunity to strengthen its leading position on the European market and to increase its presence in high growth markets, such as Eastern Europe and Asia.

AXA also acquired “Citadel” in Canada, Thinc Destini in the United Kingdom, and MLC Hong Kong and Indonesia via her subsidiary company AXA Asia Pacific Holdings.

In December 2006, AXA completed the sale of AXA RE's business to Paris Re Holdings and has taken a 3.4% stake in Paris Re Holdings, a newly created company sponsored by a consortium of international investors led by Stone Point Capital.

# Simplified organization chart

## (without Winterthur*)



### Main subsidiaries as at december 31, 2006

| | | |
|---|---|---|
| **International Insurance** | | |
| AXA Assistance SA | 100% | 100% |
| **Asset Management** | | |
| AXA Investment Managers | 95% | 95% |
| AXA Real Estate Investment Managers | 95% | 100% |
| AllianceBernstein | 60% | 60% |
| AXA Rosenberg | 95% | 100% |

### Main subsidiaries as at december 31, 2006

AXA's companies' contacts are available on the web site: **www.axa.com**

#### America

**1 UNITED STATES**

| | | |
|---|---|---|
| Insurance | | |
| AXA Financial, Inc. [a] | 100% | 100% |

**2 CANADA**

| | | |
|---|---|---|
| Insurance | | |
| AXA Canada Inc. [b] | 100% | 100% |

#### Africa

**3 MOROCCO**

| | | |
|---|---|---|
| Insurance | | |
| AXA-ONA [c] | 51% | 51% |

#### Europe

**4 GERMANY**

| | | |
|---|---|---|
| Insurance | | |
| AXA Konzern AG [d] | 97% | 97% |
| Financial Services | | |
| AXA Bank AG | 97% | 100% |

**5 BELGIUM**

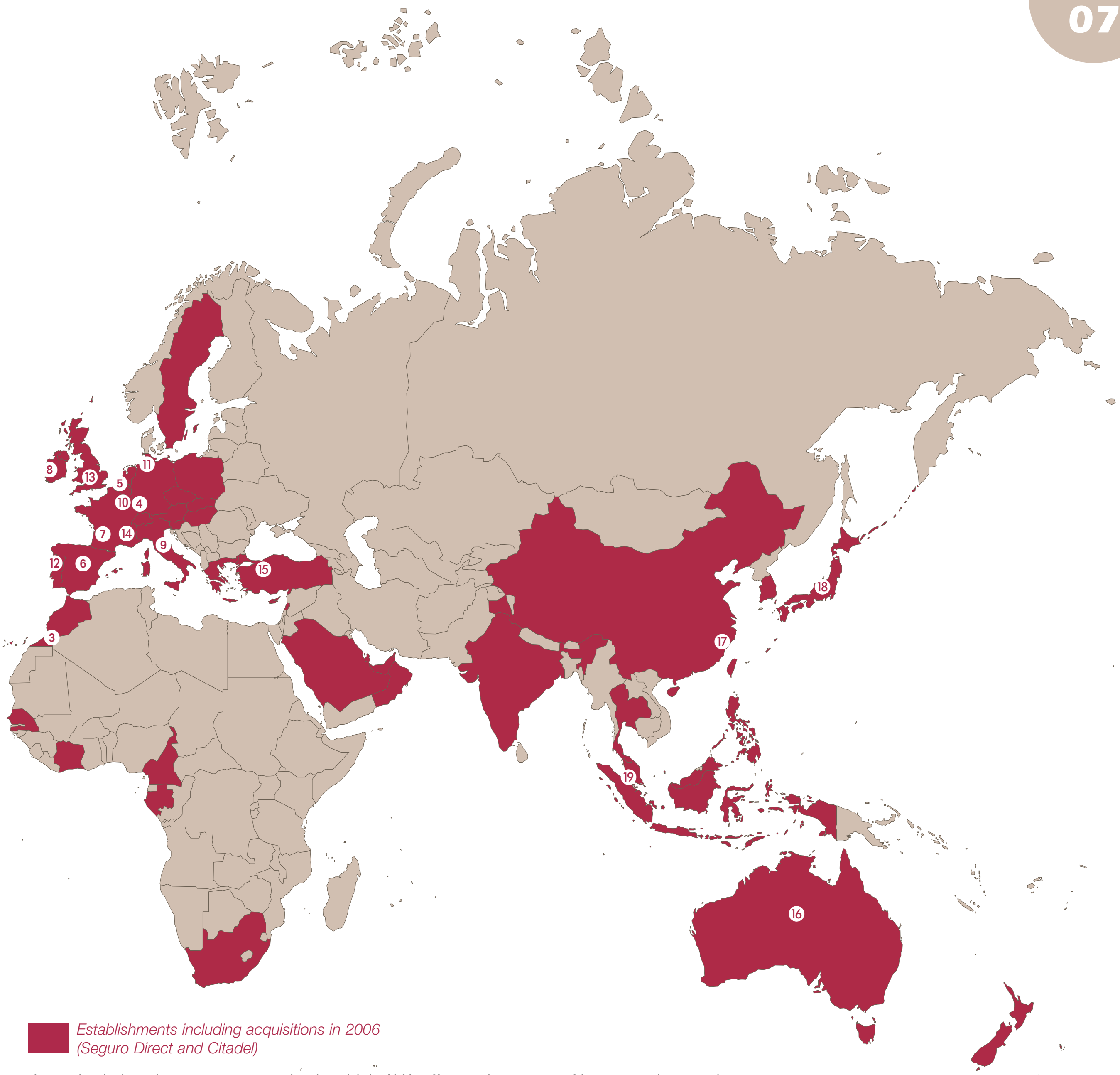
| | | |
|---|---|---|
| Insurance | | |
| AXA Holdings Belgium [e] | 100% | 100% |
| Financial Services | | |
| AXA Bank Belgium | 100% | 100% |

**6 SPAIN**

| | | |
|---|---|---|
| Insurance | | |
| AXA Aurora S.A. [f] | 100% | 100% |
| Hilo Direct S.A. de Seguros y Reaseguros | 100% | 100% |

** Following the acquisition by AXA of Winterthur on December 22, 2006, most subsidiaries of Winterthur, with the notable exception of its US subsidiaries which are in the process of being sold, today owned by Winterthur Swiss Insurance Company or Winterthur Leben are intended to be integrated in the course of 2007 with the corresponding subsidiaries of the AXA Group.*

*(a) Holding Company that owns fully AXA Equitable Life Insurance Company and MONY Life Insurance Company of America, and partly AllianceBernstein L.P.*
*(b) Holding Company that owns AXA Assurances Inc. and AXA Insurance (Canada)*
*(c) Holding Company that owns AXA Assurance Maroc.*
*(d) Holding Company that owns AXA Versicherung AG, AXA Lebenversicherung AG and AXA ART Versicherung AG.*
*(e) Holding Company that owns AXA Belgium.*
*(f) Holding Company that owns AXA Aurora Iberica, S.A., de Seguros y Reaseguros and AXA Aurora Vida , S.A. de Seguros y Reaseguros and Seguro Directo Gere Companhia de Seguros (Portugal R.C).*
*(g) Holding Company that owns AXA France Vie, AXA France IARD, AVANSSUR, AXA Corporate Solutions Assurance and AXA Epargne Entreprise.*
*(h) Holding Company that owns AXA Assicurazioni S.p.A.*




*Establishments including acquisitions in 2006 (Seguro Direct and Citadel)*

*Areas in dark red represent countries in which AXA offers at least one of its protection services.*

**7 FRANCE**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA France Assurance (g) | 100% | 100% |
| **Financial Services** | | |
| Compagnie Financière de Paris | 100% | 100% |
| AXA Banque | 100% | 100% |

**8 IRELAND**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA Insurance Limited | 100% | 100% |

**9 ITALY**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA Italia S.p.A (h) | 100% | 100% |

**10 LUXEMBOURG**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA Luxembourg SA (i) | 100% | 100% |

**11 THE NETHERLANDS**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA Nederland B.V. (j) | 100% | 100% |

**12 PORTUGAL**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA Portugal Companhia de Seguros SA | 99% | 100% |
| AXA Portugal Companhia de Seguros de Vida SA | 95% | 95% |

**13 UNITED KINGDOM**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA UK Plc (k) | 100% | 100% |

**14 SWITZERLAND**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA Assurances | 100% | 100% |

**15 TURKEY**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA Oyak Holding A.S. (l) | 50% | 50% |

## Asia-Pacific

**16 AUSTRALIA/NEW ZEALAND**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA Asia Pacific Holdings Limited (m) | 53% | 54% |

**17 HONG KONG**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA China Region Limited | 53% | 100% |

**18 JAPAN**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA Japan Holding Co. Ltd (n) | 98% | 98% |

**19 SINGAPORE**

| | | |
|---|---|---|
| **Insurance** | | |
| AXA Financial Services (Singapore) Cy (o) | 53% | 100% |

Ownership interest percentage %
Voting right percentage %

*(i) Holding Company that owns AXA Assurance Luxembourg and AXA Assurance Vie Luxembourg.*
*(j) Holding Company that owns AXA Leven N.V. and AXA Schade N.V.*
*(k) Holding Company that owns AXA Sun Life Plc, AXA Insurance Plc and AXA PPP Healthcare Limited.*
*(l) Holding Company that owns AXA Oyak Hayat Sigorta A.S. and AXA Oyak Sigorta A.S.*
*(m) Holding Company that owns National Mutual Life Association of Australasia Limited, National Mutual Funds Management (Global) Limited and National Mutual International Pty Limited. AXA ownership Interest in AXA Asia Pacific Group is 52.7% broken down into 51.6% direct interest holding and an additional 1.1% owned by the AAPH Executive plan trust. AXA voting right in AXA Asia Pacific Group is 53.7% broken down into 51.6% direct interest holding and an additional 2.1% owned by the AAPH Executive plan trust.*
*(n) Holding d Company that owns AXA Life Insurance Co., Ltd and AXA non-life Insurance Co. Ltd.*
*(o) Holding Company that owns AXA Life Singapore Pte Ltd.*

# AXA STOCK PRICE

AXA stock is listed on the Eurolist by Euronext, Euroclear France code: 12062 and, since June 25, 1996, on the New York stock exchange under American Depositary Shares (ADS) representing one AXA stock.

**AXA and AXA ADS stocks transactions since 20 months (Paris and New York)**

| | PARIS BOURSE | | |
|---|---|---|---|
| | Volume (in thousand) | Price per Share in euros High [(a)] | Low [(a)] |
| **2005** | | | |
| July | 164,535 | 22.46 | 19.50 |
| August | 139,440 | 22.68 | 20.62 |
| September | 140,026 | 22.51 | 20.86 |
| October | 172,569 | 23.72 | 21.83 |
| November | 186,912 | 25.60 | 23.57 |
| December | 152,993 | 27.54 | 25.16 |
| **2006** | | | |
| January | 199,181 | 28.02 | 25.15 |
| February | 128,618 | 30.05 | 26.75 |
| March | 186,445 | 29.66 | 27.69 |
| April | 154,476 | 28.93 | 26.81 |
| May | 353,269 | 30.08 | 25.70 |
| June | 337,359 | 26.96 | 23.00 |
| July | 181,390 | 27.10 | 23.92 |
| August | 176,189 | 29.34 | 26.66 |
| September | 161,123 | 29.62 | 28.03 |
| October | 167,496 | 31.26 | 28.78 |
| November | 166,960 | 30.88 | 28.50 |
| December | 152,444 | 30.91 | 28.06 |
| **2007** | | | |
| January | 203,125 | 33.31 | 30.89 |
| February | 174,034 | 34.48 | 31.96 |

*(a) Intraday share price. Following the issue of new shares with preferential subscription rights made by AXA (see Euronext notice n° 2006-1670 published on June 14, 2006), historical share price adjusted on the basis of the theoretical value of the right (see Euronext notice n° 2006-1719 published on June 16, 2006).*

Shares created since January 1, 2007 by exercise of convertible bonds or subscription options are listed “au comptant” on the Eurolist until they are assimilated after the payment of the 2006 dividend planned on May 21, 2007.

| | NEW YORK STOCK EXCHANGE | | |
|---|---|---|---|
| | Volume (in thousand) | Price per ADS in US$ High | Low |
| **2005** | | | |
| July | 5,098 | 27.69 | 24.51 |
| August | 7,805 | 28.77 | 26.07 |
| September | 6,395 | 27.93 | 26.03 |
| October | 6,732 | 29.03 | 26.70 |
| November | 7,823 | 30.71 | 28.21 |
| December | 6,572 | 33.35 | 30.34 |
| **2006** | | | |
| January | 10,184 | 34.70 | 31.40 |
| February | 6,807 | 35.86 | 32.72 |
| March | 10,158 | 35.96 | 33.79 |
| April | 6,467 | 36.95 | 33.47 |
| May | 9,636 | 38.76 | 33.72 |
| June | 9,496 | 35.25 | 29.81 |
| July | 5,935 | 34.55 | 30.36 |
| August | 8,227 | 37.49 | 33.99 |
| September | 6,906 | 37.80 | 35.69 |
| October | 7,056 | 39.05 | 36.72 |
| November | 5,168 | 39.55 | 37.51 |
| December | 6,004 | 40.70 | 37.32 |
| **2007** | | | |
| January | 10,602 | 43.00 | 40.41 |
| February | 9,512 | 45.39 | 41.79 |


160
150
140
120
110



# FINANCIAL
## HIGHLIGHTS

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FINANCIAL HIGHLIGHTS

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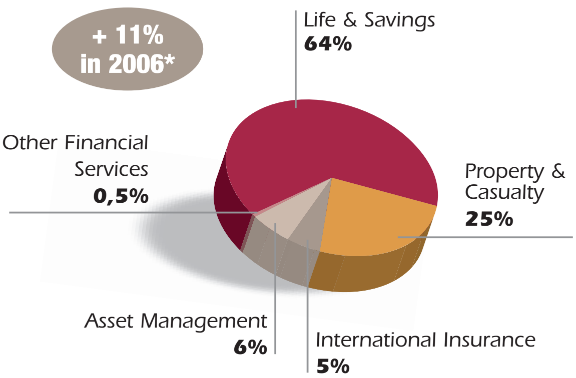
RATINGS

# Activity indicators

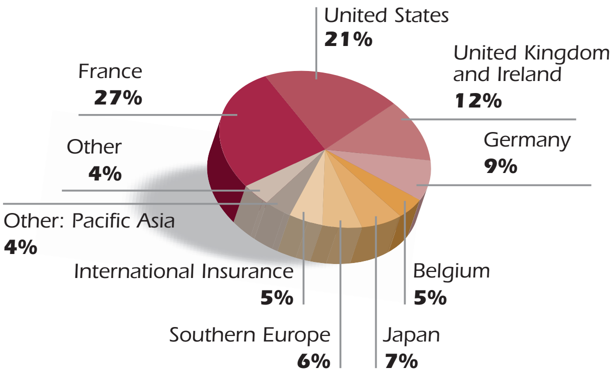
### Gross revenues
by business segment

TOTAL
**€78,8 billion** in 2006



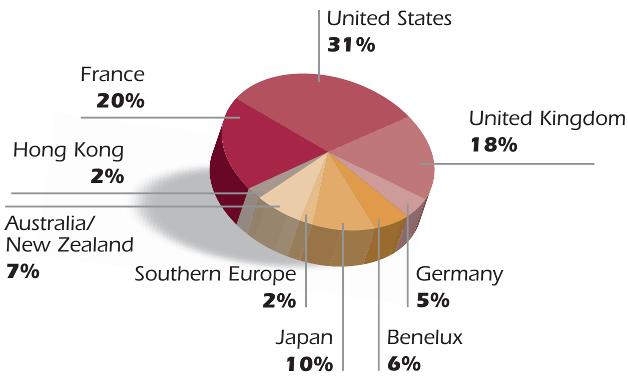

### Gross revenues
by geographic region (insurance only)

TOTAL
**€74,0 billion** in 2006



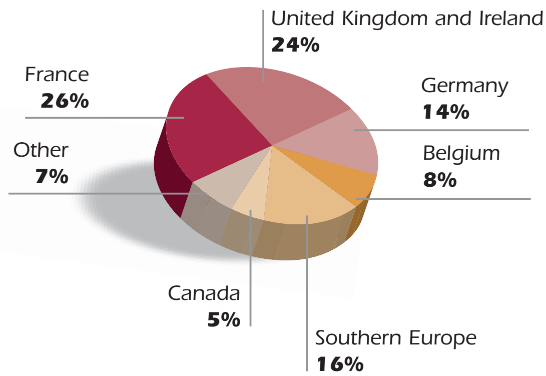

### Life APE [(a)]
by geographic region

TOTAL
**€6,2 billion** in 2006




### Property & Casualty gross written premiums
by geographic region

TOTAL
**€19,8 billion** in 2006

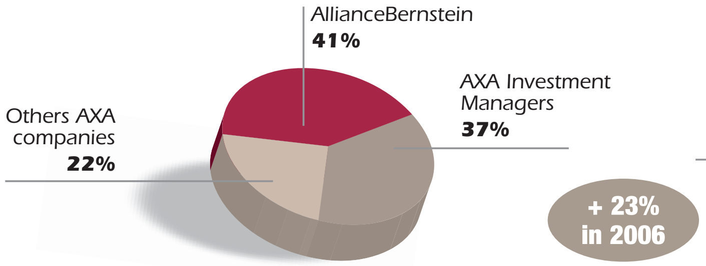


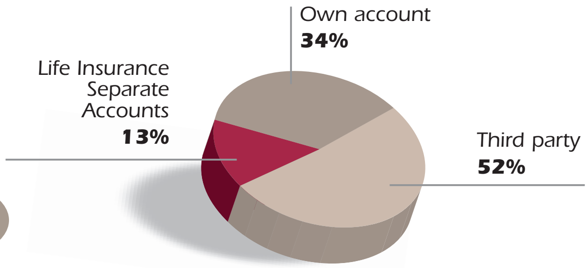

# Assets under management

### Assets under management
by company

### Assets under management
By category

TOTAL
**€1,315 billion** in 2006



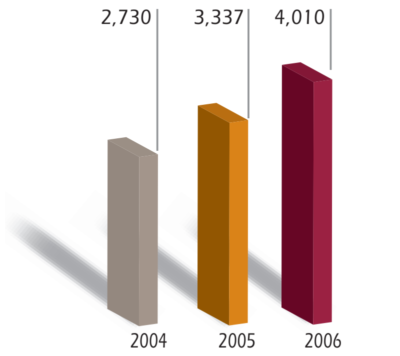




* On a comparable basis.
(a) Annual premiums equivalent is New regular premiums plus one tenth of Single premiums. APE is group share.

# Profitability indicators

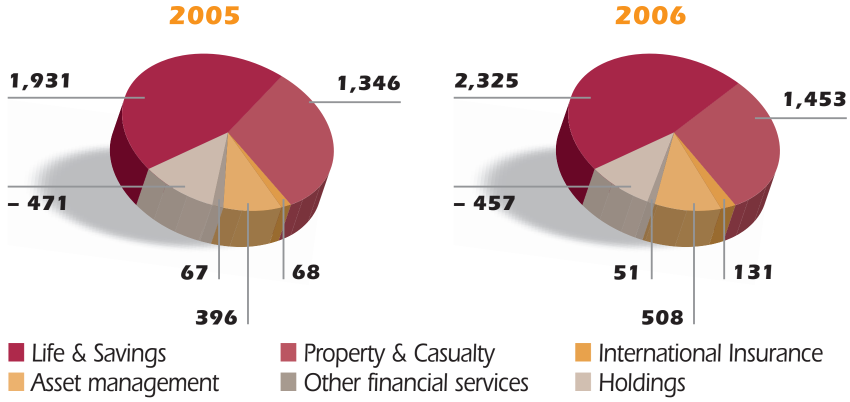
## Underlying earnings [a]

(in Euro million and restated [c] in 2004 and 2005)



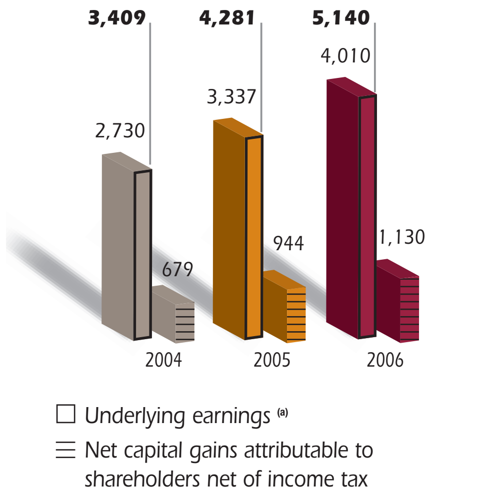

## Underlying Earnings [a] by segment

(in Euro million and restated [c] in 2005)




## Adjusted earnings [a]

(in Euro million and restated [c] in 2004 and 2005)



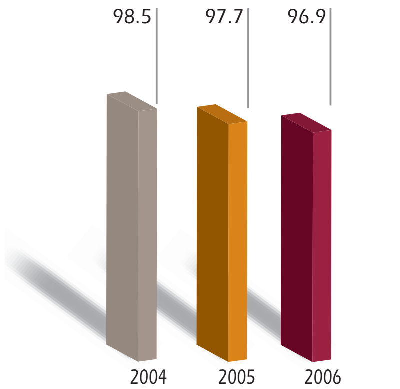

## Net income Group Share

(in Euro million)

| | 2006 | 2005 Restated [c] | 2005 Published | 2004 Restated [c] | 2004 Published |
|---|---|---|---|---|---|
| Underlying earnings [a] | 4,010 | 3,337 | 3,258 | 2,730 | 2,637 |
| Net capital gains attributable to shareholders net of income tax | 1,130 | 944 | 850 | 679 | 705 |
| Adjusted earnings [a] | 5,140 | 4,281 | 4,108 | 3,409 | 3,342 |
| Profit or loss on financial assets (under FV options) & derivatives | (226) | 122 | 149 | 416 | 428 |
| Exceptional operations (including discontinued operations) | 196 | (72) | (72) | 10 | 10 |
| Goodwill and other related intangibles impacts | (24) | (13) | (13) | (41) | (41) |
| Net income Group Share | 5,085 | 4,318 | 4,173 | 3,793 | 3,738 |

## Combined ratio

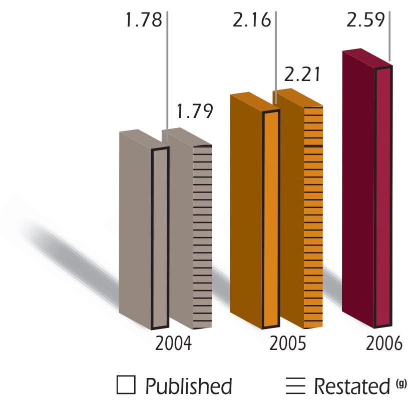
(in %)



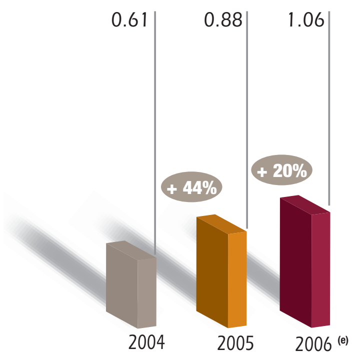

(a) ***Underlying earnings*** *correspond to adjusted earnings excluding net realized capital gains attributable to shareholders.*
*Net realized gains or losses attributable to shareholders include:*
*– realized gains and losses (on assets not designated under fair value option or trading assets) and change in impairment valuation allowance,*
*– related impact on policyholder participation net of tax (Life business),*
*– DAC and VBI amortization or other reactivity to those elements if any (Life business).*
***Adjusted earnings*** *represent the net income (group share) before:*
*– The impact of exceptional operations (primarily change in scope, including restructuring costs related to a newly acquired company during the considered accounting period).*
*– Goodwill and other related intangible impacts, and*
*– Profit and loss on financial assets accounted for under fair value option (excluding assets backing contract liabilities for which the financial risk is borne by the policyholder) and derivatives related to invested assets (including all impacts of foreign exchange in particular the ones related to currency options in earnings hedging strategies, but excluding derivatives related to insurance contracts evaluated according to the "selective unlocking "accounting policy").*
(b) *On a constant change basis.*
(c) *Restated means: (i) transfer of the forex impact from adjusted earnings to net income, and (ii) following clarification of IFRIC agenda committee following IASB decision, AXA has reclassified TSDI instruments (perpetual subordinated debts) into shareholders' equity for all periods presented in the 2006 financial statements with impact on net income.*

# Profitability indicators

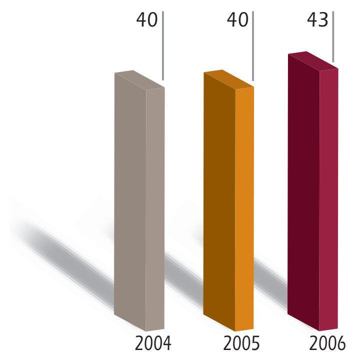
### Adjusted Earnings per share fully diluted [(a)]
(in Euro)



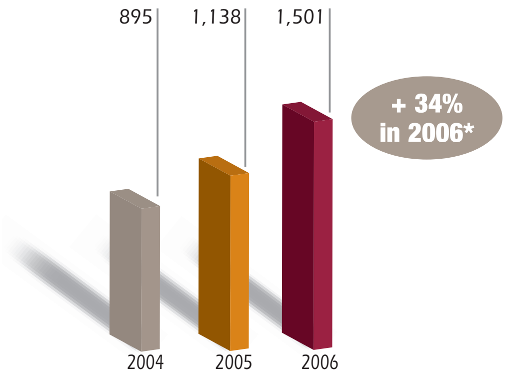

### Dividend per share
(in Euro)



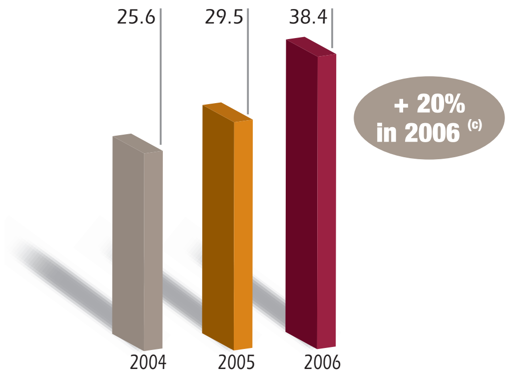

### Pay Out Ratio [(d)]
(in %)




### Life New Business Value [(b)]
(in Euro million)

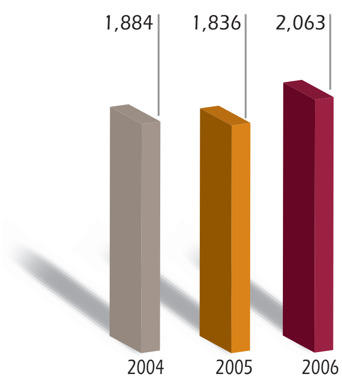



### Life Embedded Value [(b)]
(in Euro billion)

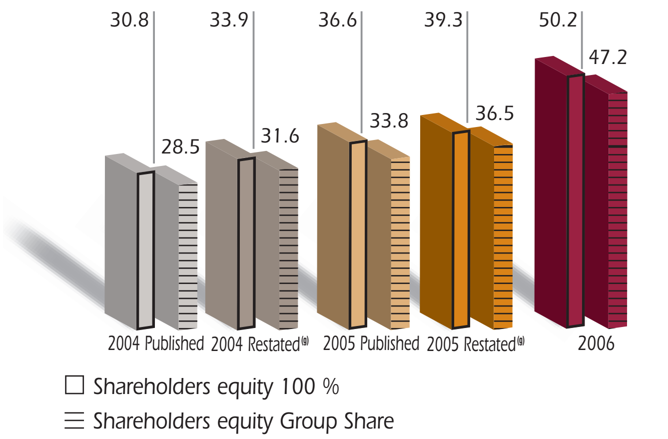



# Consolidated balance sheet indicators

### Number of shares [(f)]
(in million)



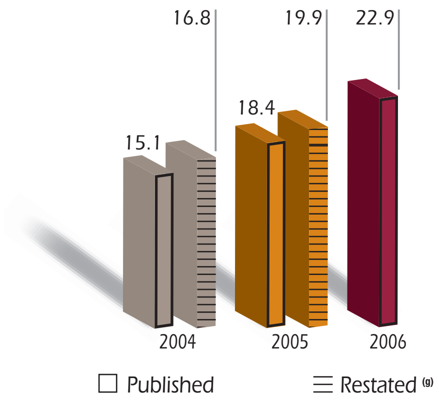

### Consolidated Shareholders' equity (100% and Group share)
(in Euro billion)



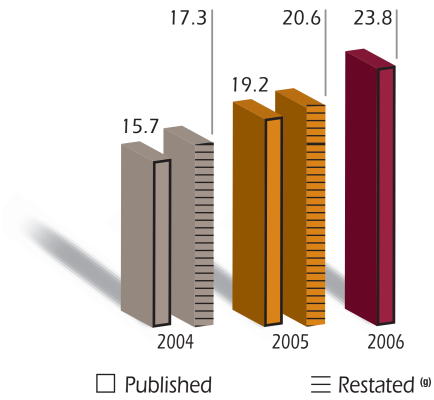

* On a comparable basis.
(a) Please refer to (a) in prior page.
(b) Calculated according to the principles of European Embedded Value (EEV). The methodology applied for the calculation of the EEV is based on a "bottom up market consistent" approach for a better evaluation of the risk. Please refer to page 455 for further details.
(c) Total return on Life & Savings EEV.
(d) Dividende net / Adjusted earnings.
(e) To be proposed at the May 14, 2007 Shareholders' Meeting.
(f) Exlcuding treasury shares which are not considered as outstanding shares under IFRS.
(g) Restated means: (i) transfer of the forex impact from adjusted earnings to net income, and (ii) following clarification of IFRIC agenda committee following IASB decision, AXA has reclassified TSDI instruments (perpetual subordinated debts) into shareholders' equity for all periods presented in the 2006 financial statements with impact on net income.

# Consolidated balance sheet indicators

**Consolidated shareholders' equity (Group share) per share**
(in Euro)

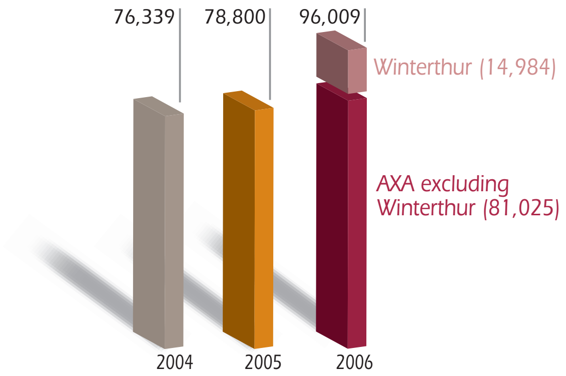



**Net asset value (per share)** [h]
(in Euro)



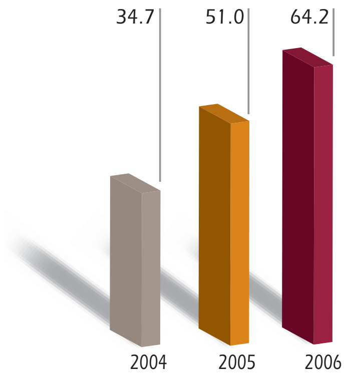

# Salaried employees

**Salaried employees** [i]
(Full Time Equivalent)




# Others

**Stock capitalization as at December, 31** [j]
(in Euro billion)




*(g) Please refer to (g) in prior page.*
*(h) Excluding unrealized gains on AllianceBernstein.*
*(i) Personnel of non-consolidated companies accounted for using the equity method are not included in the above graph. Personnel of companies proportionally consolidated are included, pro-rata, in accordance with the percentage of consolidation. Please refer to page 462 for further details.*
*(j) Number of ordinary share outstanding * Share price as at December 31.*

# RATINGS

| | Agency |
|---|---|
| **Insurer Financial Strength Ratings** | |
| The Company's principal insurance subsidiaries | Standard & Poor's |
| | Moody's |
| | Fitch Ratings |
| **Ratings of the Company's Long Term and Short Term Debt** | |
| Senior Debt | Standard & Poor's |
| | Moody's |
| | Fitch Ratings |
| Short Term Debt | Standard & Poor's |
| | Moody's |
| | Fitch Ratings |

| Date | Rating | Outlook |
| --- | --- | --- |
| | | |
| 26/01/2007 | AA- | Stable |
| 11/09/2006 | Aa3 | Stable |
| 22/12/2006 | AA | Stable |
| | | |
| 26/01/2007 | A | |
| 11/09/2006 | A2 | |
| 22/12/2006 | A+ | |
| 26/01/2007 | A-1 | |
| 11/09/2006 | P-1 | |
| 22/12/2006 | F-1 | |



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# CORPORATE GOVERNANCE

Implementing sound corporate governance principles has been a priority at AXA for many years. Because its stock is publicly traded on the New York Stock Exchange, AXA is subject to the Sarbanes-Oxley Act, which was adopted in the United States in 2002. Accordingly, AXA has made various adjustments necessary to bring the Company into compliance with the Act. AXA has also reviewed its rules of corporate governance in light of the recommendations contained in the Bouton Report and the relevant sections of the French Financial Security Act *(Loi de Sécurité Financière)* of August 1st, 2003.

## Governance Structure: Management Board and Supervisory Board

A Management Board and a Supervisory Board have governed AXA since 1997. This form of corporate governance, which separates the powers of management from those of supervision, is considered to offer one of the most balanced frameworks for exercising corporate power.

An Executive Committee assists the Management Board in the performance of its duties. In addition, the Supervisory Board has established four special-purpose Committees.

### Supervisory Board

The developments below on the "Supervisory Board" and "Supervisory Board Committees" correspond to the first part of the Supervisory Board Chairman's Report on the conditions under which the Board's work is prepared and organized, which was prepared in accordance with the French Financial Security Act of August 1st, 2003. The second part, which concerns internal control procedures, follows this section on Corporate Governance.

**Role and powers**

The Supervisory Board oversees the management of the Company and reports to the shareholders. The Supervisory Board appoints and dismisses the Chairman and members of the Management Board and supervises executive management of the Company.

Article 12 of the Company's Bylaws, and the Supervisory Board's own internal regulations, specify that, in light of its enhanced supervisory power with respect to matters of particular concern to the shareholders, the following transactions or issues require the prior consent of the Supervisory Board:

- the issuance of securities with a direct or indirect claim on the equity capital of the Company;
- proposed share buyback programs submitted to a vote of the shareholders assembled in an ordinary meeting;
- financing operations that may have a material impact on the Company's financial position;
- any contemplated acquisition;
- agreements to form strategic partnerships;
- the setting up of any stock option plans or the granting of any free allotments of shares for employees of the Company, as well as for employees and officers of related parties, as well as the granting of stock options or free allotments of shares to members of the Management Board of the Company;
- proposals to amend the Company's Bylaws submitted to a vote of the shareholders in an extraordinary meeting;
- appropriations of earnings and dividends for the previous year proposed to shareholders in an ordinary meeting;
- interim and final dividend payment dates.

Executive compensation includes a fixed and a variable component. The fixed component is targeted to fall within the lower quartile of the market. The variable component is tied to AXA's global performance, local performance, and the attainment of the executive's individual objectives, weighted to reflect his or her level of responsibility. The variable portion is designed to represent the principal component of the executive's annual global compensation such that, in the case of successful attainment of the objectives, the compensation levels of AXA executives will be in the third or fourth quartile of the going market rate.

The compensation of Management Board members is fixed by the Supervisory Board, based on the Compensation Committee's recommendation.

**Operating procedures and activity**
The guidelines governing the operation, organization and compensation of the Supervisory Board and its Committees are contained in its Rules of Procedures.

The Supervisory Board meets at least five times a year.

In 2006, the Supervisory Board met 8 times, of which one meeting was an entire day devoted to examination of the Group strategy, and the overall attendance rate was 84%.

Its members receive documentation concerning matters to be reviewed prior to each meeting, generally eight days in advance.

This documentation always includes information on:
– the Group's operations, as presented in the Management Board's quarterly report, a press review and a stock price performance report;
– reports on Committee meetings that have been held since the last Supervisory Board meeting.

In addition to the agenda, this documentation may also include information on issues pertaining to the Group's operations (e.g. a presentation on a particular operating Company's strategy and priorities) or a presentation on a particular subject (e.g. the brand, a transversal project...).

Accordingly, the Group's principal managers may be invited to take part in Board meetings from time to time to present their business area, their objectives and their results.

Training courses and special meetings are organized for members of the Supervisory Board as needed. Certain members of the Supervisory Board have requested and received training in the Group's various business areas and have attended presentations on specific Group companies.

Members of the Supervisory Board are required to own at least the number of shares called for in the Bylaws of the Company (100 shares). In addition, to ensure that their interests and those of the Group are aligned, members of the Supervisory Board are required to own shares in the Company, the value of which must be at least equal to the amount of directors' fees they receive in the course of any given year.

**Composition**
On December 31, 2006, the Supervisory Board had 14 members, elected by the shareholders. Currently, 4 members of the Supervisory Board are not French nationals.

At the Company's Annual General Meeting on May 4, 2006, the shareholders elected Mr. Norbert Dentressangle as a member of the Supervisory Board for a term of four years.

Supervisory Board members are selected on the basis of their acknowledged competence and experience, as well as their ability to work together and become actively involved in the supervision of a Group like AXA.

The Board makes a special effort to assess the independence of each Supervisory Board member with respect to the Management Board and the Company.

Acting on the recommendation of its Selection, Ethics, Governance and Human Resources Committee, the Supervisory Board has assessed the independence of all of its members on the basis of the recommendations contained in the Bouton Report on corporate governance in publicly traded companies and, for the members of the Audit Committee, on the basis of the criteria set forth in the Sarbanes-Oxley Act.

On December 31, 2006, 10 out of the 14 Supervisory Board members met the independence criteria based on the recommendations of the Bouton Report: Messrs Léo Apotheker, Jacques de Chateauvieux, David Dautresme, Norbert Dentressangle, Anthony Hamilton, Henri Hottinguer, Henri Lachmann, Gérard Mestrallet, Mrs Dominique Reiniche and Mr. Ezra Suleiman.

At the date of this Report, the Supervisory Board has taken the required measures to ensure that all the members of the Audit Committee would meet the independence criteria set forth in the Sarbanes-Oxley Act.

In the following pages of the document, in the absence of precision, the notion of independence will be interpreted on the basis of the recommendations contained in the Bouton Report.

### Composition of the Supervisory Board on December 31, 2006

| Name (age) and (Office presently held) | Principal occupation (as of December 31, 2006) | Principal business address | First appointment / term of office |
|---|---|---|---|
| Claude Bébéar (71) (Chairman of the Supervisory Board) | Chairman of the Supervisory Board of AXA | AXA 25, avenue Matignon 75008 Paris | June 1988 / 2008 AGM |
| Jean-René Fourtou (67) (Vice-Chairman of the Supervisory Board) | Chairman of the Supervisory Board of Vivendi | Vivendi 42, avenue de Friedland 75008 Paris | April 1990 / 2007 AGM |
| Léo Apotheker (53) (1) (Member of the Supervisory Board) | President Customer Solutions & Operations, Member of the Executive Committee of SAP AG. | SAP 141, bd Haussmann 75008 Paris | February 2005 / 2007 AGM |
| David Dautresme (73) (1) (Member of the Supervisory Board) | Senior Advisor, Lazard Frères. | Lazard Frères 121, bd Haussmann 75008 Paris | April 1990 / 2007 AGM |
| Norbert Dentressangle (52) (1) (2) (Member of the Supervisory Board) | Chairman and Chief Executive Officer of Financière Norbert Dentressangle | Groupe Norbert Dentressangle Beausemblant – BP 98 26241 Saint-Vallier-sur-Rhône Cedex | May 2006 / 2010 AGM |
| Jacques de Chateauvieux (56) (1) (Member of the Supervisory Board) | Chairman and Chief Executive Officer of BOURBON | BOURBON 33, rue du Louvre 75002 Paris | April 2005 / 2009 AGM |
| Anthony Hamilton (65) (1) (Member of the Supervisory Board) | Non-executive Chairman of AXA UK Plc (United Kingdom) and AXA Equity and Law (United Kingdom) | AXA UK PLC 5 Old Broad Street London EC2N 1AD UK | January 1996 / 2009 AGM |
| Henri Hottinguer (72) (1) (Member of the Supervisory Board) | Chairman and Chief Executive Officer of Sofibus | Financière Hottinguer 43, rue Taitbout 75009 Paris | June 1988 / 2007 AGM |
| Henri Lachmann (68) (1) (Member of the Supervisory Board) | Chairman of the Supervisory Board of Schneider Electric | Schneider Electric 43-45, bd Franklin Roosevelt 92500 Rueil-Malmaison | May 1996 / 2009 AGM |
| Gérard Mestrallet (58) (1) (Member of the Supervisory Board) | Chairman and Chief Executive Officer of Suez | Suez 16, rue de la Ville-l'Evêque 75008 Paris | January 1997 / 2007 AGM |

*(1) Independent.*
*(2) Appointed by the shareholders on May 4, 2006.*

| Name (age) and (Office presently held) | Principal occupation (as of December 31, 2006) | Principal business address | First appointment / term of office |
|---|---|---|---|
| Michel Pébereau<br>(65)<br>(Member of the Supervisory Board) | Chairman of the Board of Directors of BNP Paribas | BNP Paribas<br>3, rue d'Antin<br>75002 Paris | January 1997 /<br>2009 AGM |
| Mrs Dominique Reiniche<br>(51) [1]<br>(Member of the Supervisory Board) | Chairman Europe of The Coca-Cola Company | The Coca-Cola Company,<br>Groupe Europe<br>27, rue Camille Desmoulins<br>92784 Issy-les-Moulineaux<br>Cedex 9 | April 2005 /<br>2009 AGM |
| Ezra Suleiman<br>(65 ) [1]<br>(Member of the Supervisory Board) | Professor of Politics and Chair of the Committee for European Studies, Princeton University (United States) | EPS/PIIRS<br>Aaron Burr Hall<br>Princeton University<br>Princeton, N.J. 08544<br>USA | April 2003 /<br>2007 AGM |
| Jacques Tabourot<br>(61)<br>(Member of the Supervisory Board, representing the employee shareholders) | Member of the Supervisory Board,<br>representing the employee shareholders | AXA<br>25, avenue Matignon<br>75008 Paris | April 2004 /<br>2008 AGM |

*(1) Independent.*

In addition, Mr. Jean-Martin Folz (60) is expected to be elected for a 4-year term at the Annual General Meeting of May 14, 2007, replacing Mr. Henri Hottinguer, whose term had expired at the close of this meeting. He was Chairman of the PSA Peugeot Citroën Group from October 1997 to February 2007. He is currently director of different companies.

Mr. Giuseppe Mussari (44) is also expected to be elected for a 4-year term at the Annual General Meeting of May 14, 2007, replacing Mr. David Dautresme whose term had expired at the close of this meeting. His mandates include Chairman of the Board of Banca Monte dei Paschi di Siena (BMPS) and director of Sansedoni S.p.A.

Messrs Jean-René Fourtou, Léo Apotheker, Gérard Mestrallet and Ezra Suleiman are expected to be re-elected for a 4-year term at the Annual General Meeting of May 14, 2007.

## Positions held by members of the Supervisory Board over the last 5 years

| Name Present principal occupation or employment | First appointment | Term of office | 2006 |
|---|---|---|---|
| Claude Bébéar<br>Chairman of the Supervisory Board of AXA | June 1988 | 2008 AGM | **Chairman of the Supervisory Board:** AXA<br>**Director or member of the Supervisory Board:**<br>AXA Assurances IARD Mutuelle,<br>AXA Assurances Vie Mutuelle,<br>BNP Paribas and Vivendi<br>**Non voting member of the Board:** Schneider Electric |
| Jean-René Fourtou<br>Vice-Chairman of the Supervisory Board of AXA<br>Chairman of the Supervisory Board of Vivendi | April 1990 | 2007 AGM | **Vice-Chairman of the Supervisory Board:** AXA<br>**Chairman of the Supervisory Board:** Vivendi and Groupe Canal+<br>**Director or member of the Supervisory Board:** Sanofi-Aventis,<br>Cap Gemini, AXA Millésimes (SAS),<br>Maroc Telecom (Morocco),<br>NBC Universal Inc. (United States) and<br>Nestlé (Switzerland) |
| Léo Apotheker<br>President Customer Solutions & Operations<br>Member of the Executive Committee of SAP AG | February 2005 | 2007 AGM | **President Customer Solutions & Operations, Member of the Executive Committee:** SAP AG<br>**Director or member of the Supervisory Board:**<br>AXA, SAP America, Inc. (United States),<br>SAP Global Marketing Inc. (United States),<br>SAP Asia Pte. Ltd (Singapore),<br>JAPAN Co., Ltd (Japan),<br>SAP FRANCE S.A., S.A.P. ITALIA Sistemi, applicazioni, prodotti in data processing s.p.a. (Italy), SAP Hellas “Systems Application and Data Processing S.A.” (Greece) and SAP (Beijing) Software System Co., Ltd (China) |
| David Dautresme<br>Senior Advisor Lazard Frères | April 1990 | 2007 AGM | **Senior Advisor:** Lazard Frères<br>**Managing Partner:** DD Finance<br>**Vice-Chairman of the Supervisory Board:** Club Méditerranée<br>**Director or member of the Supervisory Board:** AXA, Fimalac<br>**Non-voting member of the Board:** EURAZEO |
| Norbert Dentressangle<br>Chairman and Chief Executive Officer of Financière Norbert Dentressangle | May 2006 | 2010 AGM | **Chairman and Chief Executive Officer:** Financière Norbert Dentressangle<br>**Chairman of the Supervisory Board:** Groupe Norbert Dentressangle<br>**Chairman:** Financière de Cuzieu (SAS)<br>**Chief Executive Officer:** SOFADE (SAS)<br>**Director or member of the Supervisory Board:**<br>AXA, SEB, SOGEBAIL, FINAIXAM<br>**Permanent Representative:** Financière Norbert Dentressangle to the Board of Financière Egnatia |

| 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Chairman of the Supervisory Board:** AXA<br>**Director:** AXA Assurances IARD Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle, BNP Paribas and Vivendi Universal<br>**Non-voting member of the Board:** Schneider Electric | **Chairman of the Supervisory Board:** AXA<br>**Chairman and Chief Executive Officer:** FINAXA<br>**Director:** AXA Assurances IARD Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle, BNP Paribas and Vivendi Universal<br>**Non-voting member of the Board:** Schneider Electric | **Chairman of the Supervisory Board:** AXA<br>**Chairman and Chief Executive Officer:** FINAXA<br>**Director:** AXA Assurances IARD Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle, BNP Paribas and Vivendi Universal | **Chairman of the Supervisory Board:** AXA<br>**Chairman and Chief Executive Officer:** FINAXA<br>**Director:** AXA Assurances IARD Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle, Schneider Electric, BNP Paribas and Vivendi Universal |
| **Vice-Chairman of the Supervisory Board:** AXA<br>**Chairman of the Supervisory Board:** Vivendi Universal and Groupe Canal+<br>**Director or member of the Supervisory Board or member of the Management Committee:** Maroc Telecom (Morocco), NBC Universal Inc. (USA), Sanofi-Aventis, Cap Gemini | **Vice-Chairman of the Supervisory Board:** AXA<br>**Chairman and Chief Executive Officer:** Vivendi Universal<br>**Chairman of the Supervisory Board:** Groupe Canal+<br>**Director:** Sanofi-Aventis and Cap Gemini | **Vice-Chairman of the Supervisory Board:** AXA<br>**Chairman and Chief Executive Officer:** Vivendi Universal<br>**Chairman of the Supervisory Board:** Groupe Canal+<br>**Director:** Aventis and Cap Gemini | **Vice-Chairman of the Supervisory Board:** AXA<br>**Chairman and Chief Executive Officer:** Vivendi Universal<br>**Chairman of the Supervisory Board:** Vivendi Environnement and Groupe Canal+<br>**Vice-Chairman of the Management Board:** AXA Assurances IARD Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle<br>**Chief Executive Officer:** USI Entertainment Inc. (United States)<br>**Director:** Aventis, Cap Gemini, EADS (The Netherlands), USA Interactive (United States) |
| **President Customer Solutions & Operations, Member of the Executive Committee:** SAP AG<br>**Directors:** SAP America, Inc. (United States), SAP Global Marketing Inc. (United States), SAP Asia Pte. Ltd (Singapore), SAP JAPAN Co., Ltd (Japan), SAP FRANCE S.A., S.A.P. ITALIA Sistemi, applicazioni, prodotti in data processing s.p.a. (Italy), SAP Hellas "Systems Application and Data Processing S.A." (Greece), SAP (Beijing) Software System Co., Ltd (China), Ginger S.A. | **Chairman, Global Field Operations:** SAP<br>**Director:** SAP America, Inc. (United States), SAP Global Marketing Inc. (United States), SAP Asia Pte. Ltd (Singapore), SAP JAPAN Co., Ltd (Japan), SAP FRANCE S.A., S.A.P. ITALIA Sistemi, applicazioni, prodotti in data processing s.p.a. (Italy), SAP Hellas Systems Application and Data Processing S.A. (Greece), SAP (Beijing) Software System Co., Ltd (China), Enigma Inc. (United States) | **Chairman, Global Field Operations:** SAP<br>**Director:** SAP FRANCE S.A., S.A.P. ITALIA Sistemi, applicazioni, prodotti in data processing s.p.a. (Italy), SAP Hellas Systems Application and Data Processing S.A. (Greece), SAP America, Inc. (United States), SAP JAPAN Co., Ltd (Japan), SAP Manage Ltd (Israel), SAP Global Marketing Inc. (United States) | **Chairman, Global Field Operations:** SAP<br>**Director:** SAP Systems Integration AG (Germany), SAP FRANCE S.A., SAP Finland Oy (Finland), SAP Svenska Aktiebolag (Sweden), S.A.P. ITALIA Sistemi, applicazioni prodotti in data processing s.p.a. (Italy), SAP Hellas Systems Application and Data Processing S.A. (Greece), SAP America, Inc. (United States), SAP JAPAN Co., Ltd (Japan), SAP Danmark A/S (Denmark), SAP Manage Ltd (Israel) |
| **Senior Advisor:** Lazard Frères<br>**Managing Partner:** DD Finance<br>**Chairman of the Supervisory Board:** Club Méditerranée<br>**Director:** Casino, Fimalac<br>**Non-voting member of the Board:** EURAZEO | **Senior Advisor:** Lazard Frères<br>**Managing Partner:** DD Finance<br>**Chairman of the Supervisory Board:** Club Méditerranée<br>**Director:** Casino, Fimalac<br>**Non-voting member of the Board:** Groupe Go Sport, Lazard Frères Banque, EURAZEO | **Senior Advisor:** Lazard Frères<br>**Managing Partner:** DD Finance<br>**Chairman:** Montech Expansion (United States)<br>**Director:** Club Méditerranée, Casino, Rue Impériale, Fimalac<br>**Non-voting member of the Board:** Groupe Go Sport, Lazard Frères Banque | **Senior Advisor:** Lazard Frères<br>**Director:** Parande Développement (Groupe Euris)<br>**Director:** Lazard Frères Banque, Club Méditerrannée, Casino, Rue Impériale<br>**Non-voting member of the Board:** Groupe Go Sport |
| **Chairman and Chief Executive Officer:** Financière Norbert Dentressangle<br>**Chairman of the Supervisory Board:** Groupe Norbert Dentressangle, FINAIXAM<br>**Chief Executive Officer:** Sofade (SAS)<br>**Director or member of the Supervisory Board:** SEB, Sogebail, Emin-Leydier (SAS), Siparex Croissance, Egnatia, Michaux Gestion SA, Lafuma, Société Nouvelle d'Alimentation Philippe Potin - SNAPP<br>**Permanent Representative:** Financière Norbert Dentressangle to the board of Financière Egnatia and to the board of Via Location | **Chairman and Chief Executive Officer:** Financière Norbert Dentressangle<br>**Chairman of the Supervisory Board:** Groupe Norbert Dentressangle, FINAIXAM<br>**Chief Executive Officer:** Sofade (SAS)<br>**Director or member of the Supervisory Board:** SEB, Sogebail, Emin-Leydier (SAS), Siparex Croissance, Egnatia, Michaux Gestion SA, Lafuma, Société Nouvelle d'Alimentation Philippe Potin - SNAPP<br>**Permanent Representative:** Financière Norbert Dentressangle to the board of Financière Egnatia and to the board of Via Location | **Chairman and Chief Executive Officer:** Financière Norbert Dentressangle<br>**Chairman of the Supervisory Board:** Groupe Norbert Dentressangle, FINAIXAM<br>**Chief Executive Officer:** Sofade (SAS)<br>**Director or member of the Supervisory Board:** SEB, Sogebail, Emin-Leydier (SAS), Siparex Croissance, Egnatia, Michaux Gestion SA, Lafuma, Société Nouvelle d'Alimentation Philippe Potin - SNAPP<br>**Permanent Representative:** Financière Norbert Dentressangle to the board of Financière Egnatia and to the board of Via Location | **Chairman and Chief Executive Officer:** Financière Norbert Dentressangle<br>**Chairman of the Supervisory Board:** Groupe Norbert Dentressangle, FINAIXAM<br>**Chief Executive Officer:** Sofade (SAS)<br>**Director or member of the Supervisory Board:** SEB, Sogebail, Emin-Leydier (SAS), Siparex Croissance, Egnatia, Michaux Gestion SA, Lafuma, Société Nouvelle d'Alimentation Philippe Potin - SNAPP<br>**Permanent Representative:** Financière Norbert Dentressangle to the board of Financière Egnatia and to the board of Via Location |

| Name Present principal occupation or employment | First appointment | Term of office | 2006 |
|---|---|---|---|
| Jacques de Chateauvieux<br>Chairman and Chief Executive Officer of BOURBON | April 2005 | 2009 AGM | **Chairman and Chief Executive Officer:**<br>BOURBON<br>**Chairman of the Supervisory Board:**<br>SAPMER, CBo Territoria, JACCAR<br>**Director or member of the Supervisory Board:**<br>AXA, VINDEMIA, INNODIS,<br>SINOPACIFIC Shipbuilding Group |
| Anthony Hamilton<br>Chairman of AXA UK Plc (United Kingdom) | January 1996 | 2009 AGM | **Non-executive Chairman:**<br>AXA UK Plc (United Kingdom) and<br>AXA Equity and Law (United Kingdom)<br>**Director or member of the Supervisory Board:**<br>AXA, AXA Financial, Inc. (United States),<br>Binley Limited (United Kingdom),<br>Tawa UK Limited (United Kingdom),<br>Club de Golf Valderrama (Spain),<br>AXA Equitable Life Insurance Company (United States),<br>MONY Life Insurance Company (United States),<br>MONY Life Insurance Company of America (United States) |
| Henri Hottinguer<br>Chairman and Chief Executive Officer of Sofibus<br>*(Société Financière pour le Financement de Bureaux et d'Usines)* | June 1988 | 2007 AGM | **Chairman and Chief Executive Officer:**<br>Sofibus<br>**Chairman of the Supervisory Board:**<br>Emba NV (The Netherlands)<br>**Chairman of the Board of Directors:**<br>Hottinger Bank & Trust Limited (Nassau, Bahamas)<br>**Chairman:** Mofipar (SAS) and<br>Hottinger & Co. Bale (Switzerland)<br>**Vice-Chairman:** Gaspee (Switzerland)<br>**Senior Chief Officer and Director:**<br>Financière Hottinguer<br>**Chief Officer of the Board of Director:**<br>Hottinger Finanz & Treuhand (Switzerland)<br>**Director or member of the Supervisory Board:**<br>AXA, AXA France IARD,<br>AXA France Vie, Intercom,<br>Hottinger International Fund (Luxemburg) and Hottinger International Asset Management (Luxemburg)<br>**Non-voting member of the board:**<br>Didot Bottin |
| Henri Lachmann<br>Chairman of the Supervisory Board of Schneider Electric | May 1996 | 2009 AGM | **Chairman of the Supervisory Board:**<br>Schneider Electric<br>**Chairman of the Board of Directors:**<br>Centre Chirurgical Marie Lannelongue<br>**Vice-Chairman and member of the Supervisory Board:** Vivendi<br>**Director or member of the Supervisory Board:** AXA,<br>AXA Assurances IARD Mutuelle,<br>AXA-ONA (Morocco),<br>Groupe Norbert Dentressangle and l'ANSA<br>**Non voting member of the Board:**<br>Fimalac and Tajan |

| 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Chairman and Chief Executive Officer:** BOURBON<br>**Chairman of the Supervisory Board:** SAPMER S.A., Cbo Territoria, JACCAR SAS<br>**Director:** VINDEMIA SAS, HAPPY WORLD FOODS, Ltd | **Chairman and Chief Executive Officer:** Groupe BOURBON<br>**Chairman:** Sapmer S.A., JACCAR SAS, Vindemia SAS<br>**Director:** Happy World Foods, Ltd | **Chairman and Chief Executive Officer:** Groupe BOURBON<br>**Chairman:** Vindemia SAS<br>**Director:** Sapmer, Happy World Foods, Ltd | **Chairman and Chief Executive Officer:** Groupe BOURBON<br>**Chairman:** Vindemia SAS, Antenne Réunion Télévision<br>**Director:** Sapmer, Happy World Foods, Ltd |
| **Chairman non executive:** AXA UK PLC (United Kingdom) and AXA Equity & Law (United Kingdom)<br>**Director or member of the Supervisory Board:** Pinault-Printemps-Redoute, Swiss Re Capital Markets Limited (United Kingdom), Binley Limited (United Kingdom), Tawa UK Limited (United Kingdom) | **Chairman:** AXA UK Plc (United Kingdom)<br>**Director or member of the Supervisory Board:** Pinault-Printemps-Redoute, Swiss Re Capital Markets Limited (United Kingdom), Binley Limited (United Kingdom), Tawa UK Limited (United Kingdom) | **Chairman:** AXA UK Plc (United Kingdom)<br>**Chairman:** Fox-Pitt, Kelton Group Limited (United Kingdom)<br>**Director or member of the Supervisory Board:** Pinault-Printemps-Redoute, Swiss Re Capital Markets Limited (United Kingdom), Binley Limited (United Kingdom), CX Reinsurance (United Kingdom) | **Chairman:** AXA UK Plc (United Kingdom)<br>**Chairman:** Fox-Pitt, Kelton Group Limited (United Kingdom), Fox-Pitt, Kelton Nominees Limited (United Kingdom)<br>**Director or member of the Supervisory Board:** Pinault-Printemps-Redoute, Fox-Pitt, Kelton Limited (United Kingdom), Swiss Re Capital Markets Limited (United Kingdom), Binley Limited (United Kingdom) |
| **Chairman and Chief Executive Officer:** Sofibus<br>**Chief Executive Officer and Director:** Financière Hottinguer<br>**Chairman of the Supervisory Board:** Emba NV (Netherlands)<br>**Chairman of the Board of Directors:** Hottinger Bank & Trust Limited (Nassau, Bahamas)<br>**Chairman:** Hottinger & Co., Bale (Switzerland)<br>**Vice-Chairman:** Gaspee (Switzerland)<br>**Chief Officer of the Board of Directors:** Hottinger Finanz & Treuhand (Switzerland)<br>**Director or member of the Supervisory Board:** Intercom, Hottinger International Fund (Luxemburg), Hottinguer International Asset Management (Luxemburg)<br>**Non-voting member of the Board:** Didot Bottin | **Chairman and Chief Executive Officer:** Sofibus<br>**Chief Executive Officer and Director:** Financière Hottinguer, Intercom, Profinor<br>**Chairman of the Supervisory Board:** Emba NV (Netherlands)<br>**Vice-Chairman:** Gaspee (Switzerland)<br>**Chief Officer of the Board of Directors:** Hottinger Finanz & Treuhand (Switzerland)<br>**Director or member of the Supervisory Board:** FINAXA, Hottinguer International Fund (Luxemburg), Hottinguer International Asset Management (Luxemburg)<br>**Non-voting member of the Board:** Didot Bottin | **Chairman and Chief Executive Officer:** Sofibus<br>**Chairman of the Supervisory Board:** Crédit Suisse Hottinguer, Emba NV (Netherlands)<br>**Chairman:** Hottinguer Capital Corp. (US)<br>**Vice-Chairman:** Gaspee (Switzerland)<br>**Managing Partner:** Hottinguer & Cie (Zurich)<br>**Senior Chief Officer and Director:** Financière Hottinguer, Intercom<br>**Director or member of the Supervisory Board:** FINAXA, Hottinguer International Fund (Luxemburg), Hottinguer International Asset Management (Luxemburg), Swiss Helvetia Fund Inc., Hottinguer US, Inc.<br>**Non-voting member of the Board:** Didot Bottin | **Chairman and Chief Executive Officer:** Sofibus<br>**Chairman of the Supervisory Board:** Crédit Suisse Hottinguer, Emba NV (Netherlands)<br>**Chairman:** Hottinguer Capital Corp. (US)<br>**Vice-Chairman:** Gaspee (Switzerland)<br>**Managing Partner:** Hottinguer & Cie (Zurich)<br>**Senior Chief Officer and Director:** Intercom<br>**Director or member of the Supervisory Board:** FINAXA, Investissement Provence SA, Hottinguer International Fund (Luxemburg), Hottinguer International Asset Management (Luxemburg), Swiss Helvetia Fund Inc., Hottinguer US, Inc.<br>**Non-voting member of the Board:** Didot Bottin |
| **Chairman and Chief Executive Officer:** Schneider Electric<br>**Chairman of the Board of Directors:** Centre Chirurgical Marie Lannelongue<br>**Director or member of the Supervisory Board:** AXA Assurances Vie Mutuelle, AXA Assurances IARD Mutuelle, AXA Courtage Assurance Mutuelle, Vivendi Universal, Groupe Norbert Dentressangle<br>**Non-voting member of the Board:** Fimalac | **Chairman and Chief Executive Officer:** Schneider Electric<br>**Director or member of the Supervisory Board:** AXA Assurances Vie Mutuelle, AXA Assurances IARD Mutuelle, AXA Courtage Assurance Mutuelle, FINAXA, Vivendi Universal, Groupe Norbert Dentressangle<br>**Non-voting member of the Board:** Fimalac | **Chairman and Chief Executive Officer:** Schneider Electric<br>**Vice-Chairman:** AXA Assurances Vie Mutuelle, AXA Assurances IARD Mutuelle, AXA Courtage Assurance Mutuelle<br>**Director or member of the Supervisory Board:** FINAXA, Vivendi Universal, Groupe Norbert Dentressangle<br>**Non-voting member of the Board:** Fimalac | **Chairman and Chief Executive Officer:** Schneider Electric<br>**Director or member of the Supervisory Board:** AXA Assurances Vie Mutuelle, AXA Assurances IARD Mutuelle, AXA Courtage Assurance Mutuelle, FINAXA, Vivendi Universal, Groupe Norbert Dentressangle |

| Name Present principal occupation or employment | First appointment | Term of office | 2006 |
|---|---|---|---|
| Gérard Mestrallet<br>Chairman and Chief Executive Officer of Suez | January 1997 | 2007 AGM | **Chairman and Chief Executive Officer:**<br>Suez<br>**Chairman of the Board of Directors:**<br>Suez Energie Services,<br>Suez Environnement,<br>Suez-Tractebel (Belgium) and<br>Electrabel (Belgium)<br>**Vice-Chairman:** Hisusa (Spain) and<br>Aguas de Barcelona (Spain)<br>**Director or member of the Supervisory Board:**<br>AXA, Saint-Gobain and<br>Pargesa Holding S.A (Switzerland) |
| Michel Pébereau<br>Chairman of the Board of Directors of BNP Paribas | January 1997 | 2009 AGM | **Chairman of the Board of Directors:**<br>BNP Paribas<br>**Director or member of the Supervisory Board:** AXA, Saint Gobain, Total,<br>Lafarge, de Banque Marocaine pour<br>le Commerce et l'Industrie (BMCI) et<br>de Pargesa Holding SA (Switzerland)<br>**Non-voting member of the Board:**<br>Galeries Lafayette |
| Mrs Dominique Reiniche<br>Chairman Europe of The Coca-Cola Company | April 2005 | 2009 AGM | **Chairman Europe:**<br>The Coca-Cola Company<br>**Member of the Supervisory Board:**<br>AXA<br>**Member:** Advisory Board of ING Direct and<br>of the Executive Committee of the MEDEF |
| Ezra Suleiman<br>Professor of Politics and Chair of the Committee<br>for European Studies, Princeton University (United States) | April 2003 | 2007 AGM | **Professor of Politics and Chair of the Committee:**<br>Université de Princeton (United States)<br>**Director or member of the Supervisory Board:**<br>AXA, AXA Financial, Inc. (United States),<br>AXA Equitable Life Insurance Company<br>(United States), MONY Life Insurance<br>Company (United States),<br>MONY Life Insurance Company<br>of America (United States)<br>**Associate Professor:**<br>Institut d'Etudes Politiques (Paris)<br>**Member of the Management Committee:**<br>Institut Montaigne et du Centre Américain,<br>Institut d'Etudes Politiques (Paris)<br>**Member of the Editorial Committee:**<br>Rédaction de Comparative Politics,<br>La Revue des Deux Mondes et Politique<br>International<br>**Member:**<br>Council on Foreign Relations (New York),<br>HEC International Advisory Board |
| Jacques Tabourot<br>Member of the Supervisory Board of AXA,<br>representing the employee shareholders | April 2004 | 2008 AGM | **Member of the Supervisory Board:**<br>AXA, representing the employee<br>shareholders |

| 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Chairman and Chief Executive Officer:**<br>Suez<br>**Chairman:** Suez Environnement, Suez-Tractebel (Belgium), Electrabel (Belgium)<br>**Vice-Chairman:** Hisusa (Spain), Sociedad General de Aguas de Barcelona (Spain)<br>**Director or member of the Supervisory Board:**<br>Compagnie de Saint-Gobain, Pargesa Holding S.A. (Switzerland) | **Chairman and Chief Executive Officer:**<br>Suez<br>**Chairman:** Suez Environnement, Suez-Tractebel (Belgium), Electrabel (Belgium)<br>**Vice-Chairman:** Hisusa (Spain) Sociedad General de Aguas de Barcelona (Spain)<br>**Director or member of the Supervisory Board:**<br>Crédit Agricole S.A., Compagnie de Saint-Gobain, Taittinger, Pargesa Holding S.A. (Switzerland) | **Chairman and Chief Executive Officer:**<br>Suez<br>**Chairman:** Suez-Tractebel (Belgium), Hisua (Spain)<br>**Vice-Chairman:** Sociedad General de Aguas de Barcelona (Spain)<br>**Director or member of the Supervisory Board:**<br>Crédit Agricole S.A., Compagnie de Saint-Gobain, Taittinger, Pargesa Holding S.A. (Switzerland), Electrabel (Belgium) | **Chairman and Chief Executive Officer:**<br>Suez<br>**Chairman:**<br>Société Générale de Belgique (Belgium), Tractebel (Belgium)<br>**Vice-Chairman:** Hisusa (Spain), Sociedad General de Aguas de Barcelona (Spain)<br>**Director or member of the Supervisory Board:**<br>Crédit Agricole S.A., Compagnie de Saint-Gobain, Taittinger, Pargesa Holding S.A. (Switzerland) |
| **Chairman of the Board of Directors:**<br>BNP Paribas<br>**Director of member of the Supervisory Board:**<br>Saint Gobain, Total, Lafarge, BNP Paribas UK (United Kingdom), Banque Marocaine pour le Commerce et l'Industrie (BMCI)<br>**Non-voting member of the Board:**<br>Galeries Lafayette | **Chairman of the Board of Directors:**<br>BNP Paribas<br>**Director of member of the Supervisory Board:**<br>Saint Gobain, Total, Lafarge, BNP Paribas UK (United Kingdom), Banque Marocaine pour le Commerce et l'Industrie (BMCI)<br>**Non-voting member of the Board:**<br>Galeries Lafayette | **Chairman of the Board of Directors:**<br>BNP Paribas<br>**Director of member of the Supervisory Board:**<br>Saint Gobain, Total, Lafarge, Dresdner Bank AG Francfort (Germany), BNP Paribas UK (United Kingdom)<br>**Non-voting member of the Board:**<br>Galeries Lafayette | **Chairman and Chief Executive Officer:**<br>BNP Paribas<br>**Director or member of the Supervisory Board:**<br>Saint Gobain, Total Fina Elf, Lafarge, Dresdner Bank AG (Germany), BNP Paribas UK (United Kingdom)<br>**Non-voting member of the Board:**<br>Galeries Lafayette |
| **Chairman Europe:**<br>The Coca-Cola Company<br>**Director:** Essilor<br>**Member:** Advisory Board of ING Direct and of the Executive Committee of the MEDEF | **Chairman:**<br>Coca-Cola Enterprises – Groupe Europe<br>**Member:** Advisory Board de ING Direct | **Chairman:**<br>Coca-Cola Enterprises – Groupe Europe | **Chairman and Chief Executive Officer:**<br>Coca-Cola Enterprise<br>**Vice-Chairman:**<br>Coca-Cola Enterprises – Groupe Europe |
| **Professor of Politics and Chair of the Committee:**<br>European Studies, Princeton University (United States)<br>**Associate Professor:**<br>Institut d'Etudes Politiques (Paris)<br>**Member of the Management Committee:**<br>Institut Montaigne, Centre Américain, Institut d'Etudes Politiques (Paris)<br>**Member of the Editorial Committee:**<br>Comparative Politics, La Revue des Deux Mondes, Politique International<br>**Member:**<br>Council on Foreign Relations (New-York), HEC International Advisory | | | |
| **Member of the Supervisory Board:**<br>AXA, representing the employee shareholders | **Member of the Supervisory Board:**<br>AXA, representing the employee shareholders | – | – |

## Expertise and experience of the Supervisory Board members

### Claude Bébéar

1958: Joined Anciennes Mutuelles, an insurance company in Rouen where he remained until 1975 working his way through various divisions of the company
1964 – 1966: Was sent on assignment to Canada where he created the life insurance division of Provinces Unies, a Canadian subsidiary of the Anciennes Mutuelles group
1975: Was appointed Chief Executive Officer of Anciennes Mutuelles (which was renamed Mutuelles Unies in 1978)
Created l'Ancienne Mutuelle de Réassurance – l'AMré – which later became AXA RE
1982: Chairman of Mutuelles Unies and Chairman of Groupe Drouot
1985: Chairman of GIE AXA at its founding
1990 – 2000: Chairman and Chief Executive Officer and Chairman of the Management Board of AXA (1997/2000)
Since May 2000: Chairman of the AXA Supervisory Board

### Jean-René Fourtou

1963: Management Consultant of Organization Bossard & Michel
1972: Chief Executive Officer of Bossard Consultants
1977: Chairman and Chief Executive Officer of Groupe Bossard
1986 – 1999: Chairman and Chief Executive Officer of Rhône-Poulenc Group which became Aventis
December 1999 – May 2002: Vice-Chairman and Chief Executive Officer of Aventis
Honorary Chairman of Aventis and member of the Supervisory Board of Aventis, and director of Sanofi-Aventis
July 2002- April 2005: Chairman and Chief Executive Officer of Vivendi Universal
Since April 2005: Chairman of the Supervisory Board of Vivendi Universal which became Vivendi in April 20, 2006

### Léo Apotheker

1978 – 1980: Senior Controller, Finance Department – Hebrew University
1980 – 1981: Operations Director – Altex GmbH
1981 – 1984: Finance Manager – S.W.I.F.T. s.c.
1984 – 1987: European Operations Director – Mc Cormack & Dodge
1988 – 1991: Chairman and Chief Executive Officer of SAP France & Belgium
1991 – 1995: Co-Founder President & Chief Executive Officer de ECSoft BV
Since 1995: SAP AG
1995 – 1997: Chairman, France
1997 – 1998: Chief Executive Officer– South West Europe
1999 – 2000: Chairman EMEA (except Germany)
2000: Chairman EMEA (Europe, Middle East and Africa)
Member of the Extended Management Board of SAP AG
April 2002: Chairman, Global Field Operations of SAP AG
Since July 2002: President, Customer Solutions & Operations
Member of the Executive Committee of SAP AG

### David Dautresme

1968 – 1982: Deputy Chief Executive Officer of Crédit Lyonnais
1982 – 1986: Chairman and Chief Executive Officer of Crédit du Nord
1986 – 2000: General Partner of Lazard Frères
Since 2001: Senior Advisor of Lazard Frères

### Norbert Dentressangle

1979: Founded the Norbert Dentressangle group, a transportation and logistics specialist, and served as its chairman until 1998. Today, he is Chairman of the Supervisory Board of the Groupe Norbert Dentressangle
Since its creation in 1988: Chairman of the Board of Directors and Chief Executive Officer of Financière Norbert Dentressangle, the family-owned holding company which, in addition to a majority stake in the Norbert Dentressangle Group, has also held equity interests in real estate, industrial and business service firms

### Jacques de Chateauvieux

1975 – 1977: Management auditor – Union des Transports Aériens (U.T.A.)
1977 – 1979: Consultant – Boston Consulting Group in Paris
Since 1979: Chairman and Chief Executive Officer of BOURBON

### Anthony Hamilton

1968 – 1978: Worked in London and New York for the investment bankers Schroders, Morgan Grenfell, and Wainright
1978: Joined Fox-Pitt, Kelton – Chief Executive Officer 1994 – 2003
1993: Non-executive Director of AXA Equity and Law, (Chairman, 1995)
1997: Non-executive Director of AXA UK
1999 – 2003: Product Unit Head of Swiss Re
End of 2004: Resignation as a Director of Fox-Pitt, Kelton Group Ltd (UK) and of Fox-Pitt, Kelton Limited (UK)
Since September 2000: Chairman of AXA UK plc

### Henri Hottinguer

1962: Joined the Banque Hottinguer
1965: Was appointed *Associé-Gérant* of the bank then was appointed Chairman or director of various companies

**1982 – 1987:** Chairman and Chief Executive Officer of Compagnie Financière Drouot
**March 1990:** Chairman and Chief Executive Officer of the banque Hottinguer
**End of 1997/December 2004:** Chairman of the Supervisory Board of Crédit Suisse Hottinguer
**Since 1969:** Chairman and Chief Executive Officer of Sofibus *(Société Financière pour le Financement de Bureaux et d'Usines)*

**Henri Lachmann**
**1963:** Began his carreer with the international consulting firm Arthur Andersen
**1970:** Joined the Compagnie Industrielle et Financière de Pompey
**1976:** Chief Executive Officer of the Compagnie Industrielle et Financière de Pompey
**1981 – 1998:** Chairman and Chief Executive Officer of Financière Strafor, which later became Strafor Facom
**Since 1996:** Director of Schneider Electric SA and member of the Schneider Electric Supervisory Board (since May 2006)
**February 1999 – May 2006:** Chairman and Chief Executive Officer of Schneider Electric SA
**Since May 2006:** Chairman of the Supervisory Board of Schneider Electric SA

**Gérard Mestrallet**
**1984:** Joined Compagnie de Suez as Vice-President, Special Projects
**1986:** Executive Vice-President Industry
**February 1991:** Executive Director and Chairman of the Management Committee of Société Générale de Belgique
**1995:** Chairman and Chief Executive Officer of Compagnie de Suez
**June 1997:** Chairman of the Management Board of Suez Lyonnaise des Eaux
**Since May 4, 2001:** Chairman and Chief Executive Officer of Suez

**Michel Pébereau**
**1967:** Auditor at the Treasury
**1970 – 1974:** Project leader and then Adviser to the Cabinet of the Finance Minister (Valéry Giscard d'Estaing)
**1971 – 1982:** Project leader, and then, sub-Manager, Assistant Manager and Head of the public revenue Department of the Finance Ministry
**1978 – 1981:** Head of the Finance Minister's Cabinet (René Monory) then Project leader to the Minister
**1982 – 1987:** Chief Executive Officer of Crédit Commercial de France
**1987 – 1993:** Chairman and Chief Executive Officer of Crédit Commercial de France
**1993 – 2000:** Chairman and Chief Executive Officer of Banque Nationale de Paris
**2000 – 2003:** Chairman and Chief Executive Officer of BNP Paribas
**Since 2004:** Chairman of the Board of Directors of de BNP Paribas

**Mrs Dominique Reiniche**
**1978 – 1981:** Assistant Product Manager – Procter & Gamble
**1981 – 1983:** Product Manager - Procter & Gamble
**1983 – 1986:** Associate Advertising Manager – Procter & Gamble
**1986 – 1992:** Marketing & Strategy Manager – Kraft Jacobs Suchard
**1992 – 1994:** Marketing & "Compte-clé" Manager – Coca-Cola Entreprise
**1994 – 1997:** Commercial & Operational Marketing Manager – Coca-Cola Entreprise
**1997 – 1998:** Assistant Chief Executive Officer – Coca-Cola Entreprise
**1998 – 2002:** Chairman and Chief Executive Officer – Coca-Cola Entreprise
**2002 – 2003:** Vice-Chairman of Coca Cola Enterprises – Groupe Europe
**2003 – 2005:** Chairman of Coca-Cola Enterprises – Groupe Europe
**Since May 2005:** Chairman Europe of The Coca-Cola Company

**Ezra Suleiman**
**1973 – 1979:** Professor at the University of California, Los Angeles
**Since September 1979:** Professor of Political Sciences at the University of Princeton (IBM chair)

**Jacques Tabourot**
**1972 – 1978:** Auditor to Deloitte, then Frinault Fiducaire
**1978 – 1986:** Assistant to the accounting Manager then Accountant Manager of Secours
**1986 – 2003:** In charge of the AXA consolidation then the Manager of the Accounting Department of AXA Group
**Since April 1, 2003:** *Cadre de réserve* of AXA
**1990 – 2005:** Lecturer for masters in banking and finance at Université Panthéon-Assas Paris II
**Since April 2004:** Member of the AXA Supervisory Board, representing the employee shareholders

**Service contracts between the AXA Group and members of the Supervisory Board**

Mr. Jacques Tabourot, employee shareholder representative at the Supervisory Board, is bound to the AXA Group by a contract with the GIE AXA as a *"Cadre de réserve".*

**Self-review of the Supervisory Board activity**

The Supervisory Board understands the importance of self-review.

In addition to the ongoing dialogue between members concerning Supervisory Board operations, the Supervisory Board has conducted each year since 2002 its annual self-review. This process involves individual interviews and a specially devised questionnaire. Every year, the results of these assessments highlight the high quality of dialogue and discussion, both between members of the Board and with Group executives, in particular those who serve on the Management Board, as well as the efficiency of meetings of the Board and its sub-Committees.

In early 2007, the members of the Supervisory Board once again stressed, in their responses to the questionnaire, how well the Supervisory Board functioned in 2006 and its continuous improvement. They also stated that the subjects discussed were relevant and of strategic interest, and noted the quality of the presentations, the clarity of communications with the Management Board and the constructive nature of discussions.

## Supervisory Board Committees

The Board benefits from the work of the Audit Committee, the Finance Committee, the Selection, Ethics, Governance and Human Resources Committee as well as the Compensation Committee.

Each Committee issues opinions, proposals and recommendations and is empowered to undertake or commission studies on subjects to be presented to the Supervisory Board. Each Committee may invite outside participants to attend its meetings. Committee Chairmen report on completed Committee work at the next scheduled Supervisory Board meeting.

The role, organization and operating procedures of each Committee are set forth in the Supervisory Board's Rules of Procedures.

**Audit Committee**

On December 31, 2006, the Audit Committee had four members having either finance or accounting expertise, all of whom would be considered independent according to the criteria contained in the Bouton report and in the Sarbanes-Oxley Act. They were Messrs David Dautresme (Chairman), Anthony Hamilton, Henri Lachmann and Ezra Suleiman.

On April 11, 2006, Mr. Jacques de Chateauvieux left this Committee.

The Audit Committee met 8 times in 2006. The overall attendance rate was 71%.

Under the Rules of Procedure *("Règlement Intérieur")* of the Supervisory Board and the Charter of the Audit Committee approved by the Supervisory Board, the Committee's missions are as follows:

– To review the Company's interim and annual financial statements before they are presented to the Supervisory Board, as well as examine some of the financial disclosures released by the Company.
– To control the appointment, compensation, and replacement of, and oversee, the external auditors of the Group and, where legally permissible, its subsidiaries and review audit programs, findings and recommendations, as well as any actions taken in light of these recommendations; the Committee works with the Management Board and Group Internal Audit to review the Internal Audit Guidelines (for subsidiaries) and the structure of internal audit operations; it assesses the independence of Statutory Auditors by examining their relationships with the AXA Group and, in particular, by examining all fees for audit services, audit related services and any other services; it supervises the subject and performance of outside audits when the assignment does not pertain to

financial statement audits (in particular support for the implementation of new accountings standards); it reviews the appointment and replacement of Statutory Auditors for Group subsidiaries; and the Audit Committee also may be asked by the Management Board or the Statutory Auditors to examine matters or events that expose the AXA Group to a significant risk.
– To review the accounting rules in force at AXA, and review any proposed changes in method, policy or principle.
– To review the program and aims of AXA's Internal Audit Department, as well any findings or reports issued by this Department or by outside audit firms. It may commission internal or external audits as needed and monitors the execution of internal controls.
– To notify Company management and, if it deems necessary, the shareholders, of any issue likely to have a material impact on the Group's net worth or financial condition.
– To consider any matter it deems necessary, and report the findings to the Supervisory Board.

The external auditors of the Group, the Chief Financial Officer, the accounting Manager as well as the Internal Audit regularly take part in the Committee's sessions.

For the fulfilment of its missions, the Committee may request external consulting expertise as required.

**Finance Committee**
The Finance Committee had four members on December 31, 2006, one of whom met the independence criteria: Messrs Claude Bébéar (Chairman), Henri Lachmann, Michel Pébereau and Jacques Tabourot.

The Committee met 4 times in 2006. The global attendance rate was 88%.

The Finance Committee:
– examines the Group's financial structure and reviews the broad outlines governing AXA's asset management policy;
– examines plans to sell real-estate or equity interests whose appraised value exceeds the authorizations granted to the Management Board by the Supervisory Board;
– reviews all material financial transactions involving AXA that are put forth by the Management Board;
– examines all acquisition plans over €500 millions.

**Selection, Ethics, Governance and Human Resources Committee**
The Selection, Ethics, Governance and Human Resources Committee had four members on December 31, 2006, including two independent members: Messrs Jean-René Fourtou (Chairman), Gérard Mestrallet, Michel Pébereau and Ezra Suleiman.

The Committee met 4 times in 2006. The global attendance rate was 88%.

The Selection, Ethics, Governance and Human Resources Committee:
– formulates recommendations to the Supervisory Board on appointments to the Supervisory Board or the Management Board, including their respective Chairmen and Vice-Chairmen, as well as on all appointments to the Supervisory Board's special-purpose Committees, including their respective Chairmen;
– also makes suggestions to the Supervisory Board regarding the succession plan of the Management Board members, and is informed of the succession plans of the Group's main managers;
– is notified of the appointments of AXA's main executive officers, in particular members of the Executive Committee;
– is notified of AXA's strategy in terms of Human Resources management.

**Compensation Committee**
The Compensation Committee had four independent members on December 31, 2006: Messrs Henri Hottinguer (Chairman), David Dautresme, Anthony Hamilton and Gérard Mestrallet.

On February 27, 2006, Mr. Jean-René Fourtou left this Committee.

The Committee met 3 times in 2006. The global attendance rate was 77%.

The Compensation Committee:
- makes recommendations to the Supervisory Board on compensation levels for Management Board members, on the amount of directors' fees to be submitted to a vote by the shareholders, and on proposed stock options grants to members of the Management Board;
- examines the performance of the Management Board members and gives an account of his conclusions to the Supervisory Board;
- issues an opinion on Management Board recommendations related to the policies and procedures governing executive pay and the Company's proposed stock option grants to employees;
- is informed by the Management Board of compensation levels set by the boards of AXA Group subsidiaries.

## Management Board

### Composition and operating procedures

The Management Board is the Company's collegial decision-making body.

The Management Board holds weekly meetings to discuss Group strategy and operations.

It operates in accordance with a set of Rules of Procedures.

Acting on the recommendation of its Selection, Ethics, Governance and Human Resources Committee, the Supervisory Board appointed, during its October 11, 2006 meeting, Mr. Alfred Bouckaert as a member of the AXA Management Board.

The AXA Management Board now has 6 members and who will serve for a 3-year term expiring on October 11, 2009.

Each Management Board member is assigned responsibility for a specific aspect of Company management.

The members of the Management Board are:
- Henri de Castries (52), Chairman.
- Alfred Bouckaert (60), Chief Executive Officer for Northern, Central and Eastern Europe.
- Claude Brunet (49), in charge of Transversal Operations, Human Resources, Brand and Communication,
- Christopher Condron (59), President and Chief Executive Officer of AXA Financial, Inc. (United States).
- Denis Duverne (53), Chief Financial Officer,
- François Pierson (59), Chairman and Chief Executive Officer of AXA France, responsible for Large Risks, Assistance and AXA Canada.

Members of the Management Board devote their time exclusively to the management of the Group.

## Positions held by the Management Board members within Group subsidiaries

| Member of the Management Board | Position within Group Subsidiaries |
|---|---|
| Henri de Castries - Chairman | **Chairman of the Management Board:** AXA *<br>**Chairman of the Board of Directors:**<br>AXA Assurances Iard Mutuelle<br>AXA Assurances Vie Mutuelle<br>AXA Financial, Inc. (United States)<br>**Director or member of the Supervisory Board:**<br>AXA France IARD<br>AXA France Vie<br>AXA UK Plc (United Kingdom)<br>AllianceBernstein Corporation (United States)<br>AXA Equitable Life Insurance Company (United States)<br>AXA Belgium (Belgium)<br>AXA Holdings Belgium (Belgium)<br>AXA America Holdings Inc. (United States)<br>MONY Life Insurance Company (United States)<br>MONY Life Insurance Company of America (United States) |
| Alfred Bouckaert | **Member of the Management Board:** AXA *<br>**Managing Director:**<br>AXA Holdings Belgium (Belgium)<br>AXA Belgium (Belgium)<br>**Chairman of the Board of Directors:**<br>AXA Luxembourg (Luxembourg)<br>AXA Assurances Luxembourg SA (Luxembourg)<br>AXA Assurances Vie Luxembourg (Luxembourg)<br>AXA Participations Belgium (Belgium)<br>AXA Bank Belgium (Belgium)<br>L'Ardenne Prévoyante (Belgium)<br>Viaxis (Belgium)<br>**Chairman Managing Director:**<br>Royale Belge Investissments (Belgium)<br>**Director or member of the Supervisory Board:**<br>Servis (Belgium)<br>Servis-Life (Belgium)<br>Contere (Luxembourg)<br>AXA Nederland BV (Netherlands)<br>AXA Verzekeringen (Netherlands)<br>AXA Konzern AG (Germany)<br>AXA Bank AG (Germany)<br>AXA ART Versicherung AG (Germany)<br>Consuco (Belgium)<br>De Waere (Belgium) |
| Claude Brunet | **Member of the Management Board:** AXA *<br>**Chairman:** AXA Technology Services (SAS)<br>**Chairman of the Management Board:** GIE AXA Université<br>**Director or member of the Supervisory Board:**<br>AXA Group Solutions<br>GIE AXA Group Solutions<br>AXA Japan Holding Co., Ltd (Japan)<br>AXA Aurora Ibérica S.A. de Seguros y Reaseguros (Spain)<br>AXA Aurora Vida S.A. de Seguros y Reaseguros (Spain)<br>AXA Aurora S.A. (Spain)<br>AXA Business Services (India)<br>**Permanent representative:** of AXA to the board of AXA Cessions |

** Mandates concerned by the accumulaion rules (pursuant to the provisions of the French Company Code).*

| Member of the Management Board | Position within Group Subsidiaries |
|---|---|
| Christopher Condron | **Member of the Management Board:** AXA *<br>**Director, "President" and Chief Executive Officer:**<br>AXA Financial, Inc. (United States)<br>**Director, Chairman of the Board, "President" and Chief Executive Officer:**<br>AXA Equitable Life Insurance Company (United States)<br>AXA Financial Services, LLC (United States)<br>MONY Life Insurance Company (United States)<br>MONY Life Insurance Company of America (United States)<br>MONY Financial Services, Inc. (United States)<br>AXA Life and Annuity Company (United States)<br>AXA Distribution Holding Corporation (United States)<br>**Chairman of the Board, "President" and Chief Executive Officer:**<br>MONY Holdings, LLC (United States)<br>**Director and President:** AXA America Holdings Inc. (United States)<br>**Director, Chairman and President:** ACMC, Inc. (United States)<br>**Director and Chairman:**<br>U.S. Financial Life Insurance Company (United States)<br>Financial Marketing, Inc. (United States)<br>**Director:**<br>AllianceBernstein Corporation (United States)<br>AXA Art Insurance Corporation (United States)<br>Central Supply Corp (United States)<br>American Council of Life Insurers (ACLI) (United States)<br>KBW, Inc. (United States)<br>**Director and Member:** Financial Services Roundtable (United States)<br>**Member of the Management Committee:** AXA Technology Services (SAS)<br>**Director and Treasurer:** The American Ireland Fund (United States) |
| Denis Duverne | **Member of the Management Board:** AXA *<br>**Chairman and Chief Executive Officer:** AXA America Holdings Inc. (United States)<br>**Director or member of the Supervisory Board:**<br>AXA France IARD<br>AXA France Vie<br>AXA UK Plc (United Kingdom)<br>AXA Financial, Inc. (United States)<br>AXA Equitable Life Insurance Company (United States)<br>AllianceBernstein Corporation (United States)<br>AXA Assicurazioni (Italy)<br>AXA Italia S.p.A. (Italy)<br>AXA Belgium (Belgium)<br>AXA Holdings Belgium (Belgium)<br>MONY Life Insurance Company (United States)<br>MONY Life Insurance Company of America (United States) |
| François Pierson | **Member of the Management Board:** AXA *<br>**Chairman and Chief Executive Officer:**<br>AXA France IARD *<br>AXA France Vie *<br>**Chairman:** AXA France Assurance (SAS)<br>**Chairman of the Board of Directors:** AXA Corporate Solutions Assurance<br>**Vice-Chairman of the Board of Directors:** AXA Canada Inc. (Canada)<br>**Director:**<br>AXA Assurances IARD Mutuelle<br>AXA Assurances Vie Mutuelle<br>AXA Assurances Inc. (Canada)<br>AXA Japan Holdings Ltd (Japan)<br>AXA-ONA (Morocco)<br>**Permanent Representative:** of AXA France IARD to the board of UCAR* |

** Mandates concerned by the accumulaion rules (pursuant to the provisions of the French Company Code).*

## Expertise and experience of the Management Board members

### Henri de Castries

**1980 – 1984:** French Finance Ministry Inspection Office where he audited government agencies
**1984 – 1989:** French Treasury Department where he played an active role in several privatizations
**1989:** Joined AXA's corporate finance division
**1991:** AXA's Corporate Secretary, responsible for dealing with the legal reorganization and merger of Compagnie du Midi with and into the AXA Group
**1993 – 2000:** Senior Executive Vice President for the Group's asset management, financial and real-estate businesses. In 1994, he assumed the additional role of overseeing North American and UK operations. In 1996, he played an active role in preparing for the UAP Merger. In 1997, he was appointed Chairman of the Equitable Companies (which later became AXA Financial)
**Since May 2000:** Chairman of the AXA Management Board

### Alfred Bouckaert

**1972:** His banking career began with Chase Manhattan Bank where he held various commercial and credit posts before he became Chase's Manager of Commercial Banking for Belgium
**1984:** General Manager of Chase in Copenhagen
**1986:** General Manager and Country Manager of Chase in Belgium
**1989:** Was in charge of merging Chase's and Crédit Lyonnais's Belgian Operations further to the sale of Chase Manhattan Bank to Crédit Lyonnais France
**1994:** Head the bank's European Operations of the bank Crédit Lyonnais
**April 1999:** Became the Managing Director of AXA Royale Belge. AXA also appointed him Country Manager for the Benelux
**April 2005:** General Manager of the Region AXA Northern Europe
**Since October 2006:** Member of the AXA Management Board, Chief Executive Officer for Northern, Central and Eastern Europe

### Claude Brunet

**1988 – 2001:** Ford
**1991 – 1992:** Corporate Sales Manager of Ford Switzerland
**1992 – 1993:** Corporate Sales Manager of Ford France
**1993 – 1996:** Chairman and Chief Executive Officer of Ford Belgium
**1996 – 2001:** Chairman and Chief Executive Officer of Ford France
**April 2001:** Joined the AXA Group as a Member of the Executive Committee
**Since February 2002:** Member of the AXA Management Board, in charge of Transversal Operations, Human Resources, Brand and Communication

### Christopher Condron

**1989:** Head of the Private Client Group of The Boston Company, now Mellon Private Asset Management
**1993:** Executive Vice-President of Mellon
**1994:** Vice-Chairman of Mellon
**1995:** Assumed responsibility for The Dreyfus Corporation as Chairman and Chief Executive Officer
**1998:** President and Chief Operating Officer of Mellon Bank N.A.
**1999 – 2001:** President and Chief Operating Officer of Mellon Financial Corporation
**Since May 2001:** President and Chief Executive Officer of AXA Financial, Inc.
Chairman of the Board, President (since May 2002) and Chief Executive Officer of AXA Equitable Life Insurance Company
**Since July 2001:** Member of the AXA Management Board

### Denis Duverne

**1979 – 1984:** The French Ministry of Finance, IT service of the General Taxes Department *("Direction Générale des Impôts")*
**1984 – 1986:** Commercial counselor for the French Embassy in New-York
**1986 – 1988:** Director fo the Corporate Taxes Department for the French Ministry of Finance
**1988 – 1991:** Deputy Assistant Secretary for Tax Policy for the French Ministry of Finance
**1991 – 1992:** General Secretary of Compagnie Financière IBI
**1992 – 1995:** Member of the Executive Committee of Banque Colbert, in charge of operations
**1995:** Joined the AXA Group. Took part in the supervision of AXA's companies in the US and the UK. Has been closely involved in the reorganization process of AXA Companies in Belgium and the United Kingdom
**Since February 2003:** Member of the AXA Management Board, Chief Financial Officer

### François Pierson

**1974:** Joined AGP and became Sales Manager
**1990:** General Manager of the South-East Region of AXA Assurances and Director of Distribution in that company
**1995:** Deputy Chief Executive of AXA Assurances
**1997:** Chief Executive Officer of UAP Vie and of Alpha Assurances
**1998:** Chief Executive Officer of AXA Conseil
**1999:** Chief Executive Officer of AXA Assurances
**Since November 2001:** Member of the AXA Management Board, Chairman and Chief Executive Officer of AXA France, responsible for Large Risks, Assistance and AXA Canada

### Service contracts between the AXA Group and members of the Management Board

The French members of the Management Board (Messrs Henri de Castries, Claude Brunet, Denis Duverne, François Pierson) are employed by AXA under contract.

Messrs Christopher Condron and Alfred Bouckaert, members of the Management Board, as well also have a contract which respectively binds them to the company AXA Equitable in the United States and AXA Belgium.

## Absence of any conflicts of interests

AXA's Management organs are the Supervisory and Management Boards. The members of the Management Board do not currently hold any mandates outside the AXA Group. Certain members of the Supervisory Board, however, are executive officers and/or directors of companies that may have dealings from time to time with the AXA Group which dealings may include extensions of credit, purchases of securities (for their own account or for third parties), underwriting of securities and/or furnishing of other types of services or goods. These dealings are generally fully negotiated and effected on arm-length terms and conditions, and consequently AXA does not believe they give rise to any potential conflicts of interests between the duties to AXA of the Supervisory and Management Boards' members and their private interests and/or other duties.

On December 31, 2006, to the best of the Company's knowledge, no arrangement or understanding have been entered into with major shareholders, customers, suppliers or others pursuant to which a member of the Management Board or Supervisory Board was selected. However, in March 2007, pursuant to the agreement that has been reached between AXA and the Italian bank Banca Monte dei Paschi di Siena (BMPS) for the establishment of a long term strategic partnership in life and non-life bancassurance as well as pensions business, Mr. Giuseppe Mussari was recommended for appointment by the shareholders at their May 14, 2007 meeting to serve a four-year term.

## Absence of any conviction in relation to fraudulent offences, any official public incrimination and/or sanctions, or any responsibility in a bankruptcy for the last 5 years

To the best of the Company's knowledge, none of the members of its Management Board or Supervisory Board has been during the last 5 years (i) subject to any conviction in relation to fraudulent offences or to any official public incrimination and/or sanction by statutory or regulatory authorities, (ii) disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer, or (iii) associated as a member of the administrative, management or supervisory bodies with any company that has declared bankruptcy or been put into receivership or liquidation, provided, however, that AXA has from time to time sold, discontinued and/or restructured certain business operations and voluntarily liquidated affiliated companies in connection with these or similar transactions and certain members of AXA's Management Board and/or Supervisory Board may have been associated with other companies that have undertaken similar solvent liquidations.

## Executive Committee

The Executive Committee's principal mission is to review and execute AXA Group's strategy.

The Committee's composition reflects the structure of the AXA Group. It includes, mainly, members of the Management Board and the CEOs of the Group's principal business units.

The 14 members of the Executive Committee, including 8 non French, conduct quarterly business reviews (QBR), during which performance is reviewed. These reviews were introduced in 2000 to provide a clear and consistent framework for:

– reviewing operational performance and monitoring the progress of key projects using quantifiable standards of measurement defined in collaboration with the Management Board;

– assessing the status of Group transversal projects;

– exchanging ideas and information on key's Group strategic orientations.

## Executive Committee

| | |
|---|---|
| Jean-Raymond Abat | Chief Executive Officer of the Mediterranean region |
| Alfred Bouckaert | Member of the Management Board, Chief Executive Officer for the Northern, Central and Eastern Europe |
| Claude Brunet | Member of the Management Board, in charge of Transversal Operations, Human Resources, Brand and Communications |
| Henri de Castries | Chairman of the Management Board |
| Christopher Condron | Member of the Management Board, President and Chief Executive Officer of AXA Financial, Inc. (United States) |
| John R. Dacey (a) | Chief Executive Officer for the Japan Asia-Pacific |
| Denis Duverne | Member of the Management Board, Chief Financial Officer |
| Philippe Egger (b) | Chief Executive of Insurance activities in Switzerland |
| Frank Keuper (c) | Chief Executive Officer of AXA Konzern AG |
| Gerald Lieberman | President and Chief Operating Officer of AllianceBernstein (United States) |
| Nicolas Moreau (d) | Chief Executive Officer of AXA UK-Ireland and Chairman of Board of Directors of AXA Investment Managers |
| Andrew Penn (e) | Chief Executive Officer of AXA Asia Pacific Holdings |
| François Pierson | Member of the Management Board, Chairman and Chief Executive Officer of AXA France, responsible of Large Risks, Assistance and AXA Canada |
| Eugène Teysen (f) | Chief Executive of Insurance and Bank activities in Belgium |

*(a) John R. Dacey has been appointed Chief Executive Officer for the Japan Asia-Pacific since April 11, 2007. He has replaced Philippe Donnet, Chairman of the AXA Japan Holding's Board since March 2006.*
*(b) Philippe Egger has been appointed Chief Executive of Insurance activities in Switzerland since January 1st, 2007.*
*(c) Frank Keuper has been appointed Chief Executive Officer of AXA Konzern AG since January 1st, 2007.*
*(d) Nicolas Moreau has been appointed Group Chief Executive of AXA UK. He has replaced Dennis Holt. Nicolas Moreau has become Non-Executive Chairman of the Board of AXA Investment Managers since June 30, 2006.*
*(e) Andrew Penn has been appointed Chief Executive Officer of AXA Asia-Pacific Holdings since October 1st, 2006. He has replaced Les Owen.*
*(f) Eugène Teysen has been appointed Chief Executive of Insurance and Bank activities in Belgium since January 1st, 2007.*

# Business Units and Subsidiaries

## Business units

AXA has 7 business units, whose CEOs report directly to the Management Board and its Chairman.

They are listed below:

| Name | Business unit |
|---|---|
| Jean-Raymond Abat | Mediterranean region |
| Alfred Bouckaert | Northern, Central and Eastern Europe region |
| Christopher Condron | United States |
| John R. Dacey (a) | Asia-Pacific region and Japan |
| Nicolas Moreau (b) | United Kingdom and Ireland |
| Dominique Carrel-Billiard | AXA Investment Managers |
| François Pierson | France / Canada / AXA Corporate Solutions / AXA Assistance |

*(a) John R. Dacey has been appointed Chief Executive Officer for the Japan Asia-Pacific since April 11, 2007. He has replaced Philippe Donnet.*
*(b) Nicolas Moreau has been appointed Group Chief Executive of AXA UK. He has replaced Dennis Holt. Nicolas Moreau has become Non-Executive Chairman of the Board of AXA Investment Managers since June 30, 2006. Dominique Carrel-Billiard, formerly Senior Vice-President in charge of Business Support & Development for the asset management, the U.S. insurance activities and the reinsurance activities of the AXA Group will has become Chief Executive of AXA Investment Managers since June 30, 2006.*

## Subsidiaries

AXA's main subsidiaries, whether publicly traded or not, are governed:
– by a board whose membership includes independent or non-executive directors;
– by an audit committee, whose membership also includes independent or non-executive directors.

Implementing the principles of corporate governance is a priority at AXA. In that respect, AXA has come up in 2005 with a Corporate Governance standards in its subsidiairies designed to achieve a very substantial degree of harmonization, especially in terms of board composition and size, directors' independence criteria, Board Committees' role, directors' fees.

The Group Governance Standards require the Boards of AXA Group companies to establish an Audit Committee and a Compensation Committee in addition to any other Board committees that they consider necessary or appropriate for their specific businesses. The role, duties, and composition of these Committees (including the requirements for participation of independent directors) are specified in a detailed Audit Committee Standard and Compensation Committee Standard. The Audit Committee Standard requires the Audit Committee to have a significant component of independent directors in order to ensure that this Committee is strongly independent of management given its critical role in reviewing financial results and other financial information prepared by management, financial reporting and control processes, critical accounting policies, particular accounting issues, fraud and similar issues. In addition, the Group's Compensation Committee Standard requires that the Compensation Committee have a minimum of one independent director to ensure a level of independent review and judgment on all senior executive compensation matters.

This standard took effect January 1st, 2006, with a 1 year transition period to provide Group companies with sufficient time to implement any necessary changes.

# INTERNAL CONTROL
## PROCEDURES SET BY THE COMPANY

### Control Environment

AXA's core Financial Protection business is about helping people manage financial risk and wealth. Making effective risk management solutions available to clients presupposes AXA's ability to effectively control its own risks. Implementing and monitoring stringent internal control policies and procedures throughout the Group is critical to AXA's daily operations and long-term survival.

AXA has a dual corporate governance structure that establishes and maintains a clear separation of power between management (Management Board - MB) and supervision (Supervisory Board). AXA's operations are organized into seven business units (BUs) whose chief executive officers report directly to the Management Board and its Chairman. The major executives of the business unit, as well as members of the Management Board, serve on the Executive Committee. This Committee meets four times a year to review Company performance during its Quarterly Business Review (QBR).

AXA promotes the establishment of a disciplined internal control environment throughout the Group, ensuring in particular that:
- Group strategy, operational objectives, reporting lines with subsidiaries and accountability for executing objectives are clear,
- AXA's principal subsidiaries, whether traded on a public stock market or not, have appointed independent (non-executive) directors to their boards of directors and audit committees,
- Formal guidelines are in place for its businesses and operations (the Compliance Guide, in particular, written codes of ethics, anti-fraud and anti-money laundering policies),
- Operating processes are subject to controls and ongoing improvement, notably via the Group-wide continuous process improvement program called AXA Way and through the Sarbanes-Oxley 404 compliance project to assess internal controls over financial reporting,
- AXA employees have the resources they need to operate. The corporate Human Resources Department has implemented processes for assessing and monitoring AXA employees, as well as providing training and development opportunities.

### Setting and Reviewing Business Objectives

#### Setting business objectives and strategic planning process

The aim of AXA's strategic planning process is to exert upstream control over entity strategy and action plan, and the three-year forecasts developed by the Group's main subsidiaries. Subject to various analyses and adjustments between group management [MB, Group Strategic Plan Steering Committee, Group Management Services (GMS) teams, such as Group Strategic Planning (GSP) and Business Support and Development (BSD)] and the entities, this procedure results in a consolidated forecast that is used as the Group's budget and forms the basis of the objectives contained in each operating unit's annual target letter.

Each year, the Group's principal operating business units present the following information for each of their business segments (property/casualty insurance, life insurance, asset management, banking), with a rolling three-year outlook:
– analysis of business strategies and entity positioning,
– quantitative targets (revenues, expenses, profitability, productivity and quality indicators) based on a central set of economic forecasts,
– description of corresponding action plans, including HR and IT systems aspects,
– specific information depending on the Group's priorities – Ambition 2012.

This procedure enables Group Management to exercise upstream control over the strategies, action plans and resources of its main subsidiaries, and to set targets that are consistent with its ambitions.

### Role of Business Support Development (BSD)

As indicated above, the Group has a decentralized organization structured around seven business units.

AXA's Management Board maintains ongoing relationships with all of these BUs through its BSD (Business Support Development) organization, which reports back to Group management on key projects being considered or under way at business unit level.

Thus, operating units draw up their strategic plans in accordance with preset targets by the Management Board. The BSD team prepares these preset targets, sends them to the business units and monitors compliance.

In addition, the BSD team collects and reviews all the relevant information concerning the business model, the market position or any other issue that may be of interest to the Management Board. The BSD team passes on specific information to facilitate and monitor the execution of the strategic plan.

BSD officers also sit on local boards of directors and are involved in major BU projects, such as acquisitions, partnerships and restructuring.

## Risk Assessment and Management

A sophisticated risk management control has been put in place to ensure that the aforementioned objectives are met.

### Through corporate governance bodies

**Management Board and Supervisory Board**

AXA has a dual governance structure. The work done by the Supervisory Board is described in the first part of this report (see section on Corporate Governance). The Management Board is the Group's collegial management and decision-making body. To ensure that Group business is monitored between Quarterly Business Reviews, the Management Board's six members meet weekly to discuss strategy and operations. Its members devote their time exclusively to managing the Group, and none are directors of companies outside the Group.

Each Management Board member is assigned responsibility for some specific aspects of the Company's management.

**Executive Committee**

In carrying out its duties, the Management Board is assisted by an Executive Committee, whose composition reflects the Group's structure. It consists of:
– the members of the Management Board,
– the major executives of the Group's business unit.

The Executive Committee meets quarterly as part of the QBR process set in 2000.

**QBRs (Quarterly Business Reviews)**
Quarterly Business Reviews are divided into two parts:
- meetings between the Management Board and each business unit,
- a meeting attended by all Executive Committee members.

In preparation for individual meetings with the Management Board, each business unit provides the Board with formal quarterly information updates on its performance, operational questions that are specific to it, and transversal issues.

In 2006, the following transversal issues were examined in detail:
- the status of Ambition 2012 initiative,
- the new businesses and their contributions to the profitability of life activities,
- the “accumulator” type business’ development,
- the follow-up of Winterthur entities’ integration, in particular the synergies and measures related to growth accelerator,
- the AXA Hearts in Actions’ plans.

During the actual review meeting, the Management Board compares the actual business and performance of each business unit with the targets set out in the budget and in the annual target letter. The business unit’s performance is also assessed based on the market trends, the competitive environment and regulatory issues. In this way, quarterly business reviews enable the Management Board to monitor operations on a regular basis.

QBRs also provide members of the Executive Committee with regular and formal opportunities to meet and discuss the Group’s strategic priorities for the years to come, to develop action plans and monitor their execution.

In addition, members of the Executive Committee share their local achievements during these meetings, and efforts are made to encourage the reuse of winning practices and success stories in areas touching on the business as well as on its people.

Finally, the Executive Committee meeting is the venue for discussion on actions that need to be taken to optimize Group operations.

## By internal departments

**Risk Management Department**
The role of Risk Management is to identify, quantify and manage the main risks to which AXA is exposed. To this end, the Risk Management Department develops and deploys a number of risk measurement, monitoring instruments and methods, including a set of standardized stochastic modeling tools.

When appropriate, this work leads to the implementation of decisions that affect the Group’s risk profile, helping to reduce the volatility of AXA’s earnings through improved understanding of the risks taken and to optimize capital allocation.

A central team, Group Risk Management (GRM), supported by local risk management teams within each operating unit, coordinates Risk Management for the Group. The types of risk covered include operating risks, asset and liability risks, and asset/liability mismatch risks. The principal control processes that fall under the responsibility of the Risk Management unit are described below:
- the local Risk Management Department carries out regular reviews of the technical reserves established by property-casualty and reinsurance operating units. The GRM performs regular reviews of models followed throughout the Group in order to ensure the consistency between actuarial and financial standards,
- the central Risk Management Department conducts a decentralized review of risk-adjusted pricing and profitability for new products prior to launch,

– the asset/liability management policy in place at operating unit level is monitored and controlled through an annual detailed analysis of asset/liability matching. This work is undertaken to validate the strategic allocations of invested assets. In addition, a quarterly reporting process is used to monitor portfolio developments and detect deviations from strategic asset allocations as well as with respect to benchmarks determined with asset managers,
– economic capital is estimated annually for each product line and operating unit and then aggregated at the Group level. This is one of the main uses of the stochastic modeling tools developed and implemented by the Group Risk Management Department. This work enables asset, liability and operational risks to be modeled together,
– credit and concentration risks in the Group's asset portfolios (equities and bonds) are managed by the Risk Management department and aggregated at the Group level. The central Risk Management Department also monitors the corresponding exposures on a monthly basis, and ensures that local operating units comply with the concentration limits established by the Group.

Summary findings are then presented to the Management Board, for decision-making purposes when appropriate. The Supervisory Board and the Audit Committee are also informed.

**Reinsurance – AXA Cessions**

Property-casualty reinsurance policy is implemented by operating units with the help of AXA Cessions, a centralized unit. Operating units define their needs on the basis of cost constraints and risk exposure reduction targets. With the exception of optional reinsurance operations that are still carried out directly, risks are ceded through AXA Cessions, which operates directly in the reinsurance market. AXA Cessions has substantial expertise, particularly in carrying out actuarial analyses of the Group's exposure to catastrophic risks. AXA Cessions manages reinsurer counterparty risk through a Security Committee.

The involvement of AXA Cessions in the Life reinsurance of AXA operating units is growing. As of today a minority part of the Group's Life reinsurance cessions are handled through AXA Cessions as per the Property & Casualty process described above.

**Internal Audit**

Several years ago, the Group Internal Audit Department set up a risk-based planning system for local internal audit teams based on the RAM (Risk Assessment Model) system. The aim of the RAM system is to identify each company's risk exposure and evaluate the internal audit systems that have been adopted in order to prevent and/or limit the risks impact.

Determining the main risks faced by a business is a crucial part of the internal audit planning process. It ensures that internal audit assignments focus on those most at-risk areas.

Internal and external auditors hold meetings to exchange views on the risks that the Group faces and on the conclusions made in drawing up action plans.

**Group IT Department**

A dedicated organization, Group IT Department, has been set up to handle IT risks:
– Group IT defines Group IT strategy and policy, in particular in relation to information security and IT governance,
– AXA Technology Services (AXA Tech) is responsible for supplying IT infrastructure service delivery (servers, storage, desktops and telecoms) for 80% of the Group,
– AXA Group Solutions offers AXA subsidiaries shared IT support application solutions that are consistent with the Group's general strategy,
– the IT departments of local operating companies develop and maintain the software used in the business. 20% of them also manage their own IT infrastructures.

Group IT sets Information Security standards and monitors their application.

The Management Board mandates the development and publication of Information Security policy, and is kept informed of the implementation status.

Group IT works through the Transversal Officers (TOs) to ensure adequate reporting at Group Management level on strategic or large-scale projects. The TOs report on implementation status of Group IT strategy as well as the status of large projects to the Group COO and CFO and maintain ongoing relationships with all key operating units.

AXA Tech is responsible for ensuring that IT security policy is consistently and transparently implemented at the infrastructure level, in cooperation with their clients, the operating companies.

**Group Program Department**

The Group Program Department is responsible for monitoring and reducing business continuity risks. It defines continuity standards for both operations and IT systems, and monitors their implementation at operating unit level. It has put in place a crisis management structure designed to cope with major discontinuity threats and incidents. The Management Board approves the Business Continuity Management policy, and is kept informed of the implementation status.

**Group Customer Care and Distribution Department**

The Customer Care and Distribution Department works closely with subsidiaries of the Group in three areas: marketing, quality of service and distribution.
Its three priority missions are described below:

– support Group strategy and develop a set of shared methods, such as the program conducted with AXA subsidiaries on service quality, the deployment of a methodology known as Customer Value Management, and the identification of significant sources of growth,
– develop a set of key performance indicators for use at the group level and define local benchmarks, with the aim of measuring Group performance in terms of customer and distributor satisfaction, as well as customer retention and distribution network performance,
– capitalize on local best practices, knowledge and expertise in marketing, service and distribution quality to step up the pace of their broader adoption within the Group.

**Group Procurement Department**

In order to reduce procurement costs and achieve better control over its major suppliers and vendors, AXA has set up a Group Procurement Department. Its primary missions are to (i) build procurement expertise based on the Group Procurement Standard within the principal operating units so that procurements are made almost exclusively by professional buyers, (ii) negotiate global agreements with suppliers and vendors in compliance with the Standard, and (iii) reduce the overall costs and risks by establishing contractual and ethical standards.

The Management Board approves Group procurement strategy and is kept informed on its implementation status.

**Group Legal Department (DJC - Direction Juridique Centrale)**

The Group Legal Department is responsible for identifying and managing the legal risks to which the Group is exposed. It provides expertise on all significant corporate legal issues at the Group level and ensures the legal security of operations undertaken by the Group or its executives. The DJC monitors significant litigation and regulatory procedures, and directly manages some of them involving AXA or its executives. The DJC also helps draft business critical standards and procedures, some of which being described below (anti-money laundering, Compliance Guide, off-balance sheet commitments monitoring, Group corporate governance standards, Group beneficial ownership policy).

The Group's main operating units have their own legal departments. Their role is to ensure the security of operations at the local level as well as its compliance with local law. The DJC coordinates local legal departments and does preliminary work on decisions that impact or concern the Group.

**Finance and Control Department (DCFG)**
The role of the DCFG is described in detail in paragraphs "Monitoring of financial commitments" and "Management of the Group financial structure".

**Planning, Budgets, Results and Central Department (PBRC)**
The role of the Group's PBRC Department is described in detail in paragraph "Consolidation Management, Reporting, and Control over Financial and Accounting Information" of this document.

## Control Procedures

**Compliance Guide**
The Group Compliance and Ethics Guide was adopted by the Management Board in 2004. It was distributed by the Group HR Leader to all HR Leaders throughout the Group in May 2004 with a specific request to communicate this Guide to all employees. The Guide applies to all Group companies and employees, subject to compliance with local legislation.

The Guide was updated in 2005 and a new release was communicated in February 2006 by the Group Chief Financial Officer (CFO) to CEOs and Chief Financial officers (CFOs), heads of legal departments, of HR and of internal communications throughout the Group together with local implementation guidelines. Any problems encountered with, local adaptation of the Guide due to legal requirements, distribution, understanding or certification must be reported to Group relevant departments.

**Anti-money laundering and Anti-fraud procedures**
AXA is strongly committed to the fight against money laundering in all of its business locations. The Group's anti-money laundering strategy is set out in a set of guidelines that has been approved by the Management Board and Supervisory Board and distributed widely within the Group.

In accordance with these guidelines, each operating unit has developed procedures based on certain general principles in addition to the applicable local regulations. The "know your customer" principle is crucial, and underlies all transactions. Particular attention is paid to transactions made in cash or any equivalent monetary instrument. Procedures are regularly reviewed and adjusted on the basis of acquired experience.

A network of correspondents involved in the fight against money laundering has been set up to co-ordinate actions and distribute important information. In France, an organization has been set up to ensure efficient collaboration with TRACFIN *(Traitement du renseignement et action contre les circuits financiers clandestins).*

As far as the fight against internal fraud is concerned, a formal policy has been put into place and a network of correspondents dedicated to this task was set up in 2005. Internal fraud has been divided up into four specific categories: Fraudulent Financial Reporting; Misappropriation of Assets; Improper or Fraudulent Financial Activity; Senior Management Frauds.

The Group monitors internal frauds reported by entities on a semi-annual basis. The Group Internal Fraud Officer organizes annual training days for local Fraud Officers. In 2006, a group led fraud review was conducted in the group's major entities.

**Monitoring of financial commitments**
Financial commitments are monitored as part of the consolidation process, under which each subsidiary transmits information to the PBRC *(Plan Budgets Résultats Centrale).*

AXA's financial commitments fall into three main categories.

#### COLLATERAL, SECURITIES, PLEDGES AND GUARANTEES

These commitments are governed by the Supervisory Board's internal regulations, which set an authorized annual limit, along with limits for each type of commitment.

They are also subject to a specific procedure. The DJC and the DCFG are responsible for supervising these commitments and in particular for analyzing their legal nature, arranging their prior validation by management, and monitoring their execution. Most of these commitments are granted to subsidiaries and relate to loan guarantees on behalf of other Group entities or third parties.

#### DERIVATIVE INSTRUMENTS

For managing and optimizing interest rate and exchange rate risk, the DCFG is authorized to use derivative instruments, mainly interest rate and currency swaps, options, caps and floors. These instruments, which may be either standard or structured, are used as part of strategies described and authorized by the Supervisory Board's Finance Committee. Persons authorized to commit the company and trade such transactions are listed in a book of signatures, available for distribution to bank counterparts.

The DCFG is organized in such a way as to separate the responsibilities of the team in charge of initiating derivatives transactions from those of the team in charge of controlling related risks. This team is in charge of publishing detailed set of reports, allowing consolidating and controlling interest rate and foreign exchange exposures. Furthermore, derivative transactions are valued on a daily basis by the Group, through an integrated trading, risk and operations management software. Valuations are checked with an external banking source for each transaction on a semi-annual basis.

Whenever a hedging strategy is implemented, the DCFG is in charge, if needed, of establishing the necessary documentation and efficiency testing for the hedging instruments' classification.

#### OTHER COMMITMENTS

The DCFG is responsible for managing liquidity risk. Therefore, the DCFG determines the required amount of committed credit facilities required by the Group to manage a liquidity crisis and sets constraints on the debt maturity profile.

AXA remains constantly vigilant regarding contractual documentation clauses that may be binding on the Group. This helps monitor that the Group is not exposed to default or early repayment clauses that may have a material adverse effect on its consolidated financial position.

Information about off-balance sheet commitments can be found in the appendix to the Company's annual financial statements.

### Management of the Group financial structure

The Supervisory Board's Finance Committee and the Management Board are regularly informed by the CFO of all major projects and changes relating to the management of the Group's consolidated financial position, and examine reports and three-year forecasts periodically. These forecasts, which factor in extreme financial market swing scenarios, are also updated monthly and presented as part of the Group Management performance indicators.

In addition, the Finance Committee validates the risk analysis methods, measurement standards and action plans that allow the Group to maintain a solid financial position. It also determines the scope of action of the Management.

Working in close collaboration with local finance teams, the DCFG (i) defines and manages subsidiaries' capital adequacy; (ii) defines and manages the Group's liquidity policy; and (iii) coordinates and centralizes the Group's financing policy.

#### MONITORING GROUP AND SUBSIDIARY CAPITAL ADEQUACY

***Local solvency regulations***

Each subsidiary's Finance Department is responsible for producing regulatory information and for liaising with local regulators.

As part of the recurrent capital allocation process, each subsidiary sends a report to the DCFG on every interim reporting period, enabling the latter to verify the subsidiaries' capital adequacy with respect to local regulatory constraints.

In addition, subsidiaries carry out simulations that take into account their regulatory requirements using extreme scenarios concerning assets (market value of equities and interest rate movements). For every interim reporting period, these simulations are consolidated by the DCFG, enabling the latter to measure each subsidiary's financial flexibility.

*Consolidated solvency*

The Group is subject to regulations that require additional monitoring for insurance companies. Consequently, the PBRC Department calculates an adjusted solvency margin on the basis of the Group's consolidated financial statements. This information is transmitted to the ACAM (the French insurance industry supervisory Commission).

The DCFG also maintains a three-year forecast of the Group's consolidated solvency margin at all times, using extreme equity market and interest rate scenarios.

### LIQUIDITY RISK MONITORING AND MANAGEMENT

The liquidity risk is managed by AXA's various operating units. The DCFG monitors this risk at the consolidated level, carrying out standardized measurements of the maturity of resources available to each local operating unit that may carry a significant risk. To this end, the DCFG has devised formal principles for monitoring and measuring resources, along with liquidity risk management standards.

- Liquidity is managed centrally and conservatively by the DCFG, using long-term and mainly subordinated debt facilities. In addition, a significant amount of unused confirmed medium-term credit facilities is maintained as a back-up at all times,
- "GIE AXA Trésorerie Europe", an inter-company partnership (GIE), carries out centralized cash management for AXA operating units in the euro zone, using Group standards designed to ensure liquidity due to the profile of invested assets, particularly through the ownership of a significant portfolio of assets defined as eligible by the European Central Bank (ECB),
- A liquidity back-up plan at the Group level also provides AXA with the ability to withstand a liquidity crisis.

### GROUP FINANCING POLICY AND MANAGEMENT OF CONSOLIDATED DEBT

To ensure that the Group has ample financial flexibility, the DCFG liaises with AXA subsidiaries to coordinate consolidated debt, and also manages this debt in terms of interest rate and exchange rate risk. The DCFG has devised formal principles for managing and measuring resources in terms of interest rate and exchange rate risk, with the aim of maintaining a standardized consolidated position. To this end, it relies on information transmitted by subsidiaries. An accounting reconciliation is carried out at six-month intervals.

The structure of financial resources and debt ratios are managed to ensure that they remain compatible with the Group's financial strength rating targets, even in adverse circumstances of rising interest rates and falling profits. The structure of financial resources, as well as the repayment schedule and debt service costs, is managed on the basis of a three-year plan.

## Evaluation and Testing of Internal Controls

Each year the Group conducts a review of its internal controls over financial reporting and its disclosure controls and procedures as part of an internal due diligence process. It has been designed to support annual certifications required to be filed with the United States Securities and Exchange Commission (SEC) by AXA's Chief Executive Officer and Chief Financial Officer under Section 302 of the US Sarbanes Oxley Act (SOX). AXA is subject to Sarbanes-Oxley as a result of its listing on the New York Stock Exchange. The Group has been engaged over the last 2 years in a comprehensive exercise of evaluating, documenting and testing its internal controls over financial reporting in preparation for a formal audit of its internal controls that will be required for its SEC 20F filing relating to year-end 2006 under Section 404 of Sarbanes-Oxley Act.

# Information and Communication

### Investor Relations

The quality of financial and accounting information depends upon the production, review and validation of financial information between the different services of the Group Finance Department, and on the principle of having a single source of information. With very few exceptions, all financial information reported by the Group comes from the PBRC Department. Exceptions arise periodically when the financial markets request management information that does not originate from the Group's accounting and financial consolidation systems.

Financial and accounting information is monitored in different ways depending on the medium used, with the aim of enhancing disclosures in both qualitative and quantitative terms:

**Financial communication media** (press releases, press and financial market presentations, etc.)
Information issued via these media is produced by the Investor Relations, and is intended to give a clear and intelligible overview of the Group's business and operations (e.g., merger and acquisition, financing). Key announcements are reviewed and validated by the Finance Department and the Legal Department prior to submission for approval to the Management Board. Press releases concerning financial statements are reviewed by the Supervisory Board. The External Auditors also review press releases concerning annual and half-year accounts closings.

The Group Financial Communications Department coordinates relations with analysts and with AXA Group investors.

**Legal documents** *(Document de Référence)*
Several departments within AXA (Investor Relations, Internal Communication and Legal Departments) are involved in preparing these documents. PBRC Department coordinates their preparation and ensures the overall consistency of the information contained in them. Each contributor works to ensure that documents comply with standards and are clear. They are submitted for approval to the Management Board.

All information contained in these legal documents is also audited by the External Auditors in accordance with professional standards applicable in France.

### Communications and Sustainable Development

The Communications and Sustainable Development Department defines the Group policy and monitors its roll out worldwide in terms of internal communications, press relations (policy, tools and support), sustainable development, communications to individual shareholders and corporate philanthropy. It has the needed resources to release accurate, time sensitive and reliable information and to manage the image impairment risk. In addition, it ensures that information flows smoothly and is shared throughout the Group. To achieve this aim, it uses a variety of media, including but not limited to, a global electronic messaging system, internet and intranet, document databases, periodic in-house publications, and relies on its internal correspondent network and information processes.

The Group's scale, along with its focus on sustainable development, the increasing interest shown by governments in selling practices, and the fact that inadequacies have been revealed on several occasions, has prompted the Group to increase the resources it allocates to controlling the quality of its marketing methods and selling practices.

# Ongoing Assessment of and Improvement in Internal Control Procedures

## Evaluating corporate governance structures

The Supervisory Board and some of its specialized Sub-Committees use regular self-assessment as a means to improve performance. The procedures used to evaluate the Supervisory Board and its Committees are described in the first section of this report. The Supervisory Board evaluates the Management Board through its ongoing supervision of the latter's management of the Group.

## Group Audit

### Role

The Group's Internal Audit Department works on behalf of the Management Board and the Audit Committee to verify that the Group's internal audit systems are efficient and effective. All Group subsidiaries, companies, activities and projects fall within its scope.

### Organization and resources

AXA's internal audit organization is structured around a central Internal Audit Department that coordinates and supervises the Group's overall internal audit system, and internal audit teams set up within Group subsidiaries. The central department operates mainly through:

– functional management of internal audit teams within operating units,
– strategic internal audit assignments.

The Head of the Group's internal audit team reports to the Management Board and, more specifically, to the Management Board member in charge of the current operations of AXA's Finance Department. In addition, strategic internal audit assignments are carried out exclusively in accordance with the written instructions of the Management Board Chairman. The Head of the Group Internal Audit Department also has a direct link with AXA's Audit Committee, serving as its Secretary, and has a direct and regular contact with the Chairman of the Committee.

Local internal audit teams are placed under the responsibility of a Director, who reports directly to the local Chief Executive Officer or CFO, and also to the local internal audit committee. These local teams have functional reporting ties to the Group's Internal Audit Department.

### Scope of operations

The Group Internal Audit team fulfills its responsibilities in two ways:

– It coordinates internal audit teams, which entails establishing internal audit directives and standards, planning the work done by local teams, evaluating that the relevant risk-based approach is used, monitoring the quality of work and compliance with recommendations, ensuring that adequate resources are made available to internal audit teams. The Group Internal Audit Department monitors on an annual basis the internal audit teams' performance indicators and also periodically reviews the quality of the work done,
– It carries out strategic internal audits, which are intended to determine whether the local unit management is effectively fulfilling their planning, organizational, governance and supervisory roles.

Local internal audit teams focus mainly on identifying the risks facing their units, and on evaluating monitoring systems that may help to prevent them or limit their impact. Their field experience makes their efforts more effective.

### Administration and management

The Group Internal Audit Department complies with a set of guidelines approved by AXA's Management Board and Audit Committee. Group Audit is working with certain teams to establish a regional approach to audit coverage, in line with business structures. In selected regions Group Audit is sponsoring the development of more centralized audit management tools.

The internal audit profession has its own international organization, the Institute of Internal Auditors (IIA), which has drawn up a set of international standards governing practice. These standards have been recognized by regulators and adopted by the Group Internal Audit Department. They are now progressively adopted by local internal audit teams.

### AXA Way

In 2002, AXA launched AXA Way, its continuous process improvement program designed to optimize customer service quality, increase market share and develop distribution. A central unit, at Group level, is in charge of managing a common methodology, defining standards, setting up global targets, tracking and monitoring the projects. This unit is also responsible for training local AXA Way teams.

Local operating units develop AXA Way projects with the support of an AXA Way Leader, and the sponsoring of a local Chief AXA Way Officer (who is also a member of the Executive Committee). While these projects are carried out on the basis of the aforementioned Group method, it is sufficiently flexible and can be adapted to take local issues into account.

Since the launch of AXA strategic initiative Ambition 2012 in 2005, AXA Way has been enabling the Differentiation Strategy, aiming to make of AXA the preferred company.
Key strategic processes have been identified, action plans have been set up and all AXA Way teams are highly engaged to raise the service quality level for exceeding our Customer expectations.

### Self-assessment (scorecards)

Self-assessments (scorecards) are carried out regularly in areas that are keys to the Group's business (IT security, IT governance, property-casualty insurance, distribution, etc.).

### "Scope" survey to the Group's employees

Since 1993, AXA has conducted periodic surveys that encourage employees to express their views on what it is like to work for AXA. Survey findings are communicated to all AXA employees, and serve as the basis of a formal dialogue with management that leads to the development of targeted action plans. A summary of the process and action plans are reviewed by the Management Board. In 2002, the Scope survey process became an annual event.

### Major incident reporting system

In accordance with the AXA Compliance Guide, all AXA employees may anonymously submit any concerns they may have regarding issues related to accounting, internal control, auditing or fraud. All AXA employees have the option of speaking with their supervisor, or with a representative of their HR, Legal or Compliance Department or the Group Legal Department. Alternatively, they may wish to submit their complaint directly to the Chairman of the Audit Committee via a dedicated fax number.

In late 2005, the CNIL *(Commission Nationale de l'Informatique et des Libertés)* adopted and published guidelines on whistle-blowing hotlines that set forth its position on the matter.
AXA conducted a review of its own major incident reporting system to ensure compliance with the CNIL guidelines.

### Monitoring audit recommendations

All audit assignments generally culminate in a report with a set of recommendations for the audited unit or business. All Internal Audit teams in the Group report the major findings and action plans to their local executive management and their local Audit Committee.

Group Audit recommendations and related action plans are subject to regular monitoring, the results of which are submitted to the AXA Management Board and Audit Committee for review.

The Audit Committees in the Group play a strong role in monitoring the plans, staffing and reporting from the local Internal Audit teams.

# Consolidation Management, Reporting, and Control over Financial and Accounting Information

## Principles

The PBRC (Planning, Budgets, Resultats Centrale) Department within the Group Finance Department is responsible for consolidation, management reporting and control over financial and accounting information. It works with local PBR units within the finance departments of Group subsidiaries. PBRC Policies and procedures exist to ensure that adequate monitoring and supervision take place at the decentralized locations.

The PBRC's **role encompasses:**

- establishing and distributing consolidation standards and Group reporting standards, and managing the worldwide network of PBR teams,
- managing the Group's economic and accounting reporting system,
- managing and coordinating the Group's accounts' into IFRS,
- coordinating the production of AXA's *Document de Référence* filed with the AMF,
- coordinating AXA's 20F filed with the SEC,
- developing and using management control tools,
- analyzing quantitative data on Group business and results, and key performance indicators,
- liaising with the External Auditors (independent accountants) and contributing to Audit Committee meetings as required.

Financial and accounting information is consolidated within the Finance Department in accordance with international accounting standards (IFRS) as adopted by the European Union. It is reviewed on the basis of a complementary economic analysis.

## Respective responsibilities of the local and central PBR Departments

The subsidiaries are responsible for the consolidation and the control of the financial information produced in their consolidation sub-group whereas PBRC reviews this information and produces the Group's consolidated financial statements and related summaries at the Group level.

The role of the PBRC in this process is as follows:

- Upstream of the consolidation and control process, it is responsible for the information transmission system – comprised of the consolidation system, consolidation guidelines, reporting guidelines and guidelines for measuring embedded value – and for issuing instructions to subsidiaries,
- Downstream of the consolidation and audit process, it is responsible for reviewing financial and accounting information produced by subsidiaries, and for reviewing and checking the various outputs, including the *Document de Référence*,
- It is also responsible for monitoring and resolving technical issues specific to the holding company and the entities.

The consolidation system is managed and updated by a dedicated team. Financial accounting data that comply with the Group's accounting standards and that reflect consolidation rules under IFRS accounting standards are entered into the system locally.

This system is also used to deliver the management reporting information used to produce an economic perspective on the consolidated financial statements. The process through which this management reporting information is produced and validated is the same as that used to prepare consolidated financial information.

Group accounting standards, which are consistent with accounting and regulatory principles for consolidated financial statements, are set forth in the Group Consolidation Guidelines. Updated regularly by PBRC experts, these guidelines are submitted to AXA's statutory auditors for review and validation before being made available to AXA subsidiaries.

## Control mechanisms

As indicated in the previous paragraph, AXA subsidiaries are responsible for controlling the financial information produced locally for consolidation purposes.

Moreover, the review and analysis of financial and accounting information, which is consolidated using the aforementioned system and accompanied by detailed comments from subsidiaries that make up the various consolidation sub-groups, are carried out by teams that liaise with subsidiaries on a full-time basis. In particular, these teams review:

– restatements of local GAAP to comply with Group standards and consolidation principles,
– all items in the financial statements, including:
  • information provided to the Investor Relations Department,
  • notes to the consolidated financial statements,
  • all additional information to the notes and published in the Group's interim and annual report,
– the analysis of results, shareholders' equity and the main balance sheet items,
– the activity and management reports.

This organization is used for all Group publications, i.e. interim and annual consolidated financial statements, quarterly revenue releases, and an annual statement of embedded value.

In all cases, the procedures are those described above, along with close collaboration with the External Auditors, which generally work as follows:

– All changes in accounting standards are anticipated in collaboration with AXA's accountants and its statutory auditors and implemented after approval adopted by the internal accountants as well as the statutory auditors,
– The main audit issues are addressed and resolved in the phase prior to accounts closing through closing meetings with local and central auditors and local and central finance teams,
– The principal options for closing the consolidated accounts are presented to the Management Board and then to the Audit Committee prior to their examination of the annual accounts, for validation purposes,
– The auditing of financial and accounting data is finalized at the accounts closing stage in meetings attended by local and central auditors and local and central finance teams. All of these meetings give rise to a detailed audit report.

## Other information

Along with work relating to the preparation of financial statements, the PBRC Department produces monthly activity reports, quarterly profitability reports and one half-year and two full-year sets of forecasts for internal use, and consolidates the financial data contained in the budget and the strategic plan. The PBRC team and the independant auditors identify risks and validate the proposed accounting principles and accounts closing options, working on both annual and half-year financial statements.

In addition, the production of Group financial statements involves a process of transmitting information to Group subsidiaries. This allows for an assessment of the validity of financial data, through the transmission of subsidiary-related data that has been approved by the subsidiary's Chief Executive Officer and CFO. Through this process, the Group CFO is apprised of the specific conditions under which the work has been carried out.

It should be noted that due to the high number of mergers and acquisitions to which the Group has undertaken in recent years, financial information is produced by several different information systems, which are gradually becoming more integrated.

## Conclusion

By implementing the aforementioned structures of corporate governance and human resources, as well as the internal departments, procedures and standards described above, AXA has acquired an internal control system that is adapted to the risks of its business.

Naturally, this system is not foolproof. However, it does constitute a robust control structure for a global organization such as AXA.

Neither the control environment nor the control system is static. Consequently, Group Management remains attentive to changes in this area, so that continuous improvements can be made to its own internal control system.

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars & Guérard
Exaltis - 61, rue Henri Régnault
92075 Paris-La Défense Cedex

**Report of the Statutory Auditors, prepared in compliance with the Article L.225-235 of the French Commercial Code, on the report prepared by the Chairman of the AXA Supervisory Board pertaining to the internal control procedures relating to the preparation and treatment of financial and accounting information**

(For the year ended December 31, 2006)

*This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders of
**AXA S.A.**
25, avenue Matignon
75008 Paris

To the Shareholders,

In our capacity as Statutory Auditors of AXA SA, and in compliance with the requirements of the Article L.225-235 of the French Commercial Code we hereby submit our report on the report prepared by the Chairman of the Supervisory Board of your Company in conformity with the terms of Article L.225-68 of the aforementioned Code, for the year ended December 31, 2006.

It is the role of the Chairman of the Supervisory Board to give an account, in his report, notably of the conditions in which the duties of the Supervisory board are prepared and organized and of the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information to establish the consolidated financial statements in accordance with IFRSs, as adopted by the European Union.

We performed our procedures in accordance with professional standards applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information to prepare the consolidated financial statements in accordance with IFRSs, as adopted by the European Union. These procedures notably consisted of:

– Review the aims and general organization of internal control, as well as the internal control procedures, as presented in the Chairman's report, pertaining to the preparation and treatment of accounting and financial information used to establish, the consolidated financial statements in

accordance with IFRSs, as adopted by the European Union;
– Review the work serving as the basis for the information and data provided in this report.

On the basis of these procedures, we have no matter to report in connection with the information contained in the report of the Chairman of the Supervisory Board, which was prepared in accordance with the requirements of the Article L.225-68 of the French Commercial Code, relating to the internal control procedures applied within the Company in connection with the preparation and treatment of accounting and financial information used to establish the consolidated financial statements in accordance,with IFRSs, as adopted by the European Union.

Neuilly-sur-Seine and Courbevoie, April 10, 2007

The Statutory Auditors

| | |
|---|---|
| PricewaterhouseCoopers Audit | Mazars & Guérard |
| Yves Nicolas – Eric Dupont | Patrick de Cambourg – Jean-Claude Pauly |

# FULL DISCLOSURE
## ON EXECUTIVE AND EMPLOYEES COMPENSATION AND SHARE IN CAPITAL

## Management bodies members and executive compensation

### Compensation of the Management Board and the Executive Committee members

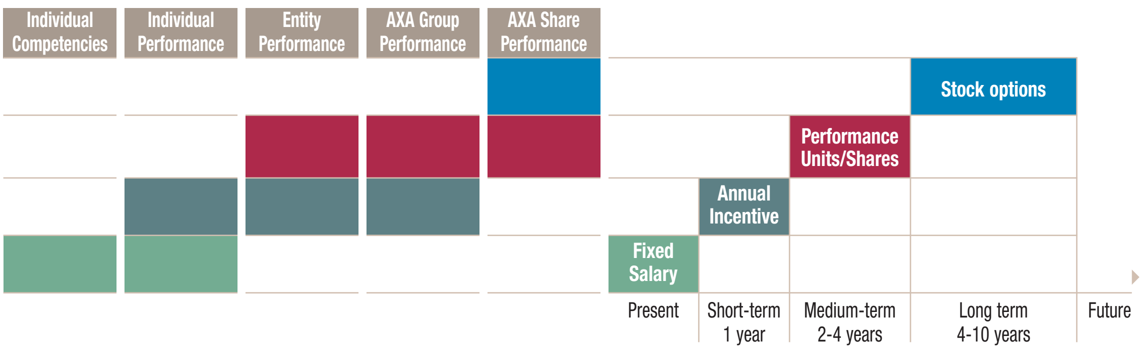
The general principles of AXA's executive compensation policy have been regularly reviewed and approved by the Compensation Committee of the AXA Supervisory Board. This policy applies to all executive officers of the Company and is adapted to local regulations and practices under the supervision of the Boards of Directors and compensation committees of the Company's subsidiaries. The effective application of these principles is regularly reviewed by the compensation Committee.

The executive compensation policy aims at:
– attracting, retaining and motivating the best talents,
– driving superior performance,
– aligning compensation levels with business performance.

It follows 3 guiding principles:
– compensation competitiveness on international markets,
– internal equity, based on individual and collective performance,
– financial ability to pay.

Executive compensation is therefore structured as to foster and reward performance:
– both at individual level and collective level (local business entity and AXA Group),
– both with a short-term, medium-term and long-term focus.

Executive compensation includes a fixed and a variable component. The fixed component is targeted to fall within the lower quartile of the market. The variable component is tied to AXA's global performance, local performance, and the attainment of the executive's individual objectives, weighted to reflect his or her level of responsibility. The variable portion is



designed to represent the principal component of the executive's annual global compensation such that, in the case of successful attainment of the objectives, the compensation levels of AXA executives will be in the top two quartiles of the going market rate.

The compensation of Management Board members is fixed by the Supervisory Board, based on the Compensation Committee's recommendation. The fixed compensation of the Chairman of the Management Board (€500,000) has not changed since he was appointed in May 2000. The variable component of his pay is calculated on the basis of a predefined target amount (€2,500,000 in 2006) and includes three components:

- Group performance, as measured by underlying earnings, P&C revenue and new business contribution in Life,
- AXA stock performance, measured in comparison to that of its competitors,
- Individual performance, which is evaluated by the Compensation Committee on the basis of the specific objectives set at the beginning of the year.

The amounts awarded to the Chairman of the Management Board as variable compensation demonstrate the genuine variability of this pay component:

| | Real | Target |
|---|---|---|
| Variable compensation for the year 2000 paid in 2001 | €1,381,373 | €1,750,000 |
| Variable compensation for the year 2001 paid in 2002 | €719,967 | €1,750,000 |
| Variable compensation for the year 2002 paid in 2003 | €1,419,277 | €2,000,000 |
| Variable compensation for the year 2003 paid in 2004 | €1,824,728 | €2,000,000 |
| Variable compensation for the year 2004 paid in 2005 | €2,304,277 | €2,000,000 |
| Variable compensation for the year 2005 paid in 2006 | €2,671,626 | €2,000,000 |
| Variable compensation for the year 2006 paid in 2007 | €3,064,149 | €2,500,000 |

For other members of the Management Board, four factors are taken into consideration:

- Group performance (underlying earnings, P&C revenue and new business contribution in Life),
- AXA stock price performance compared with its competitors,
- performance of the business unit or functional area of responsibility, measured against objectives set at the beginning of the year,
- individual performance, evaluated on the basis of specific objectives.

For the other members of the Executive Committee, the variable component of pay also depends on Group performance, the performance of their business unit, and their individual performance.

When target variable compensation levels are set (pay for actual performance), the portion tied to Group performance is greater for members of the Management Board than for other members of the Executive Committee (whose variable compensation is generally linked to the results of their respective business units). Performance hurdles (floors and ceilings) are set to ensure the genuine variability of compensation.

The table below provides the following information:

- gross compensation paid in respect of 2006 (e), i.e. the fixed component paid in 2006 (a), the variable component earned in 2006 and paid in 2007 (including expatriation allowances paid in 2006) (b), any directors' fees paid in 2006 (c) and benefits in kind for the year 2006 (d);

– gross compensation paid <u>in 2006</u> (g), i.e. the fixed component paid in 2006 (a), the variable component earned in respect of 2005 and paid in 2006 (including expatriation allowances paid in 2006) (f), any directors' fees paid in 2006 (c) and benefits in kind for the year 2006 (d);
– and gross compensation paid <u>in 2005,</u> i.e. fixed compensation paid in 2005, the variable component earned in respect of 2004 and paid in 2005 (including expatriation allowances paid in 2005), any directors' fees paid in 2005 and benefits in kind for the year 2005.

This table also enables comparisons between compensation earned in respect of 2006 and that paid in 2005 and 2006.

| | Fixed component for 2006 (€) paid in 2006 (a) | Variable component for 2006 (€) (b) | Director's fees paid in 2006 (€) (c) | Benefits in kind 2006 (€) (d) | Total compensation paid in respect of 2006 (€) (e) = (a)+(b)+(c)+(d) | Variable component paid in 2006 (€) (f) | Total compensation paid in 2006 (€) (g) = (a)+(f)+(c)+(d) | Variable component paid in 2005 (€) | Total compensation paid in 2005 (€) |
|---|---|---|---|---|---|---|---|---|---|
| **Management Board members** | | | | | | | | | |
| H. de Castries (in France) | 500,000 | 3,064,149 | 189,883 | 4,150 | 3,758,182 | 2,671,626 | 3,365,659 | 2,304,277 | 2,935,237 |
| A. Bouckaert (in Belgium) (1) | 600,000 | 848,374 | 134,873 | 2,033 | 1,585,280 | 667,823 | 1,402,696 | 475,584 | 1,103,252 |
| C. Brunet (in France) | 340,000 | 910,342 | 70,000 | 4,150 | 1,324,492 | 954,859 | 1,369,009 | 854,486 | 1,226,607 |
| D. Duverne (in France) | 400,000 | 1,396,802 | 47,260 | 4,150 | 1,848,212 | 1,219,548 | 1,670,958 | 1,000,552 | 1,436,524 |
| C. Condron (in the US) | 796,000 | 3,661,600 | – | 217,358 | 4,674,958 | 3,502,400 | 4,515,758 | 3,633,575 | 4,572,851 |
| F. Pierson (in France) | 400,000 | 1,255,621 | 39,982 | 17,076 | 1,712,679 | 1,339,621 | 1,796,679 | 1,144,339 | 1,597,868 |
| **Executive Committee members (On December 31, 2006)** | | | | | | | | | |
| J.R. Abat (in Spain) (2) | 270,000 | 523,334 | 30,866 | 34,496 | 858,696 | 518,717 | 854,079 | 458,861 | 781,465 |
| P. Donnet (in Singapore) (3) | 501,333 | 861,938 | 6,019 | 359,749 | 1,729,239 | 713,663 | 1,580,964 | 1,052,509 | 1,798,368 |
| J. Lieberman (in the US) | 159,200 | 8,055,520 | – | 122,640 | 8,337,360 | 8,055,520 | 8,337,360 | 2,782,201 | 3,075,561 |
| N. Moreau (in the UK) (4) | 380,050 | 1,453,029 | 50,000 | 121,974 | 2,005,053 | 1,375,151 | 1,927,175 | 1,066,266 | 1,489,597 |
| A. Penn (in Australia) (5) | 429,316 | 420,000 | – | 26,251 | 875,567 | 401,029 | 856,596 | 266,987 | 694,669 |
| E. Teysen (in Belgium) (6) | 357,722 | 458,800 | 26,246 | 34,257 | 877,025 | 179,156 | 597,381 | – | 140,680 |
| **TOTAL** | **5,133,821** | **22,909,509** | **595,129** | **948,284** | **29,586,743** | **21,599,113** | **28,274,314** | **15,039,637** | **20,852,679** |

*(1) A. Bouckaert was appointed as member of the Management Board on October 11th, 2006.*
*(2) Compensation and benefits in kind paid to J.R. Abat include benefits paid in respect of his expatriate status in Spain.*
*(3) Compensation and benefits in kind paid to P. Donnet include benefits paid in respect of his expatriate status in Japan, then in Singapore from April 1st, 2006.*
*(4) Compensation and benefits in kind paid to N. Moreau include benefits paid in respect of his expatriate status in the UK from 1st July 2006.*
*(5) A. Penn was appointed as member of the Executive Committee on October 1st, 2006.*
*(6) E. Teysen joined AXA on 16th August 2005 and has been appointed as member of the Executive Committee on October 1st, 2006. Compensation and benefits in kind paid to E. Teysen include benefits paid in respect of his expatriate status in Germany until 31st December 2006.*

Substantial differences in the tax systems to which AXA's executive officers are subject make meaningful comparisons of the compensation and benefits they earn difficult. For information, the relevant marginal tax rates are as follows: Australia: 46.5% including an additional 1.5% for Medicare; Belgium: 53.50%; the United States (New York): 41.85%; Spain: 45%; France: 51%, including an additional 11% for social taxes; the United Kingdom: 40%; Singapore: 20%.

## Compensation of the Supervisory Board members

### Directors' fees paid to Supervisory Board members

The members of the Supervisory Board do not receive compensation, with the exception of a fee for attending meetings. The amount of directors' fees paid to AXA's Supervisory Board members is indicated in the table below on Supervisory Board members.

(gross amounts, in euros)

| | Directors fees earned in 2007 for 2006 | Directors fees earned in 2006 for 2005 |
|---|---|---|
| **Current members of the Supervisory Board** | | |
| Claude Bébéar | 123,456.79 | 121,309.91 |
| Jean-René Fourtou | 110,136.74 | 118,927.31 |
| Léo Apotheker | 40,326.11 | 37,149.95 |
| David Dautresme | 127,601.71 | 117,510.17 |
| Norbert Dentressangle | 31,370.05 | n/a |
| Jacques de Chateauvieux | 47,957.26 | 44,374.19 |
| Anthony Hamilton | 66,446.15 | 57,975.29 |
| Henri Hottinguer | 66,186.13 | 65,864.26 |
| Henri Lachmann | 69,030.57 | 64,375.89 |
| Gérard Mestrallet | 50,021.64 | 59,463.66 |
| Michel Pébereau | 66,446.15 | 60,504.92 |
| Mrs Dominique Reiniche | 42,008.35 | 30,351.73 |
| Ezra Suleiman | 93,728.39 | 81,789.24 |
| Jacques Tabourot | 65,283.95 | 64,375.89 |
| **Former members of the Supervisory Board** | | |
| Thierry Breton | n/a | 9,959.62 |
| Jacques Calvet | n/a | 46,562.90 |
| Bruno Roger | n/a | 19,325.10 |
| **TOTAL** | **1,000,000.00** | **1,000,000.00** |

The amount of directors' fees to be paid is determined by the shareholders, in accordance with the Company's articles of incorporation and Bylaws, and apportioned by the Supervisory Board to its members for their Board and Committee duties as follows:

- half of the amount of directors' fees is distributed evenly among the members of the Supervisory Board as the fixed component;
- a portion of the remainder is distributed among the members of the Supervisory Board in proportion to their actual attendance at the meetings of the Supervisory Board;
- the remainder is allocated by the Supervisory Board to the various specialized Committees and distributed among their members in proportion to their actual attendance at Committee meetings.

Due to the importance of their role, members of the Audit Committee receive a higher proportion of directors' fees.

**Retirement and pre-retirement pension payments**

The Chairman of the Supervisory Board (Mr. Claude Bébéar) has received during the year 2006 a total amount of retirement pension of €433,766.

The representative of the employee shareholders at the Supervisory Board (Mr. Jacques Tabourot) has received during the year 2006 a total amount of €223,447 as a pre-retirement compensation.

# Commitments made to corporate directors and officers

## Pension

The French members of the Management Board of AXA (Messrs Henri de Castries, François Pierson, Denis Duverne, Claude Brunet), and the representative of the employee shareholders at the Supervisory Board (Mr. Jacques Tabourot) participate, as all other executives of AXA Group companies in France, to a supplementary pension scheme pursuant to article 39 of the Code Général des Impôts.

This scheme, which exists since January 1st, 1992, has been modified with effect from January 1st, 2005.

The new scheme has been approved by the Supervisory Board on December 22, 2004, after having been presented for advice to all work councils and central work councils during the last quarter of 2004.

Under this scheme, a supplementary pension is paid to executives who retire immediately upon leaving the AXA Group, at 60 at the earliest, and who have a minimum length of service of 10 years, of which at least 5 years as an executive.

The amount of the supplementary pension is calculated at the time of retirement and is in addition to the total amount of retirement pensions paid by the mandatory schemes (Social Security, ARRCO, AGIRC) and by any other retirement scheme to which the beneficiary may have participated during his/her career, both within or outside the AXA Group.

The amount of the supplementary pension aims, for a minimum executive seniority of 20 years, at achieving a global pension equivalent to:

- 40% of the average remuneration of the past 5 years preceding the retirement date, if this average is superior to 12 annual Social Security ceilings;
- 50% of the average remuneration of the past 5 years preceding the retirement date, if this average is inferior to 8 annual Social Security ceilings;
- 2.4 Social Security ceilings + 20% of the average remuneration of the past 5 years preceding the retirement date, if this average is between 8 and 12 annual Social Security ceilings.

Reduced rates apply for an executive seniority of less than 20 years. As an example, with 10 years executive seniority, the supplementary pension allows to reach a global pension equivalent to 34% instead of 40%. This rate is reduced to 20% for an executive seniority of 5 years, and no supplementary pension is paid for an executive seniority of less than 5 years.

In case of departure from the Group before retirement, no supplementary pension is paid.

Mr. Christopher Condron, member of the Management Board and employee of AXA Equitable in the United States, benefits from a contractual supplementary pension arrangement providing for a payment at the age of 65 of an annual pension equivalent to 2% of his annual gross remuneration per year of service within the AXA Group.

The annual gross remuneration is defined as the average of the 36 highest monthly remunerations received during the past 60 months preceding retirement.

Mr. Alfred Bouckaert, member of the Management Board, benefits from a contractual supplementary pension arrangement with AXA Belgium providing for a capital at the age of 65 equivalent to N/40 x (25% T1 + 75% T2) x 12.2221, where:
N = number of years of service
T1 = annual SS ceiling (€44,112 in 2006)
T2 = part of the fixed salary exceeding T1

In case of retirement between 60 and 65, the 25% and 75% coefficients are reduced by 1.6% per year of anticipation.

The financing of this scheme is ensured by an employee contribution of 4% of fixed salary, and a contribution by AXA Belgium in order to guarantee the capital due at age 65.

The total amount set aside or accrued by AXA SA and its subsidiaries to provide pension or retirement to the aforementioned executives is, as at December 31, 2006, €33.8 million; this amount includes the actuarial reserve for the annuity paid to Mr. Claude Bébéar.

### Termination provisions

The French members of the Management Board of AXA (Messrs Henri de Castries, François Pierson, Denis Duverne, Claude Brunet) benefit, as all other executives of AXA Group companies in France, from the regulations provided for under the Agreement of March 3, 1993 signed by the *Fédération Française des Sociétés d'Assurances* (F.F.S.A.), the *Syndicat National des Cadres de Direction de l'Assurance* (CFE-CGC) and the *Syndicat du Personnel de Direction des Sociétés d'Assurances et de Capitalisation* (S.D.A.C.).

Mr. Christopher Condron, member of the Management Board and employee of AXA Equitable in the United States, benefits from a contractual clause stating that in case of termination by the Company for any other reason than cause, he would continue to receive during a period of 2 years after his departure a remuneration equivalent to his fixed salary plus target annual bonus, i.e. currently $5m. Payment of this remuneration would cease as soon as he would resume a professional activity during the 2 year period.

Mr. Alfred Bouckaert, member of the Management Board, benefits from a contractual clause with AXA Belgium stating that in case of termination by the Company for any other reason than cause, he would be given a 24 month notice period. If the notice period is not served, he would receive an indemnity equivalent to 24 month remuneration, calculated on the basis of his fixed salary and variable compensation received during the past 12 months preceding the cancellation of the contract.

## Stock options

For many years, AXA has promoted a stock option program, for its directors, officers and employees in France and abroad, aimed at rewarding their performance and aligning their interests with those of the Group by linking them to AXA's stock performance over the long term.

Within the global cap approved by the shareholders, the Supervisory Board approves all stock option programs prior to their implementation.

To date, AXA has opted to grant subscription options, with the exception of options granted by AXA Financial to certain of its employees, which are purchase options on ADRs.

Stock options are valid for a period of 10 years. They are granted at fair market value, with no discount, and become exercisable upon vesting, generally in thirds between 2 and 4 years following the grant date.

Annual grants are made during the first quarter of the year. In 2006, grants were made 20 trading days after the date annual earnings were released, i.e. on March 31, 2006 and the strike price was determined based on the 20 trading days before the grant date.

In the United States, options may be granted during the year to newly-hired or newly-promoted employees or when the performance measures that give rise to option grants are available after the first quarter of the year.

The pool of options allocated to each business unit is essentially determined on the basis of their contribution to Group performance the previous year.

Individual option grants are determined on the basis of the following criteria:
– importance of the job ➩ role
– importance of the individual in the job ➩ retention
– importance of the individual in the future ➩ potentiel
– quality of the individual contribution ➩ performance

Individual option grants are approved by the Management Board, with the exception of grants to members of the Management Board, which are approved by the Supervisory Board (acting on the recommendation of its Compensation Committee).

In 2006, options granted to Management Board and Executive Committee members are associated with a performance condition: the last tranche, i.e. 1/3 of the options granted, will be exercisable only if the AXA share price has out-performed the EuroStoxxInsurance index.

The evolution of the AXA share and of the index is measured between the grant date of the options and the exercise date of the last tranche.

If this performance condition is not met at that date, a new test will occur at each anniversary date and the last tranche will be exercisable from one of these dates only if the performance condition is met.

If the performance condition has not been met at the expiry date of the options, the last tranche of options will be automatically cancelled.

In 2006, AXA stock option grants were as follows:
– 11,425,312 subscription options at an average price of €28.49 granted to 4,325 employees, representing 0.55% of the share capital,
– 7,868 purchase options on ADRs granted by AXA Financial at an average price of $34.23 to 7 beneficiaries in the United States.

On December 31, 2006, 6,643 AXA employees outside the United States and 18,827 employees in the United States[1] had been granted stock options.

77,037,416 AXA subscription options and 26,778,265 ADR purchase options, together representing 4.97% of the share capital, were outstanding on December 31, 2006.

(1) In light of an AXA Financial all-employee stock option program in 2001.

## Stock option plans summary

**AXA**

| Date of grant | Date of the Shareholders Meeting | Total options granted (adjusted numbers) | Number of beneficiaries | Total options granted to Executive Committee | Number of beneficiaries Executive Committee (current form) | Starting date of the exercise of options | Expiry date |
|---|---|---|---|---|---|---|---|
| 22/01/1997 | 08/06/1994 | 5,319,536 | 61 | 706,853 | 7 | 22/01/1999 | 22/01/2007 |
| 22/01/1997 | 08/06/1994 | 83,300 | 1 | – | 7 | 22/01/1999 | 22/01/2007 |
| 10/09/1997 (1) | 20/12/1992 | 171,064 | 1 | 171,064 | 1 | 10/09/1999 | 10/09/2007 |
| 30/09/1997 | 12/05/1997 | 208,248 | 2 | – | 7 | 30/09/1999 | 30/09/2007 |
| 20/04/1998 | 12/05/1997 | 274,880 | 9 | – | 7 | 20/04/2000 | 20/04/2008 |
| 20/04/1998 | 12/05/1997 | 9,540,732 | 348 | 1,020,341 | 9 | 20/04/2000 | 20/04/2008 |
| 07/05/1998 (2) | 28/05/1997 | 1,549,509 | 1 | – | – | 07/05/2000 | 07/05/2008 |
| 26/05/1999 (2) | 28/05/1997 | 682,888 | 1 | – | – | 26/05/2001 | 26/05/2009 |
| 26/05/1999 (2) | 26/05/1999 | 479,243 | 1 | – | – | 26/05/2001 | 26/05/2009 |
| 09/06/1999 | 05/05/1999 | 4,328,985 | 180 | 839,242 | 7 | 09/06/2001 | 09/06/2009 |
| 09/06/1999 | 05/05/1999 | 3,219,178 | 168 | 54,144 | 2 | 09/06/2001 | 09/06/2009 |
| 18/11/1999 | 05/05/1999 | 472,601 | 91 | – | – | 18/11/2001 | 18/11/2009 |
| 05/07/2000 | 05/05/1999 | 7,786,291 | 889 | 780,047 | 10 | 05/07/2002 | 05/07/2010 |
| 05/07/2000 (2) | 26/05/1999 | 794,123 | 5 | 290,535 | 1 | 05/07/2002 | 05/07/2010 |
| 12/07/2000 | 05/05/1999 | 282,637 | 113 | 25,520 | 1 | 12/07/2002 | 12/07/2010 |
| 13/11/2000 | 05/05/1999 | 299,702 | 98 | – | – | 13/11/2002 | 13/11/2010 |

*(1) Ex-LOR FINANCE.*
*(2) Ex-FINAXA.*

| Vesting schedule | Exercise price euros (adjusted price) | Discount | Number of options exercised as at 31/12/2006 | Options cancelled, forfeited and not granted as at 31/12/2006 | Balance as at 31/12/2006 |
|---|---|---|---|---|---|
| 25% – 22/01/1999<br>50% – 22/01/2000<br>75% – 22/01/2001<br>100% – 22/01/2002 | 11.79 | 4.96% | 4,858,470 | 450,800 | 10,266 |
| 25% – 22/01/1999<br>50% – 22/01/2000<br>75% – 22/01/2001<br>100% – 22/01/2002 | 12.41 | – | 83,300 | – | – |
| 25% – 10/09/1999<br>50% – 10/09/2000<br>75% – 10/09/2001<br>100% – 10/09/2002 | 11.00 | – | 85,000 | – | 86,064 |
| 25% – 30/09/1999<br>50% – 30/09/2000<br>75% – 30/09/2001<br>100% – 30/09/2002 | 14.43 | – | 156,185 | 52,063 | – |
| 25% – 20/04/2000<br>50% – 20/04/2001<br>75% – 20/04/2002<br>100% – 20/04/2003 | 24.25 | – | 65,978 | 54,144 | 157,758 |
| 25% – 20/04/2000<br>50% – 20/04/2001<br>75% – 20/04/2002<br>100% – 20/04/2003 | 23.04 | 5.00% | 1,959,829 | 2,698,359 | 4,882,744 |
| 25% – 07/05/2000<br>50% – 07/05/2001<br>75% – 07/05/2002<br>100% – 07/05/2003 | 21.46 | 5.00% | – | – | 1,549,509 |
| 25% – 26/05/2001<br>50% – 26/05/2002<br>75% – 26/05/2003<br>100% – 26/05/2004 | 23.91 | – | – | – | 682,888 |
| 25% – 26/05/2001<br>50% – 26/05/2002<br>75% – 26/05/2003<br>100% – 26/05/2004 | 23.91 | – | – | – | 479,243 |
| 25% – 09/06/2001<br>50% – 09/06/2002<br>75% – 09/06/2003<br>100% – 09/06/2004 | 27.52 | – | 114,196 | 1,220,298 | 2,994,491 |
| 25% – 09/06/2001<br>50% – 09/06/2002<br>75% – 09/06/2003<br>100% – 09/06/2004 | 27.52 | – | 176,734 | 1,010,858 | 2,031,586 |
| 25% – 18/11/2001<br>50% – 18/11/2002<br>75% – 18/11/2003<br>100% – 18/11/2004 | 31.45 | – | – | 251,897 | 220,704 |
| 33% – 05/07/2002<br>66% – 05/07/2003<br>100% – 05/07/2004 | 39.91 | – | – | 2,528,769 | 5,257,522 |
| 25% – 05/07/2002<br>50% – 05/07/2003<br>75% – 05/07/2004<br>100% – 05/07/2005 | 42.29 | – | – | 251,796 | 542,327 |
| 25% – 12/07/2002<br>50% – 12/07/2003<br>75% – 12/07/2004<br>100% – 12/07/2005 | 40.01 | – | – | 173,672 | 108,965 |
| 33% – 13/11/2002<br>66% – 13/11/2003<br>100% – 13/11/2004 | 37.74 | – | – | 65,392 | 234,310 |

| Date of grant | Date of the Shareholders Meeting | Total options granted (adjusted numbers) | Number of beneficiaries | Total options granted to Executive Committee | Number of beneficiaries Executive Committee (current form) | Starting date of the exercise of options | Expiry date |
|---|---|---|---|---|---|---|---|
| 09/05/2001 | 09/05/2001 | 10,066,038 | 1,419 | 1,669,708 | 10 | 09/05/2003 | 09/05/2011 |
| 30/05/2001 (2) | 26/05/1999 | 871,600 | 1 | – | – | 30/05/2003 | 30/05/2011 |
| 27/02/2002 | 09/05/2001 | 10,075,889 | 1,655 | 2,043,412 | 11 | 27/02/2004 | 27/02/2012 |
| 14/03/2003 | 09/05/2001 | 2,904,151 | 229 | 2,170,786 | 8 | 14/03/2005 | 14/03/2013 |
| 14/03/2003 | 09/05/2001 | 8,206,592 | 1,721 | 647,643 | 3 | 14/03/2005 | 14/03/2013 |
| 02/04/2003 (2) | 30/05/2001 | 1,781,935 | 3 | – | – | 02/04/2005 | 02/04/2013 |
| 26/03/2004 | 03/05/2002 | 10,478,765 | 2,186 | 2,503,499 | 11 | 26/03/2006 | 26/03/2014 |
| 14/04/2004 (2) | 21/05/2002 | 484,222 | 1 | – | – | 14/04/2006 | 14/04/2014 |
| 29/03/2005 | 03/05/2002 | 3,608,908 | 774 | 776,569 | 2 | 29/03/2007 | 29/03/2015 |
| 29/03/2005 | 03/05/2002 | 8,644,096 | 2,132 | 2,288,179 | 11 | 29/03/2007 | 29/03/2015 |
| 06/06/2005 | 03/05/2002 | 16,575 | 5 | – | – | 06/06/2007 | 06/06/2015 |
| 27/06/2005 | 03/05/2002 | 235,108 | 238 | – | – | 27/06/2007 | 27/06/2015 |
| 01/07/2005 | 03/05/2002 | 24,442 | 1 | – | – | 01/07/2007 | 01/07/2015 |
| 28/07/2005 | 11/05/2004 | 478,722 | 1 | – | – | 28/07/2007 | 28/07/2015 |
| 21/09/2005 | 20/04/2005 | 111,715 | 6 | – | – | 21/09/2007 | 21/09/2015 |
| 31/03/2006 | 20/04/2005 | 2,702,580 | 861 | 948,340 | 2 | 31/03/2008 | 31/03/2016 |
| 31/03/2006 | 20/04/2005 | 7,446,718 | 2,418 | 2,098,845 | 11 | 31/03/2008 | 31/03/2016 |
| 31/03/2006 | 20/04/2005 | 1,194,073 | 1,002 | – | – | 31/03/2010 | 31/03/2016 |
| 25/09/2006 | 20/04/2005 | 52,451 | 10 | – | – | 25/09/2008 | 25/09/2016 |
| 25/09/2006 | 20/04/2005 | 22,257 | 29 | – | – | 25/09/2010 | 25/09/2016 |
| 13/11/2006 | 20/04/2005 | 7,233 | 5 | – | – | 13/11/2010 | 13/11/2016 |

*(1) Ex-LOR FINANCE.*
*(2) Ex-FINAXA.*
*(3) Options exercised by the heirs of a deceased beneficiary.*

*NB: the number of options and the exercise prices have been adjusted for the rights issues in relation with the capital increase realised to finance part of the Winterthur acquisition.*

| Vesting schedule | Exercise price euros (adjusted price) | Discount | Number of options exercised as at 31/12/2006 | Options cancelled, forfeited and not granted as at 31/12/2006 | Balance as at 31/12/2006 |
|---|---|---|---|---|---|
| 33% – 09/05/2003<br>66% – 09/05/2004<br>100% – 09/05/2005 | 31.49 | – | – | 2,489,189 | 7,576,849 |
| 25% – 30/05/2003<br>50% – 30/05/2004<br>75% – 30/05/2005<br>100% – 30/05/2006 | 33.37 | – | – | – | 871,600 |
| 33% – 27/02/2004<br>66% – 27/02/2005<br>100% – 27/02/2006 | 20.45 | – | 1,872,513 | 1,358,013 | 6,845,373 |
| 33% – 14/03/2005<br>66% – 14/03/2006<br>100% – 14/03/2007 | 10.73 | – | 933,456 | 127,528 | 1,843,167 |
| 33% – 14/03/2005<br>66% – 14/03/2006<br>100% – 14/03/2007 | 10.73 | – | 1,888,886 | 731,810 | 5,585,896 |
| 33% – 02/04/2005<br>66% – 02/04/2006<br>100% – 02/04/2007 | 12.11 | – | – | – | 1,781,935 |
| 33% – 26/03/2006<br>66% – 26/03/2007<br>100% – 26/03/2008 | 17.31 | – | 553,080 | 648,585 | 9,277,100 |
| 33% – 14/04/2006<br>66% – 14/04/2007<br>100% – 14/04/2008 | 15.37 | – | – | – | 484,222 |
| 33% – 29/03/2007<br>66% – 29/03/2008<br>100% – 29/03/2008 | 20.44 | – | – | 60,960 | 3,547,948 |
| 33% – 29/03/2007<br>66% – 29/03/2008<br>100% – 29/03/2008 | 20.18 | – | 5,745 (3) | 306,693 | 8,331,658 |
| 33% – 06/06/2007<br>66% – 06/06/2008<br>100% – 06/06/2008 | 19.48 | – | – | – | 16,575 |
| 33% – 27/06/2007<br>66% – 27/06/2008<br>100% – 27/06/2008 | 19.79 | – | – | 4,412 | 230,696 |
| 33% – 01/07/2007<br>66% – 01/07/2008<br>100% – 01/07/2008 | 20.40 | – | – | – | 24,442 |
| 33% – 28/07/2007<br>66% – 28/07/2008<br>100% – 28/07/2008 | 21.04 | – | – | 478,722 | – |
| 33% – 21/09/2007<br>66% – 21/09/2008<br>100% – 21/09/2008 | 21.48 | – | – | 49,213 | 62,502 |
| 33% – 31/03/2008<br>66% – 31/03/2009<br>100% – 31/03/2010 | 28.61 | – | – | 333 | 2,702,247 |
| 33% – 31/03/2008<br>66% – 31/03/2009<br>100% – 31/03/2010 | 28.43 | – | – | 102,903 | 7,343,815 |
| 100% – 31/03/2010 | 28.61 | – | – | – | 1,194,073 |
| 33% – 25/09/2008<br>66% – 25/09/2009<br>100% – 25/09/2010 | 28.71 | – | – | – | 52,451 |
| 100% – 25/09/2010 | 28.71 | – | – | – | 22,257 |
| 100% – 13/11/2010 | 30.31 | – | – | – | 7,233 |

## Stock options granted and/or exercised by management bodies members in 2006

| Beneficiaries | AXA STOCK OPTIONS | | | | | AXA ADR STOCK OPTIONS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Options granted | | | Options exercised | | Options granted | | | Options exercised | |
| | Number | Expiry date | Price (euros) | Number [(a)] | Price (euros) | Number | Expiry date | Price (USD) | Number | Price (USD) |
| **Management Board members** | | | | | | | | | | |
| H. de CASTRIES (Chairman) | 571,913 | 31/03/2016 | 28.43 | 78,791<br>93,000<br>11,234 | 10.73<br>10.73<br>10.73 | – | – | – | – | – |
| A. BOUCKAERT (Belgium) | 147,063 | 31/03/2016 | 28.43 | – | – | – | – | – | – | – |
| C. BRUNET | 196,085 | 31/03/2016 | 28.43 | 33,365 | 10.73 | – | – | – | – | – |
| | | | | 37,788 | 10.73 | | | | | |
| C. CONDRON (USA) | 592,713 | 31/03/2016 | 28.61 | – | – | – | – | – | 290,115<br>195,629<br>195,631 | 12.51<br>17.58<br>17.58 |
| D. DUVERNE | 318,637 | 31/03/2016 | 28.43 | 38,417<br>45,610<br>45,000<br>35,000<br>5,000 | 10.73<br>10.73<br>11.00<br>11.00<br>11.00 | – | – | – | – | – |
| F. PIERSON | 318,637 | 31/03/2016 | 28.43 | 22,000<br>49,000 | 10.73<br>20.45 | – | – | – | – | – |
| **Supervisory Board members** | | | | | | | | | | |
| C. BEBEAR (Chairman) | n/a | n/a | n/a | 38,310<br>655,985 | 11.79<br>11.79 | n/a | n/a | n/a | – | – |
| J. TABOUROT | n/a | n/a | n/a | 18,489<br>53,000<br>13,685 | 11.79<br>11.79<br>10.73 | n/a | n/a | n/a | – | – |

*(a) Underligned numbers indicate exercises of options where the AXA shares have been retained or given by beneficiaries.*

Stock options exercised by Claude Bébéar are options granted in 1997 and those exercised by Jacques Tabourot are options granted in 1997 and 2003.

## Stock options granted and/or exercised by the top 10 beneficiaries (outside the management board) during 2006

| Stocks options granted or exercised by the top 10 beneficiaries (outside the Management Board) during 2005 | Number of options granted or exercised | Weighted average price (euro) |
|---|---|---|
| Stock options granted | 1,121,327 | 28.49 |
| Stock options exercised | 2,291,757 | 19.50 |

### Stock options held by management bodies members and Executive Committee members (options granted but not exercised on December 31, 2006)

| Beneficiaries | AXA | AXA ADR [(a)] |
|---|---|---|
| **Management Board members** | | |
| H. de Castries (Chairman) | 6,143,320 | 292,308 |
| A. Bouckaert (Belgium) | 955,982 | – |
| C. Brunet | 1,121,723 | – |
| C. Condron (United States) | 1,078,069 | 1,788,103 |
| D. Duverne | 2,010,065 | 99,932 |
| F. Pierson | 2,104,676 | – |
| **Supervisory Board members** | | |
| C. Bébéar (Chairman) | 4,939,062 | 292,310 |
| J. Tabourot | 101,566 | – |
| **Executive Committee members (on December 31, 2006)** | | |
| J.R. Abat (in Spain) | 571,692 | – |
| P. Donnet (in Singapore) | 509,143 | – |
| J. Lieberman (in the US) [(b)] | – | – |
| N. Moreau (in the UK) [(c)] | 360,943 | – |
| A. Penn (in Australia) [(d)] | 61,248 | – |
| E. Teysen (in Belgium) | 98,298 | – |

*(a) As part of AXA's buyout of minority interests in AXA Financial, the outstanding options on AXA Financial ordinary shares were converted into AXA American Depository Shares (ADR) on January 2, 2001.*
*(b) Also owns 80,000 shares of stock in Alliance Capital.*
*(c) Also owns 7,562 stock options on AXA Investment Managers.*
*(d) Also owns 783,334 options on AXA Asia Pacific Holdings.*

## Performance shares and performance units

Since 2004, stock options have partially been replaced by performance units.

From 2005, performance units are replaced in France by performance shares. Performance shares are free shares subject to performance conditions.

Performance units/shares aim at:
- Reward and retain the best talents by the intrinsic performance of the AXA Group and of their operational business unit as well as the performance of the AXA share price on the medium-term (2 to 4 years);
- Reduced shareholder dilution by granting less stock options.

Grant criterias for performance units are similar to those used for stock options.

The principle of performance units/shares is as follows:
- Each beneficiary receives an initial grant of performance units/shares which will be used to calculate the actual number of units/shares that will be definitely acquired at the end of a 2-year acquisition period (3 years for the 2004 performance unit plan), under the condition that the beneficiary is still employed by the AXA Group at that date.
- During each year of the acquisition period, half of the performance units/shares initially granted (one third for the 2004 performance unit plan) is subject to collective performance conditions measuring both the AXA Group performance and the beneficiary's operational business unit performance, based on pre-determined targets.
- The performance targets in 2004 and 2005 have been :
  - for the business unit : underlying earnings and adjusted earnings;
  - for the AXA Group : underlying earnings and adjusted earnings per share.

- The performance targets in 2006 have been for both the AXA Group and the operational business unit:
  - underlying earnings, P&C revenue and New Business Value in Life.
- The degree of achievement for each target determines the number of units/shares actually granted to the beneficiary, which may vary between 0% and 130% of the units/shares at stake each year.
- At the end of the acquisition period, units/shares actually granted each year become definitely acquired, subject to the beneficiary being still employed by the AXA Group.

As far as performance units are concerned:
- Each unit is valued based on the average opening price of the AXA SA share during the past 20 trading days of the acquisition period.
- The total amount corresponding to the value of units that are definitely acquired, is paid to the beneficiary as a remuneration.
- If the number of units definitely acquired is equal or larger than 1,000 the beneficiary only receives 70% of the value in order to allow him/her to pay social contributions and income taxes calculated on 100% of that value. 30% of the value is reinvested into AXA SA shares which are restricted from sale during a 2-year period, in order to develop employees' share ownership and align employees and shareholders' interests.

As far as performance shares are concerned:
- Shares that are definitely acquired at the end of the acquisition period are restricted from sale during a 2-year period.

The amounts corresponding to Performance units are charged to expenses each year under the variable accounting method, but do not create any dilution for shareholders since no new shares are issued.

Performance shares represent less shareholder dilution than stock options, due to the smaller grant volume.

The first performance unit plan was launched on March 26, 2004 and 1,037,116 performance units have been initially granted to 2,554 beneficiaries in and outside France.

A second performance unit plan was launched on March 29, 2005 and 938,880 performance units have been initially granted to 1,707 beneficiaries outside France.

A third performance unit plan was launched on March 31, 2006 and 1,453,441 performance units have been initially granted to 2,072 beneficiaries outside France.

The first performance share plan was launched on April 21, 2005, after approval having been obtained at the Annual General Meeting of April 20, 2005. A total of 743,310 performance shares have been granted to 1,154 beneficiaries in France.

Furthermore, 770 employees in France have elected to renounce to their performance units granted in 2004 and have been granted on April 21, 2005 an equivalent number of shares. As a total, they received 250,306 performance shares and 143,630 restricted shares.

A second performance share plan was launched on March 31, 2006. A total of 892,958 performance shares have been granted to 1,186 beneficiaries in France.

## Performance Units/Shares Summary

### Performance units

| Initial grant Date | Units granted | Units actually granted | Units at stake at 31/12/2006 | Units cancelled at 31/12/2006 | Units acquired at 31/12/2006 | Balance at 31/12/2006 | Acquisition Date | Units acquired |
|---|---|---|---|---|---|---|---|---|
| 26/03/2004 | 1,037,116 | 607,133 | 198,259 | 462,362 | 764 | 650,285 | 26/03/2007 | – |
| 29/03/2005 | 938,880 | 525,489 | 450,113 | 39,300 | 547 | 965,608 | 29/03/2007 | – |
| 31/03/2006 | 1,453,441 | – | 1,431,755 | 21,073 | 613 | 1,431,755 | 31/03/2008 | – |

*NB: 1,924 Performance units have been acquired further to the decease of beneficiaries in 2005 and 2006.*

### Performance / Restricted shares

| Initial grant Date | Shares granted | Shares actually granted | Units at stake at 31/12/2006 | Shares cancelled at 31/12/2006 | Shares acquired at 31/12/2006 | Balance at 31/12/2006 | Acquisition Date | Shares acquired |
|---|---|---|---|---|---|---|---|---|
| 21/04/2005 | 743,310 | 410,828 | 364,477 | 13,186 | 1,046 | 773,032 | 21/04/2007 | – |
| 21/04/2005 | 250,306 [(a)] | 138,261 | 122,991 | 4,263 | 102 | 260,809 | 21/04/2007 | – |
| 21/04/2005 | 143,630 [(b)] | 143,630 | – | 2,428 | 58 | 141,144 | 21/04/2007 | – |
| 31/03/2006 | 892,958 | – | 888,484 | 4,474 | – | 884,484 | 31/03/2008 | – |

*(a) Performance shares granted as a replacement for 250,306 Performance Units 2004 cancelled.*
*(b) Restricted shares granted as a replacement for 143,630 Performance Units 2004 cancelled.*

*NB: 1,206 shares have been acquired further to the decease of beneficiaries in 2005 and 2006.*

### Performance units/shares initially granted to the top 10 beneficiaries (outside the Management Board) during 2006

| | Number initially granted |
|---|---|
| Performance units | 126,088 |
| Performance shares | 61,623 |

Performance units/shares grants for the Management Board members are:

### Performance Units Plan 2004

| | Initial grant Date | Units granted | Units actually granted | Units at stake at 31/12/2006 |
|---|---|---|---|---|
| H. de Castries | 26/03/2004 | 61,276 | 23,489 | – |
| A. Bouckaert | 26/03/2004 | 9,804 | 7,852 | 3,268 |
| C. Brunet | 26/03/2004 | 16,851 | 6,460 | – |
| C. Condron | 26/03/2004 | 75,902 | 57,161 | 25,302 |
| D. Duverne | 26/03/2004 | 23,898 | 9,161 | – |
| F. Pierson | 26/03/2004 | 27,574 | 10,887 | – |

### Performance Units/Shares Plan 2005

| | Initial grant Date | Shares / Units granted | Shares / Units actually granted | Shares / Units at stake at 31/12/2006 |
|---|---|---|---|---|
| H. de Castries | 21/04/2005 | 102,127 | 57,192 | 51,063 |
| | 21/04/2005 | 40,851 (a) | 22,878 | 20,426 |
| | 21/04/2005 | 23,489 (b) | 23,489 | – |
| A. Bouckaert | 29/03/2005 | 15,319 | 9,317 | 7,659 |
| C. Brunet | 21/04/2005 | 28,085 | 15,729 | 14,042 |
| | 21/04/2005 | 11,234 (a) | 6,292 | 5,617 |
| | 21/04/2005 | 6,460 (b) | 6,460 | – |
| C. Condron | 29/03/2005 | 97,071 | 54,024 | 48,536 |
| D. Duverne | 21/04/2005 | 42,894 | 24,021 | 21,447 |
| | 21/04/2005 | 15,932 (a) | 8,923 | 7,966 |
| | 21/04/2005 | 9,161 (b) | 9,161 | – |
| F. Pierson | 21/04/2005 | 45,957 | 25,568 | 22,978 |
| | 21/04/2005 | 18,383 (a) | 10,227 | 9,192 |
| | 21/04/2005 | 10,887 (b) | 10,887 | – |

*(a) Performance shares granted as a replacement for Performance Units 2004 cancelled.*
*(b) Restricted shares granted as a replacement for Performance Units 2004 cancelled.*

### Performance Units/Shares Plan 2006

| | Initial grant Date | Shares / Units granted | Shares / Units actually granted | Shares / Units at stake at 31/12/2006 |
|---|---|---|---|---|
| H. de Castries | 31/03/2006 | 57,191 | – | 57,191 |
| A. Bouckaert | 31/03/2006 | 14,706 | – | 14,706 |
| C. Brunet | 31/03/2006 | 19,608 | – | 19,608 |
| C. Condron | 31/03/2006 | 59,271 | – | 59,271 |
| D. Duverne | 31/03/2006 | 31,864 | – | 31,864 |
| F. Pierson | 31/03/2006 | 31,864 | – | 31,864 |

| Units cancelled at 31/12/2006 | Units acquired at 31/12/2006 | Balance at 31/12/2006 | Acquisition Date | Acquisition Units acquired |
|---|---|---|---|---|
| 64,340 | – | – | – | – |
| – | – | 11,120 | 26/03/2007 | – |
| 17,694 | – | – | – | – |
| – | – | 82,463 | 26/03/2007 | – |
| 25,093 | – | – | – | – |
| 29,270 | – | – | – | – |

| Shares / Units cancelled at 31/12/2006 | Shares / Units acquired at 31/12/2006 | Balance at 31/12/2006 | Acquisition Date | Acquisition Shares / Units acquired |
|---|---|---|---|---|
| –<br>–<br>– | –<br>–<br>– | 108,255<br>43,304<br>23,489 | 21/04/2007<br>21/04/2007<br>21/04/2007 | –<br>–<br>– |
| – | – | 16,976 | 29/03/2007 | – |
| –<br>–<br>– | –<br>–<br>– | 29,771<br>11,909<br>6,460 | 21/04/2007<br>21/04/2007<br>21/04/2007 | – |
| – | – | 102,560 | 29/03/2007 | – |
| –<br>–<br>– | –<br>–<br>– | 45,468<br>16,889<br>9,161 | 21/04/2007<br>21/04/2007<br>21/04/2007 | – |
| –<br>–<br>– | –<br>–<br>– | 48,546<br>19,419<br>10,887 | 21/04/2007<br>21/04/2007<br>21/04/2007 | – |

| Shares / Units cancelled at 31/12/2006 | Shares / Units acquired at 31/12/2006 | Balance at 31/12/2006 | Acquisition Date | Acquisition Shares / Units acquired |
|---|---|---|---|---|
| – | – | 57,191 | 31/03/2008 | – |
| – | – | 14,706 | 31/03/2008 | – |
| – | – | 19,608 | 31/03/2008 | – |
| – | – | 59,271 | 31/03/2008 | – |
| – | – | 31,864 | 31/03/2008 | – |
| – | – | 31,864 | 31/03/2008 | – |

# Share ownership of management bodies members

## Members of the Management Board

| | Number of shares and number of units of mutual funds owned as of December 31, 2006 | | |
|---|---|---|---|
| | AXA Shares | AXA ADR | Units of AXA Actionnariat mutual funds |
| Henri de Castries | 732,439 | – | – |
| Alfred Bouckaert (Belgium) | – | – | 90,575.0000 |
| Claude Brunet | 132,530 | – | 4.3915 |
| Christopher Condron (United States) | – | 464,750 | – |
| Denis Duverne | 351,118 | – | 606.9399 |
| François Pierson | 31,444 | – | 15,705.2033 |

At the Supervisory Board meeting on February 21, 2007, acting on the recommendation of the Compensation Committee meeting of February 20, 2007, set forth guidelines for share ownership applicable to members of the Management Board.

Each member of the Management Board is required to hold a certain number of shares based on his annual compensation (fixed + target variable).

The Supervisory Board agreed to the following rules:

– For the Chairman of the Management Board: ownership of shares worth at least three times his total annual compensation.
– For the other members of the Management Board: ownership of shares worth at least twice their total annual compensation.

To calculate the level of ownership, the following shares will be taken into account: AXA shares, AXA ADRs, mutual fund units invested in AXA stock, and AXA APH and AllianceBernstein shares.

The Chairman of the Management Board has one year, and the other members of the Management Board have five years from their nomination date, to achieve compliance with these levels.

On February 28, 2007, Messrs Henri de Castries, Alfred Bouckaert, Claude Brunet, Denis Duverne and Christopher Condron were already in compliance with this requirement.

On March 30, 2004 and on December 28, 2004, Messrs Henri de Castries, Claude Bébéar, Denis Duverne and other AXA shareholders had entered into two agreements providing for an engagement to hold their AXA shares for a period of 6 years in order to take advantage of the favorable wealth tax (ISF) regime provided by the “Dutreil” Act of August 1, 2003. The first agreement related to 20.35% of the capital of AXA as of year-end 2004 and the second one related to 20.52%. The parties to the agreements must hold their shares throughout this 6 year period in order to maintain the 50% abatement applied in 2004 and 2005 to the value of these shares subject to ISF. However, they are no longer eligible for this favorable wealth tax regime from 2006 on, because the collective holding threshold of at least 20% of AXA’s share capital is no longer reached following the merger of FINAXA into AXA.

## Members of the Supervisory Board

| | Number of shares owned as of December 31, 2006 | |
|---|---|---|
| | AXA Shares | AXA ADR |
| Claude Bébéar | 2,628,209 | – |
| Jean-René Fourtou | 10,780 | 1,356 |
| Leo Apotheker [(a)] | 250 | – |
| David Dautresme | 35,056 | – |
| Norbert Dentressangle | 2,666 | – |
| Jacques de Chateauvieux | 2,170 | – |
| Anthony Hamilton | 4,436 | 7,103 |
| Henri Hottinguer | 142,459 | – |
| Henri Lachmann | 15,675 | – |
| Gérard Mestrallet | 2,825 | – |
| Michel Pébereau | 4,666 | – |
| Mme Dominique Reiniche | 100 | – |
| Ezra Suleiman | 3,225 | – |
| Jacques Tabourot | 85,188 | – |

*(a) Purchase of 900 additional shares in January 2007.*

# Employee shareholders

The AXA Group offers its employees an opportunity to become shareholders through a special equity issue reserved exclusively for them.

By virtue of the authorization granted by the shareholders at of the Annual General Meeting of April 20, 2005, the Management Board increased share capital, as provided for by the French Ordonnance of October 21, 1986, in one offering, through the issue of shares to employees of the Group under the Shareplan 2006 program. The shareholders waived their preferential subscription rights so that this offering could be made to employees.

In the countries that met the legal and tax requirements, two investment options were proposed in 2006:
– the traditional plan, available in 31 countries,
– the investment leverage plan, offered in 32 countries.

New mutual funds with direct voting rights have been created to allow beneficiaries to directly exercise their voting rights.

The Shareplan 2006 program was carried out through a share issue that took place in November and was open to all Group employees through voluntary contributions.

Approximately 30,000 employees in 32 countries took part in Shareplan 2006, and participating employees invested a total of 375.5 million euros (up 23.4% compared with the 304.3 million euros invested in December 2005), as follows:
– 51.8 million euros in the traditional plan (versus 33.7 million euros in December 2005);
– 323.7 million euros in the investment leverage plan (versus 270.6 million euros in December 2005).

A total of 15.5 million new ordinary shares were issued, each with a par value of 2.29 euros. These shares began earning dividends on January 1st, 2006.

As of December 31, 2006, AXA employees held 4.98% of the Group's outstanding ordinary shares and 6.41% of the voting rights. These shares are owned through mutual funds or directly, in the form of shares or ADRs.

# PRINCIPAL STATUTORY
## INFORMATION CONCERNING THE COMPANY

**Corporate Name**
AXA
Registered principal offices:
25, avenue Matignon – 75008 Paris

**Legal form and governing law**
A form of limited liability company (French *société anonyme*) with a Management Board and a Supervisory Board, governed by the laws of France, in particular the French Company Code (the *Code de Commerce*) and the French Insurance Code (the *Code des Assurances*).

**Incorporation and life of the Company**
The Company was incorporated in 1852. The corporate life of the Company is set to expire on December 31, 2059, unless it is prolonged after, or wind-up before, this date.

**Corporate purpose** (Article 3 of the articles of incorporation and Bylaws):
- to acquire, manage and/or dispose of equity interests in French or foreign companies or businesses, regardless of their legal form;
- to perform any and all transactions directly or indirectly related to the foregoing or in furtherance thereof;
- in particular, to acquire and manage equity interests in any form, directly or indirectly, in any French or foreign company engaged in the insurance business.

**Trade and Company Register**
No. 572.093.920 in the Paris Trade and Company Register
APE Code: 741 J

**Fiscal year**
From January 1st to December 31st.

**Distribution of profits**
Net profits for the fiscal year and any retained earnings, less any prior losses and amounts appropriated to reserves in accordance with applicable law, constitute the distributable profit. Shareholders have control over this profit, and may decide at the annual general meeting on its appropriation as well as on the distribution of sums drawn from the reserves under its control. In such case, the shareholders' decision expressly indicates the reserve accounts from which amounts are to be drawn.

With the exception of a reduction in the share capital, no dividend may be paid out to shareholders if the amount of shareholders' equity is less than the share capital plus the reserves that, by law, cannot be distributed. Likewise, no dividend may be paid out if this would cause shareholders' equity to fall below said threshold.

**Meetings of shareholders and voting power**
Shareholders are convened, meet, and deliberate in accordance with applicable law and regulations.

All shareholders are entitled to attend these meetings, either in person or by proxy, provided that they show valid proof of ID and share ownership.

The right to attend the shareholders' meetings of companies whose stock is traded on a regulated market or transactions of a central depository is evidenced by an accounting entry showing the number of shares in the name of the shareholder of record (or the intermediary of record for the account) in accordance with the seventh paragraph of Article L. 228-1 of the French Commercial Code, on the third business day preceding the meeting at midnight (Paris time), either in the nominee share ownership records kept by the company or in the bearer share records kept by a qualified intermediary.

The accounting registration or recording of the shares in the bearer share accounts on the books of the qualified intermediary is evidenced by a certificate of attendance delivered by the latter, by electronic means where applicable, pursuant to the terms and conditions set forth in Article 119 of the French decree n° 67-236 of March 23, 1967, appended to the proxy or mail-in voting slip or upon request for an admission card established in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. A certificate is also delivered to any shareholder wishing to physically attend the meeting but who has not received an admission card by the third business day preceding the scheduled date of the meeting at midnight (Paris time).

If a shareholder has already voted by mail, sent a proxy card or requested his or her admission card or certificate of attendance, he or she may no longer opt for another way of participating in the meeting.

A shareholder who has already voted by mail, sent a proxy card or requested his or her admission card or certificate of attendance may, at any time, sell or otherwise transfer ownership all or some of his or her shares.

However, if the sale or transfer of ownership of such shares occurs before the third business day preceding the date of the shareholder meeting at midnight (Paris time), the company invalidates or modifies accordingly, as the case may be, the vote that was mailed in, the proxy that was granted, the admission card, or the certificate of attendance. To this end, the qualified intermediary of record with whom the shares are registered notifies the company or agent of the sale or transfer and transmits the required information.

No sale or transfer or ownership completed after the third business day prior to the meeting at midnight (Paris time), nor any other transaction completed after this same date and time, regardless of the means by which it is completed, shall be notified by the qualified intermediary or otherwise taken into account by the company, notwithstanding any agreement to the contrary.

As a consequence of the new measures which have been enforced on January 1, 2007, the bylaws of the Company will be modified during the Shareholder meeting on May 14, 2007.

Shareholders may vote by mail in accordance with legislation and regulations in force.

Each shareholder is entitled to one vote per share held. However, since the Extraordinary Shareholders' meeting of May 26, 1977, Article 23 of the Company bylaws provides that holders of shares that are fully paid up and registered in the name of their owner for at least two years at the end of the calendar year preceding the scheduled date of a shareholders' meeting enjoy double voting rights with respect to these shares. In the event of a share capital increase through capitalization of reserves, profits, share or issue premiums, registered shares that are freely allotted to shareholders on the basis of existing shares granting a double voting right shall also grant a double voting right to their holders.

The relevant paragraphs of the French Commercial Code provide that the right to a double vote ceases automatically when the share to which it is attached is converted to bearer status. This right also ceases automatically in the event that shares are transferred, with the proviso that the transfer is one of ownership. Accordingly, this right stands in the event of a transfer in the form of collaterals or a transfer of use rights. Moreover, a transfer of ownership that occurs in connection with succession, liquidation of an estate between spouses, or donation to a relative does not lead to the loss of acquired double voting rights.

Moreover, the French Commercial Code provides that the shareholders may not revoke this right to a double vote unless a special meeting of the holders of such rights has been held to authorize this revocation.

The law also allows the Company to request from the depository trust company concerned, at its own expense and at any time, information pertaining to the identity of holders of shares of the Company carrying immediate or future voting rights in shareholder meetings, as well as the number of shares held by each individual or legal entity.

**Notification of statutory thresholds**

(Article 7 of the articles of incorporation and Bylaws)

Any person or entity that directly or indirectly becomes the owner of at least 0.5% of the share capital and/or voting power must notify the Company of the total number of shares held. Notification must be made by certified letter, return receipt requested, within five days of the date on which the shares that allowed the holder to reach or pass said threshold were registered.

This notification must be made whenever an additional 0.5% threshold is reached.

Failure to comply with the requirement to disclose the passing of statutory thresholds may entail the forfeiture of the voting rights attached to any shares that exceed the aforementioned thresholds if ownership of these shares has not been duly disclosed to AXA. This period of forfeiture may last for two years as of the date on which the holder complies with these disclosure requirements.

# INFORMATION
## CONCERNING THE SHARE CAPITAL OF THE COMPANY

### Share capital as of December 31, 2006

As of December 31, 2006, AXA's fully paid up share capital totaled €4,792,714,239.06 divided into 2.092.888.314 shares with a par value of €2.29 and eligible for dividends as of January 1, 2006.

### Change in share capital

| Date | Operations | Number of shares issued | Issue premium | Number of shares after the operation | Amount of share capital after the operation (in euros) |
|---|---|---|---|---|---|
| 2004 | Exercise of stock options | 198,198 | 1,560,737 | 1,778,301,333 | 4,072,310,053 |
| | Exercise of stock options | 418,104 | 3,177,766 | 1,778,719,437 | 4,073,267,511 |
| | Exercise of stock subscription warrants (employees in Germany) | 13,766 | 141,851 | 1,778,733,203 | 4,073,299,035 |
| | New equity issue reserved for AXA employees in France | 1,668,797 | 18,690,526 | 1,780,402,000 | 4,077,120,580 |
| | Bonds payable into shares (ORAN, financing for the acquisition of MONY) | 110,245,309 | 1,143,794,078 | 1,890,647,309 | 4,329,582,338 |
| | Exercise of stock options | 408,081 | 2,636,812 | 1,891,055,390 | 4,330,516,843 |
| | Exercise of stock subscription warrants (employees in Germany) | 7,643 | 77,400 | 1,891,063,033 | 4,330,534,346 |
| | New equity issue reserved for employees of AXA | 16,495,888 | 182,658,904 | 1,907,558,921 | 4,368,309,929 |
| | New equity issue reserved for employees of AXA (ABSA) | 691,167 | 10,077,215 | 1,908,250,088 | 4,369,892,702 |
| | Exercise of stock options | 192,371 | 1,177,460 | 1,908,442,459 | 4,370,333,231 |
| | Conversion of stock subscription warrants by German employees | 1,711 | 17,513 | 1,908,444,170 | 4,370,337,149 |
| 2005 | Exercise of stock options | 46,789 | 305,298 | 1,908,490,959 | 4,370,444,296 |
| | Exercise of stock options | 2,224,844 | 17,509,581 | 1,910,715,803 | 4,375,539,189 |
| | Exercise of stock subscription warrants | 27,983 | 308,505 | 1,910,743,786 | 4,375,603,270 |
| | Share capital increase following the definitive completion of the merger of FINAXA into AXA | 299,012,355 | 4,308,368,615 | 2,209,756,141 | 5,060,341,563 |
| | Exercise of stock options | 480,947 | 5,232,868 | 2,210,237,088 | 5,061,442,932 |
| | Exercise of stock subscription warrants | 6,871 | 90,044 | 2,210,243,959 | 5,061,458,666 |
| | Share capital reduction by cancellation of shares | – 19,809,693 | – 466,353,090 | 2,190,434,266 | 5,016,094,469 |
| | New equity issue reserved for employees of AXA | 1,866,614 | 29,455,181 | 2,192,300,880 | 5,020,369,015 |
| | New equity issue reserved for employees of AXA | 13,728,714 | 222,657,172 | 2,206,029,594 | 5,051,807,770 |
| | New equity issue reserved for employees of AXA (ABSA) | 656,862 | 13,327,733 | 2,206,686,456 | 5,053,311,984 |

| Date | Operations | Number of shares issued | Issue premium | Number of shares after the operation | Amount of share capital after the operation in euros) |
|---|---|---|---|---|---|
| 2006 | Share capital reduction (through the cancellation of shares) following the merger of FINAXA into AXA | – 337,490,816 | – 5,379,990,858 | 1,869,195,640 | 4,280,458,016 |
| | Exercise of stock options | 2,021,262 | 18,942,856 | 1,871,216,902 | 4,285,086,706 |
| | Exercise of stock subscription warrants | 4,780 | 64,773 | 1,871,221,682 | 4,285,097,652 |
| | Conversions of bonds | 383,322 | 4,781,199 | 1,871,605,004 | 4,285,975,459 |
| | Exercise of stock options | 342,060 | 4,372,946 | 1,871,947,064 | 4,286,758,777 |
| | Exercise of stock subscription warrants (employees in Germany) | 14,525 | 152,438 | 1,871,961,589 | 4,286,792,039 |
| | Conversions of bonds | 6,749 | 84,135 | 1,871,968,338 | 4,286,807,494 |
| | Exercise of stock options | 1,814,067 | 24,155,528 | 1,873,782,405 | 4,290,961,707 |
| | Exercise of stock subscription warrants (employees in Germany) | 19,634 | 258,328 | 1,873,802,039 | 4,291,006,669 |
| | Conversions of bonds | 11,826 | 147,538 | 1,873,813,865 | 4,291,033,751 |
| | Exercise of stock subscription warrants (employees in Germany) | 1,326 | 11,714 | 1,873,815,191 | 4,291,036,787 |
| | Exercise of stock options | 239,089 | 3,073,711 | 1,874,054,280 | 4,291,584,301 |
| | Exercise of stock options | 303,146 | 2,981,361 | 1,874,357,426 | 4,292,278,506 |
| | Exercise of stock subscription warrants (employees in Germany) | 6,120 | 86,465 | 1,874,363,546 | 4,292,292,520 |
| | Conversions of bonds | 29,532 | 1,133,918 | 1,874,393,078 | 4,292,360,149 |
| | Share capital increase | 208,265,897 | 3,613,841,064 | 2,082,658,975 | 4,769,289,053 |
| | Exercise of stock subscription warrants (employees in Germany) | 353,546 | 6,484,188 | 2,083,012,521 | 4,770,098,673 |
| | Exercise of stock options | 2,846,266 | 43,083,028 | 2,085,858,787 | 4,776,616,622 |
| | Exercise of stock subscription warrants (employees in Germany) | 3,953 | 47,259 | 2,085,862,740 | 4,776,625,675 |
| | Share capital reduction by cancellation of shares | – 11,273,270 | – 279,268,697 | 2,074,589,470 | 4,750,809,886 |
| | New equity issue reserved for employees of AXA | 15,472,458 | 339,536,543 | 2,090,061,928 | 4,786,241,815 |
| | Exercise of stock options | 2,806,976 | 34,374,263 | 2,092,868,904 | 4,792,669,790 |
| | Exercise of stock subscription warrants (employees in Germany) | 19,352 | 282,006 | 2,092,888,256 | 4,792,714,106 |
| 12.31.06 | Conversions of bonds | 58 | 2,184 | 2,092,888,314 | 4,792,714,239 |
| | Exercise of stock options | 607,008 | 11,581,463 | 2,093,495,322 | 4,794,104,287 |
| | Exercise of stock subscription warrants (employees in Germany) | 12,371 | 164,220 | 2,093,507,693 | 4,794,132,617 |
| 02.28.07 | Conversions of bonds | 36,688 | 1,374,419 | 2,093,544,381 | 4,794,216,632 |

## Fully diluted capital as of February 28, 2007

The following table indicates the Company's fully diluted share capital, assuming that the maximum number of new shares is issued following the exercise of all outstanding stock options, warrants and the free allotment of shares.

| | Outstanding number | Fully diluted capital |
|---|---|---|
| Ordinary shares issued on February 28, 2007 [a] | 2,093,544,381 | 2,093,544,381 |
| Stock options | 76,362,751 | 76,362,751 |
| Freely allotted shares | 2,058,667 | 2,058,667 |
| Stock subscription warrants related to the *Shareplan* program in Germany | 3,040,327 | 3,048,475 |
| **Maximum total number of shares** | – | **2,175,014,274** |

*(a) Source: Euronext Notice as of March 2nd, 2007.*

On January 11, 2007, the meetings of holders of AXA's 2014 and 2017 convertible bonds were held to vote on an amendment of the final conversion dates of the bonds to January 26, 2007 in exchange for a cash payment in respect of the value of the conversion option.

The meeting of holders of the 2014 convertible bonds approved the amendment. Consequently, holders who did not convert their bonds by January 26, 2007, received €16.23 per bond on January 31, 2007. The 2014 convertible bonds are not convertible anymore since January 26, 2007.

The meeting of holders of the 2017 convertible bonds did not approve the amendment. Consequently, to fully neutralize the dilutive impact of the 2017 convertible bonds, AXA has purchased from a banking counterparty, for a total cash amount equivalent to the payment proposed to bondholders, call options on the AXA share with an automatic exercise feature. This feature is such that one option is automatically exercised upon each conversion of a convertible bond. Consequently, each issuance of a new share resulting from the conversion of the bond will be offset by the delivery by the bank to AXA (and subsequent cancellation) of an AXA share; The issuance of a share in respect of the conversion of the bond and the cancellation by AXA of the AXA share received will offset each other. As a result of this transaction, there will no longer be a change to the outstanding number of AXA shares created by the convertible bond conversion.

## AXA subordinated convertible bonds as of February 28, 2007

| | Subordinated convertible bonds from February 17, 2000 |
|---|---|
| Number of bonds | 6,646,524 |
| Issue price | €165.50 |
| Total principal amount | 1,099,999,722 euros |
| Closing date | February 17, 2000 |
| Maturity date | January 1, 2017 |
| Coupon | 3.75% |
| Conversion | Starting February 17, 2000: 4.15* shares for 1 bond |
| Maturity of the bonds | Redemption on January 1st, 2017 at 269.16 euros per bond, i.e. 162.63% of the nominal amount |
| Early redemption | – The Company may purchase the notes on any Stock Exchange or otherwise in accordance with applicable law, including by way of tender for purchase or exchange,<br>– at the option of the issuer, in cash, from January 1st, 2007 at a price with a gross 6.00% actuarial yield, if the Company's share average over 10 consecutive days is above 125% of the anticipated repayment price,<br>– at any time, at the option of the issuer, at 269.16 euros if the number of bonds in circulation is below 10% of the number of bonds issued. |
| Number of bonds in circulation as of February 28, 2006 | 6,637,107 |

*(a) Following the capital increase with preferential subscription rights made by AXA to finance part of the Winterthur acquisition, the conditions of conversion of AXA 3.75% 2017 convertible bond have been adjusted. The conversion ratio has been increased from 4.06 to 4.15 AXA shares (€2.29 par) for 1 convertible bond (see Euronext notice n°2006-2063 published on July 18, 2006).*

# Description of the company's own shares buyback program to be submitted to shareholders' approval on May 14, 2007

## Date of the Shareholders' meeting called to authorize the program

May 14, 2007

## Self-held shares and shares owned by subsidiaries as of February 28, 2007

| | Number of shares | % of share capital | Par value (in euros) | Book value (in euros) |
|---|---|---|---|---|
| Self-held shares | 3,359,464 | 0.16% | €7,693,173 | €108,040,362 |
| Shares owned by subsidiaries | 22,962,469 | 1.10% | €52,584,054 | €738,473,003 |

## Analysis of self-held shares in terms of objectives as of February 28, 2007

| | Liquidity contract | Bond conversions, stock options hedging, etc. | Cancellation |
|---|---|---|---|
| Number of self-held shares | 1,860,000 | 1,499,464 | – |

## Objectives of the Company's own shares buyback program

European Regulation n° 2273/2003 which came into force on October 13, 2004, expressly provides that shares purchased in connection with own stock buyback programs must serve one of the following purposes:

(i) to reduce share capital through the cancellation of the shares purchased;

(ii) to fulfill obligations related to the issuance of debt securities with an immediate or deferred claim on the capital of the issuer, as well as stock options programs or other share allocations made to employees of the issuer or one of its affiliates.

Besides, the European Directive n°2003/6/CE on market abuse offers the option of pursuing accepted market practices. Accordingly, under the terms of the AMF position on *"the implementation of the new regulation on own shares buyback programs",* published in March of 2005, two market practices are accepted in addition to the objectives allowable under the European Regulation:

(i) liquidity contracts entered into with an investment services provider in compliance with the code of conduct drawn up by AFEI;

(ii) purchases made by the issuer for the purpose of holding its own shares for subsequent tender offers.

Pursuant to the provisions of the European Regulation and in accordance with market practices allowed by the AMF, the objectives of the Company's own shares buyback program that will be submitted to the shareholders' approval on May 14, 2007 are the following:

a) optimizing the liquidity of AXA securities, notably to foster regular and liquid trading in the securities through a liquidity contract that complies with the AFEI Code of conduct approved by the AMF, entered into with an investment services provider (liquidity provider) in compliance with the market practices accepted by the AMF,

b) (i) hedging stock options offered to some or all employees or directors and officers of the Company and/or affiliates as defined in Article L.225-180 of the French Commercial Code, (ii) granting free shares to employees and former employees enrolled in a company savings plan sponsored by the Company or the AXA Group, and/or (iii) granting free shares to employees and directors and officers of the Company and its affiliates as defined in Article L.225-197-2 of the French Commercial Code, in connection with the provisions of Articles L.225-197-1 et seq of the French Commercial Code,

c) holding or tendering such shares later in payment or in exchange, especially in connection with potential external growth acquisitions, in compliance with the market practices accepted by the AMF,

d) remitting shares during the exercise of rights attached to bonds with an immediate or future claim on shares of the Company,

e) cancelling some or all of these shares for the purpose of optimizing cash management, return on equity and earnings per share, subject to shareholders approval of the thirteenth extraordinary resolution hereinafter, which authorizes this cancellation, and/or, more generally,

f) performing all operations in compliance with the laws and regulations in force.

### Share buyback program submitted to shareholders approval on May 14, 2007

| Type of securities | Maximum % of share capital as of February 28, 2007 | Maximum number of shares | Maximum purchase price (per share) |
|---|---|---|---|
| Shares | 8.74% [a] | 182,975,779 | €45 |

*(a) 10% of share capital less the % of shares held by subsidiaries and self-held shares.*

AXA will not go above the 10% maximum threshold of its share capital directly and/or indirectly owned.

### Duration of the buyback program

18 months, from the shareholders' meeting of May 14, 2007 on, pending approval of the program.

### Table of transactions made during the previous share buyback program (until February 28, 2007)

| | |
|---|---|
| Number of shares purchased since the beginning of the program | 20,544,447 |
| Number of shares sold since the beginning of the program | 19,884,447 |
| Number of shares transferred since the beginning of the program | 536 |
| Number of shares cancelled since the beginning of the program | 11,273,270 |

The Company has not used derivative in connection with the previous share buyback program. All of the share buybacks have been made in cash.

## Capital ownership as of February 28, 2007

To the best of the Company's knowledge, the table below summarizes its capital ownership and voting power as of February 28, 2007:

| | Number of shares | Capital ownership | Voting power [a] |
|---|---|---|---|
| Mutuelles AXA | 298,481,986 | 14.26% | 20.66% |
| Self-held shares | 3,359,464 | 0.16% | [0.14%] [b] |
| Shares held by subsidiaries | 22,962,469 | 1.10% | [0.98%] [b] |
| Employees and agents | 103,372,127 | 4.94% | 6.30% |
| General public | 1,665,368,335 | 79.54% | 71.92% |
| **TOTAL** | **2,093,544,381** | **100%** | **100%** |

*(a) Following the adaptation of the Transparency Directive into French law, the 223-11 article of the "Règlement Général de l'AMF" – approved by the 18 September 2006 decree – holds that the total number of voting power is worked out on the basis of all the shares to which the votes are attached, including the shares deprived of voting power.*
*(b) Voting power will be valid again once the shares to which they are attached stop being self-held or owned by subsidiaries.*

*Source Euronext Notice as of March 2, 2007.*

As of February 28, 2007, Mutuelles AXA (AXA Assurances IARD Mutuelle and AXA Assurances Vie Mutuelle), owned 14.26% of the share capital and 20.66% of the voting power.

To the best of the Company's knowledge, the only other shareholder owning, as of February 28, 2007, more than 5% of the share capital is BNP Paribas, with 5.78% of AXA's share capital.

In addition, the Company decided to disclose whenever any of its shareholders surpasses the 2% equity ownership threshold. To the best of the Company's knowledge, none of its shareholders owned more than 2% of AXA's equity capital on February 28, 2007.

Of the 2,093,544,381 shares composing the share capital, 257,724,368 shares entitled their holders to double voting rights as at February 28, 2007.

To the best of the Company's knowledge, subsidiaries of the AXA Group do not hold any AXA shares that are pledged. In addition, to the best of the Company's knowledge, a very small number of individual registered shareholders hold AXA shares that are pledged.

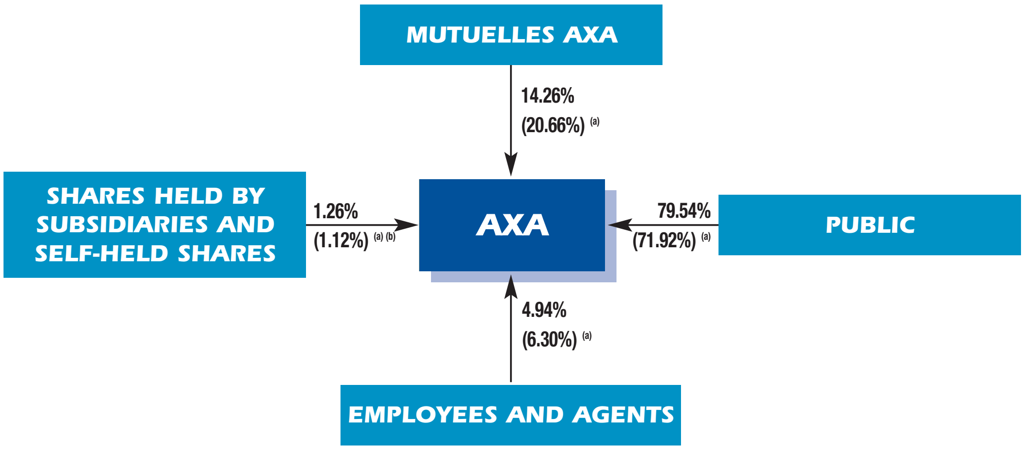
# Change in capital ownership

The changes in the Company's share capital between December 31, 2004 and December 31, 2006, are described in the table below:

| | As of December 31, 2006 [a] | | | |
|---|---|---|---|---|
| | Number of shares | Capital ownership (%) | Number of votes | Voting power (%) |
| Mutuelles AXA | 298,481,986 | 14.26% | 485,761,485 | 20.65% |
| of which: – Mutuelles AXA | n/a | n/a | n/a | n/a |
| – FINAXA | n/a | n/a | n/a | n/a |
| Self-held shares | 2,554,613 | 0.12% | [2,554,613] [b] | [0.11%] [b] |
| Shares held by subsidiaries | 23,950,970 | 1.14% | [23,950,970] [b] | [1.02%] [b] |
| Employees and agents | 105,004,498 | 5.02% | 151,907,600 | 6.46% |
| General public | 1,662,896,247 | 79.46% | 1,688,076,715 | 71.76% |
| **TOTAL** | **2,092,888,314** | **100%** | **2,352,251,383** | **100%** |

*(a) Following the adaptation of the Transparency Directive into French law, the 223-11 article of the "Règlement Général de l'AMF" – approved by the 18 September 2006 decree – holds that "the total number of voting power is worked out on the basis of all the shares to which the votes are attached, including the shares deprived of voting power".*
*(b) Voting power will be valid again once the shares to which they are attached stop being self-held or owned by subsidiaries.*

# Ownership structure as of February 28, 2007




*( ) Voting power.*

*(a) Following the adaptation of the Transparency Directive into French law, the 223-11 article of the "Règlement Général de l'AMF" – approved by the 18 September 2006 decree – holds that "the total number of voting power is worked out on the basis of all the shares to which the votes are attached, including the shares deprived of voting power".*

*(b) Voting power will be valid again once the shares to which they are attached stop being self-held or owned by subsidiaries.*

| As of December 31, 2005 | | | | As of December 31, 2004 | | | |
|---|---|---|---|---|---|---|---|
| Number of shares | Capital ownership (%) | Number of votes | Voting power (%) | Number of shares | Capital ownership (%) | Number of votes | Voting power (%) |
| 267,711,761 | 14.30% | 498,858,517 | 23.19% | 388,297,657 | 20.34% | 746,960,225 | 32.35% |
| n/a | n/a | n/a | n/a | 51,959,561 | 2.72% | 100,862,677 | 4.37% |
| n/a | n/a | n/a | n/a | 336,338,096 | 17.62% | 646,097,548 | 27.98% |
| 653,857 | 0.03% | – | – | – | – | – | – |
| 32,007,788 | 1.71% | – | – | 21,317,674 | 1.12% | – | – |
| 105,672,937 | 5.65% | 152,473,475 | 7.09% | 98,332,067 | 5.15% | 144,069,477 | 6.24% |
| 1,465,558,661 | 78.31% | 1,499,634,200 | 69.72% | 1,400,496,772 | 73.38% | 1,418,013,499 | 61.41% |
| **1,871,605,004** | **100%** | **2,150,966,192** | **100%** | **1,908,444,170** | **100%** | **2,309,043,201** | **100%** |

# Shareholders' agreements

## Agreement with BNP Paribas

On December 15, 2005 and after authorization on June 29, 2005 by the AXA Supervisory Board, the AXA Group (AXA and its subsidiaries) and the BNP Paribas Group entered into an agreement that replaces the one in force since September 12, 2001 (and amended on October 26, 2004).

The new agreement maintains the existing provisions in terms of minimal and stable cross-shareholdings [the AXA Group undertakes initially to hold at least 43,412,598 shares of BNP Paribas stock; the BNP Paribas Group undertakes initially to hold at least 61,587,465 shares of AXA stock; these amounts will be adjusted thereafter to reflect the impact of capital transactions, including but not limited to free allotments of stock or share tenders involving the same company (stock splits, business re-combinations, etc.), and capital increases involving either BNP Paribas or AXA], and also provides for a reciprocal repurchase option in the event of a hostile takeover attempt on either AXA or BNP Paribas.

In force for a period of five years as of the date of signature, this agreement is renewable automatically for an initial period of two years and for successive periods of one year thereafter, unless one of the two parties decides to terminate beforehand, in which case it is required to give three months notice prior to the next renewal date.

The agreement was made public by the AMF (Autorité des Marchés Financiers) on December 21, 2005.

## Agreement with Schneider

On May 15, 2006, and after authorization on December 21, 2005 by the AXA Supervisory Board, the AXA Group (the AXA Mutuelles, AXA and its subsidiaries) and the Schneider Group entered into an agreement that provides for the maintenance of minimal cross-shareholdings. Under the terms of this agreement, the AXA Group undertakes to hold at least 2,583,300 shares of Schneider stock and the Schneider Group undertakes to hold at least 8,816,681 shares of AXA stock. The number of shares held under this cross-shareholding agreement will be adjusted as needed to reflect the impact of capital transactions, including but not limited to free allotments of stock or share tenders involving the same company (stock splits, business re-combinations, etc.). In addition, the parties have consented to a reciprocal repurchase option in the event of a hostile takeover attempt on either AXA or Schneider.

In force for a period of one year as of the date of signature, this agreement is renewable automatically for successive periods of one year thereafter, unless one of the two parties decides to terminate beforehand, in which case it is required to give three months notice prior to the next renewal date.

The agreement was made public by the AMF on May 31, 2006.

The details of these agreements are available on the internet site of the AMF *("Autorité des Marchés Financiers")*:
**www.amf-france.org**

# Dividends

| Fiscal year | Distribution (in euro millions) | Number of shares (as of December 31) | Net dividend per share in euros | Tax credit per share in euros | Dividend eligible for abatement in euros | Gross dividend per share in euros |
|---|---|---|---|---|---|---|
| 2002 | 599 | 1,762,167,344 | 0.34 | 0.17 | – | 0.51 |
| 2003 | 676 | 1,778,103,135 | 0.38 | 0.19 | – | 0.57 |
| 2004 | 1,164 | 1,908,444,170 | 0.61 (b) | – | 0.61 (b) | 0.61 (b) |
| 2005 | 1,647 | 1,871,605,004 | 0.88 (c) | – | 0.88 (c) | 0.88 (c) |
| 2006 (a) | 2,218 | 2,092,888,314 | 1.06 (d) | – | 1.06 (d) | 1.06 (d) |

*(a) Proposal submitted to the Extraordinary and Ordinary Shareholders' Meeting to be held on May 14, 2007.*
*(b) As of January 1, 2005 individual shareholders who had elected tax domicile in France were eligible for an abatement of 50% on the dividend, i.e 0.305 euro per share for fiscal year 2004.*
*(c) As of January 1, 2006 individual shareholders who had elected tax domicile in France were eligible for an abatement of 40% on the dividend, i.e 0.35 euro per share for fiscal year 2005.*
*(d) As of January 1, 2007 individual shareholders who have elected tax domicile in France are eligible for an abatement of 40% on the dividend, i.e 0.424 euro per share for fiscal year 2006.*

Dividends not claimed within five years of the date of payout become the property of the French Treasury Department.

# Dividend policy

AXA determines its dividend policy on the basis of its adjusted earnings, and currently intends to distribute 40 to 50% of that sum on a recurrent basis. The dividend presented to the approval of the shareholders of AXA is proposed by the Management Board and Supervisory Board, which have the discretion to propose this dividend at each year-end closing.

# Valid financial authorizations as of December 31, 2006

The authorizations to issue securities that were valid at December 31, 2006 are summarized in the tables below:

## Issues with preferential subscription rights

| Securities | Maximum amount of the issue in euros | Maximum amount of the capital increase in euros | Term | Expiration |
|---|---|---|---|---|
| Capitalization of reserves, earnings or premiums | – | 1 billion [(a)] | 26 months | June 20, 2007 |
| Ordinary shares and other securities granting a claim to shares of the Company at maturity through subscription, conversion, exchange, redemption, presentation of a warrant or other [(d)] | 6 billion [(b)] | 1.5 billion [(c)] | 26 months | June 20, 2007 |

## Issues without preferential subscription rights

| Securities | Maximum amount of the issue in euros | Maximum amount of the capital increase in euros | Term | Expiration |
|---|---|---|---|---|
| Ordinary shares or securities granting a claim to shares of the Company at maturity through subscription, conversion, exchange, redemption, presentation of a warrant or other [(d)] | 6 billion [(b)] | 1 billion [(c)] | 26 months | June 20, 2007 |
| Shares reserved for employees | – | 150 million | 26 months | June 20, 2007 |
| Performance shares | – | 0.5% of the share capital [(e)] | 38 months | June 20, 2008 |
| Shares issued in connection with the exercise of stock options | – | 2.5% of share capital [(f)] | 38 months | June 20, 2008 |

*(a) Independant ceiling.*
*(b) The face value of debt instruments associated with the issue of securities may not exceed the global upper limit of 6 billion euros. This upper limit is separate and distinct from the amount of the securities that give the right to grant debt securities (ceiling of 2 billion euros).*
*(c) The face value of the capital increase may not exceed the global upper limit of 1.5 billion euros.*
*(d) Including the issue of ordinary shares or securities for up to 10% of the share capital in accordance with the terms and conditions determined by the shareholder meeting, in the event of a public offer initiated by the Company, in consideration for contributions in kind for up to 10% of the share capital, or as result of a securities issue by subsidiaries of AXA.*
*(e) At the date of the Shareholder Meeting of 04/20/2005.*
*(f) At the date of attribution of the options by the Management Board.*

# New financial authorizations

The following authorizations to issue shares or securities require shareholder consent.

They will be submitted to the shareholders on May 14, 2007:

## Issues with preferential subscription rights

| Securities | Maximum amount of the issue in euros | Maximum amount of the capital increase in euros | Term | Expiration |
|---|---|---|---|---|
| Capitalization of reserves, earnings or premiums | – | 1 billion (a) | 26 months | July 14, 2009 |
| Ordinary shares and other securities granting a claim to shares of the Company at maturity through subscription, conversion, exchange, redemption, presentation of a warrant or other (d) | 6 billion (b) | 1.5 billion (c) | 26 months | July 14, 2009 |

## Issues without preferential subscription rights

| Securities | Maximum amount of the issue in euros | Maximum amount of the capital increase in euros | Term | Expiration |
|---|---|---|---|---|
| Ordinary shares or securities granting a claim to shares of the Company at maturity through subscription, conversion, exchange, redemption, presentation of a warrant or other (d) | 6 billion (b) | 1 billion (c) | 26 months | July 14, 2009 |
| Shares reserved for employees | – | 150 million | 26 months | July 14, 2009 |
| Restricted shares / Ambition 2012 Plan (e) | – | 0.7% of share capital (f) | 38 months | July 14, 2010 |

*(a) Independant ceiling.*
*(b) The face value of debt instruments associated with the issue of securities may not exceed the global upper limit of 6 billion euros. This upper limit is separate and distinct from the amount of the securities that give the right to grant debt securities (ceiling of 2 billion euros).*
*(c) The face value of the capital increase may not exceed the global upper limit of 1.5 billion euros.*
*(d) Including the issue of ordinary shares or securities for up to 10% of the share capital in accordance with the terms and conditions determined by the shareholder meeting, in the event of a public offer initiated by the Company, in consideration for contributions in kind for up to 10% of the share capital, or as result of a securities issue by subsidiaries of AXA.*
*(e) Existing shares and/or issued shares.*
*(f) At the date on which restricted shares are granted by the Management Board.*

# OTHER LEGAL INFORMATION

## Annual Information Document

Pursuant to Article 222-7 of the AMF General Regulation, the Annual Information Document below mentions all the information published by the Company or otherwise publicly disclosed in the course of the last 12 months, in one or more states that are party to the Agreement on the European Economic Area (EEA) or in one or more countries outside the EEA for the purpose of abiding by its legal or regulatory disclosure obligations pertaining to financial instruments.

| Information published for the last 12 months | Sources of Information (Internet links etc…) |
|---|---|
| Press releases | www.amf-france.org<br>www.axa.com |
| 2006 off to a good start with very strong 1Q06 activity indicators (05/11/2006) | |
| AXA announces the squeeze-out of the minority shareholders of AXA Konzern AG and other streamling operation s in Germany (05/15/2006) | |
| AXA announces the signing of a definitive agreement to cede AXA RE's business to Stone Point Capital (06/06/2006) | |
| AXA to acquire Winterthur for CHF 12.3 billion (€7.9 billion) (06/14/2006) | |
| AXA announces the successful completion of its euro 4.1 billion capital increase to finance part of the Winterthur acquisition (07/11/2006) | |
| AXA Award for Corporate Social Responsibility 2006 (07/11/2006) | |
| Strong First Half 2006 results (08/03/2006) | |
| Philippe Donnet is appointed Group regional Chief Executive Officer of the AXA Japan & Asia-Pacific region (08/16/2006) | |
| AXA launches its 2006 employee share offering (Shareplan 2006) (08/21/2006) | |
| Winterthur Integration / Future CEOs of the Business Units (09/07/2006) | |
| AXA announces its 2006 employee share offering subscription price (Shareplan 2006) (09/19/2006) | |
| Winterthur Integration/Chief Executive Officer appointments in the Mediterranean and Japan Asia Pacific regions (10/02/2006) | |
| Climate change: What are the corporate risks and opportunities? (10/03/2006) | |
| Alfred Bouckaert, Chief Executive Officer of the Northern & Eastern Europe Region is appointed to the AXA Management Board (10/12/2006) | |
| AXA to acquire Alpha Insurance – Long term bancassurance agreement with Alpha Bank (10/16/2006) | |
| AXA to hold today an investor conference "On the road to Ambition 2012" (10/18/2006) | |
| First nine months 2006 activity indicators confirm strong top-line growth momentum (11/08/2006) | |
| AXA announces the successful completion of its first mortality risk securitization transaction (11/13/2006) | |
| Total subscription up by 23.4% in AXA's 2006 employee share offering (11/28/2006) | |
| AXA has priced US$ perpetual deeply subordinated notes for a total amount of approximately euro 1.1 billion.<br>Successful completion of the Winterthur financing (12/11/2006) | |
| AXA has completed the acquisition of Winterthur (12/22/2006) | |
| AXA has completed the sale of AXA RE's business (12/22/2006) | |
| AXA calls meetings of holders of each of its 2014 and 2017 convertible bonds to insert in their terms and conditions a final conversion date (12/27/2006) | |
| AXA to sell Winterthur US property & casualty operations to QBE Insurance Group for a total consideration of US$1.8 billion (01/04/2007) | |
| AXA has eliminated the dilutive impacts of its 2014 and 2017 convertible bonds (01/12/2007) | |
| 2006: Another year of strong top-line performance (02/01/2007) | |

| Information published for the last 12 months | Sources of Information (Internet links etc…) |
| --- | --- |
| AXA: very strong full year 2006 performance – Winterthur Group: results for the year 2006 (US Gaap) (02/22/2007) | |
| AXA announces the acquisition of Kyobo Auto Insurance (03/15/2007) | |
| 3rd Edition of the AXA Retirement Scope (03/22/2007) | |
| AXA and BMPS join forces in the Italian bancassurance and pensions market (03/23/2007) | |
| AXA: strong value creation in 2006 (04/10/2007) | |
| AXA Group Executive Committee welcomes two new members (04/11/2007) | |
| **Bulletin of Required Legal Notices Publications *(BALO)*** | **www.journal-officiel.gouv.fr** |
| 2005 Annual Financial Statements after shareholders' meeting (04/21/2006) | |
| Erratum to the publication of 21/04/2006 (05/01/2006) | |
| Turnover 1st quarter of 2006 (05/15/2006) | |
| Voting powers (05/15/2006) | |
| 2005 Annual Financial Statements after shareholders' meeting (05/22/2006) | |
| Notice to the Shareholders. Increase of the share capital in cash with preferential subscription rights maintained (06/16/2006) | |
| Notice to the holders of convertible bonds 2.5% 2014 and 3.75% 2017 (les "Convertibles bonds"). Increase of the share capital with preferential subscription rights maintained (06/19/2006) | |
| Notice to the holders of convertible bonds 2.5% 2014 and 3.75% 2017 (les "Convertibles bonds"). Ajustment of the conditions of conversion of the convertibles bonds (07/19/2006) | |
| Voting powers as of July, 13 2006 (07/28/2006) | |
| Turnover 2nd quarter of 2006 (08/11/2006) | |
| 2006 Half Year Financial Statements (10/18/2006) | |
| Turnover 3rd quarter of 2006 (11/13/2006) | |
| Notice to the holders of convertible bonds – expiration 2014 & 2017 (12/27/2006) | |
| Turnover 4th quarter of 2006 (02/09/2007) | |
| Notice of Convening (Shareholders' Meeting 05/14/2007) (03/14/2007) | |
| Notice of Meeting (Shareholders' Meeting 05/14/2007) (04/06/2007) | |
| **Documents filed with the Registry *(Greffe)*** | **www.infogreffe.fr** |
| Extract of the minutes of the Shareholders' Meeting of 04/05/2006 regarding the appointment of a new member of the Supervisory Board (06/02/2006) | |
| Extract of the minutes of the Shareholders' Meeting of 04/05/2006 regarding the financial authorisations (05/18/2006) | |
| Bylaws as at 06/05/2006 (06/15/2006) | |
| Extract of the minutes of the Management Board of 06/05/2006 regarding the increase of the share capital (06/15/2006) | |
| Bylaws as at 06/12/2006 (06/19/2006) | |
| Extract of the minutes of the Management Board of 06/12/2006 regarding the increase of the share capital (06/19/2006) | |
| Bylaws as at 07/07/2006 (08/04/2006) | |
| Decision of 07/07/2006 regarding the increase of the share capital (08/04/2006) | |
| Bylaws as at 07/17/2006 (08/04/2006) | |
| Extract of the minutes of the Management Board of 07/17/2006 regarding the increase of the share capital (08/04/2006) | |
| Extract of the minutes of the Supervisory Board of 10/11/2006 regarding the new Management Board (11/09/2006) | |
| Bylaws as at 11/27/2006 (12/15/2006) | |
| Extract of the minutes of the Management Board regarding the increases and decrease of the share capital (12/15/2006) | |
| Bylaws as at 01/22/2007 (02/01/2007) | |
| Extract of the minutes of the Management Board regarding the increase of the share capital (02/01/2007) | |
| **Documents at the disposal of the Shareholders** | **Headquarters<br>21, avenue Matignon<br>75008 Paris** |
| **Ordinary and Extraordinary General Meeting – May 4, 2006** | |
| A copy of the "BALO" dated March 17, 2006 containing the Notice of Meeting | |
| A copy of the "BALO" dated April 7, 2006 and a copy of a Legal Advertisement Newspaper *"La Gazette du Palais"* dated April 7, 2006 containing the Notice of Convening | |
| A copy of the convening file sent to the shareholders as well as all documents at the disposal of the shareholders (D133 and D135) | |

| Information published for the last 12 months | | Sources of Information (Internet links etc…) |
|---|---|---|
| Copies and acknowledgement of receipts of the recorded delivery letters sent to the auditors | | |
| The attendance sheet signed by the present members | | |
| The shareholders' proxies to a person | | |
| Les vote proxies by correspondence | | |
| The 2004 financial statements ("BALO" dated April 21, 2006) | | |
| The Management Board Report | | |
| The Report of the Chairman of the Supervisory Board | | |
| The Supervisory Board comments on the Management Board Report | | |
| The Auditors' reports | | |
| The project of resolutions | | |
| A copy of the Bylaws | | |
| **Transactions on AXA shares** | | www.axa.com<br>www.amf-france.org |
| **Disclosure of trading in the Company's shares by its directors** | | |
| 05/01/2006 Kip Condron | 11/10/2006 Henri de Castries | |
| 06/23/2006 Claude Brunet | 11/14/2006 Denis Duverne | |
| 07/13/2006 Norbert Dentressangle | 11/15/2006 Jacques Tabourot | |
| 07/13/2006 Michel Pébereau | 11/27/2006 François Pierson | |
| 07/13/2006 Jacques Tabourot | 11/27/2006 Claude Brunet | |
| 07/13/2006 Jean-René Fourtou | 11/27/2006 Henri de Castries | |
| 07/13/2006 Henri Hottinguer | 11/27/2006 Denis Duverne | |
| 07/13/2006 Henri de Castries | 11/27/2006 Jacques Tabourot | |
| 07/13/2006 Gérard Mestrallet | 11/27/2006 Alfred Bouckaert | |
| 07/13/2006 François Pierson | 11/27/2006 Kip Condron | |
| 07/13/2006 David Dautresme | 12/01/2006 Henri de Castries | |
| 07/13/2006 Denis Duverne | 12/01/2006 Denis Duverne | |
| 07/13/2006 Claude Bébéar | 12/06/2006 Denis Duverne | |
| 08/09/2006 Denis Duverne | 12/15/2006 Claude Brunet | |
| 08/10/2006 Henri de Castries | 12/18/2006 François Pierson | |
| 08/28/2006 Henri de Castries | 12/19/2006 François Pierson | |
| 09/19/2006 Jacques Tabourot | 12/20/2006 Claude Bébéar | |
| 10/10/2006 Jacques Tabourot | 12/22/2006 Claude Bébéar | |
| 10/13/2006 Kip Condron | 01/25/2007 Léo Apotheker | |
| 11/02/2006 Claude Brunet | 02/23/2007 Norbert Dentressangle | |
| **Disclosure of trading in own shares by the Company** | | |
| April 10 to April 13, 2006 | | |
| **Six month reports on AXA's liquidity contract** | | |
| As of June 30, 2006 | As of December 31, 2006 | |
| **Disclosures of share ownership thresholds** | | www.amf-france.org |
| Disclosure made by AXA Assurances IARD Mutuelle (01/08/2007) | | |
| Disclosure made by Mutuelles AXA (01/09/2007) | | |
| Disclosure made by AXA Assurances Vie Mutuelle (01/29/2007) | | |
| Disclosure made by Mutuelles AXA (01/29/2007) | | |
| **Official public notice of shareholders' agreement clauses** | | www.amf-france.org |
| Shareholder's agreement between AXA and Schneider (05/15/2006) | | |
| **Documents published abroad (20-F / 6-K)** | | www.sec.gov |
| **Form 6-K for April 2006:** Press release issued on May 11, 2006 by AXA, announcing its activity indicators for the first quarter 2006 | | |
| **Form 6-K for June 2006:** Press release issued on June 6, 2006 by AXA announcing the signing of a definitive agreement to cede AXA RE's business to Stone Point Capital | | |
| Free Translation of AXA's French *Document de Reference* for the year ended December 31, 2005 filed with the AMF (the French stock exchange regulatory authority) on April 13th, 2006 | | |
| Press release issued on June 14, 2006 by AXA announcing the signing of a definitive agreement to acquire Winterthur | | |
| Press Release issued on June 14, 2006 by AXA, announcing the launch of a capital increase in the amount of approximately €4.1 billion | | |
| Notice issued on June 21, 2006 by AXA to all U.S. holders of AXA ordinary share options and AXA ADR options describing the effect on such U.S. holders of the recently announced capital increase and suspension of the right to exercise AXA ordinary share options | | |

| Information published for the last 12 months | Sources of Information (Internet links etc…) |
|---|---|
| Questions and Answers notice issued on June 21, 2006 by AXA to all U.S. holders of AXA ordinary share options and AXA ADR options describing the effect on such U.S. holders of the recently announced capital increase and suspension of the right to exercise AXA ordinary share options | |
| **Form 20-F** (submitted as of June 29, 2006) | |
| **Form 6-K for August 2006:** Press Release issued on August 3, 2006 by AXA, announcing strong first half 2006 results | |
| **Form 6-K for October 2006:** Press Release issued on October 12, 2006 by AXA, announcing the appointment of Alfred Bouckaert to the AXA Management Board | |
| Press Release issued on October 16, 2006 by AXA announcing that it has entered into an agreement with Alpha Bank to acquire its insurance subsidiary, Alpha Insurance | |
| Press Release issued on October 18, 2006 by AXA, announcing the investor conference "On the Road to Ambition 2012" to be held on October 18, 2006 | |
| **Form 6-K for November 2006:** Press Release issued on November 8, 2006 by AXA, announcing the first nine months 2006 activity indicators | |
| **Form 6-K for December 2006:** Press Release issued on December 27, 2006 by AXA, announcing that it has called meetings of holders of each of its 2014 and 2017 convertible bonds | |
| **Form 6-K for January 2007:** Press Release issued on January 4, 2007 by AXA, announcing its sale of Winterthur US Property and Casualty Operations to QBE Insurance Group | |
| **Form 6-K for February 2007:** Press Release issued on February 1, 2007 by AXA, announcing its 2006 activity indicators | |
| Press Release issued on February 22, 2007 by AXA, announcing its consolidated earnings for the full year 2006 | |
| **Form 6-K for April 2007:** Press Release issued on April 10, 2007 by AXA, announcing its 2006 Life and Savings embedded value and its 2006 Group embedded value. | |

## Documents pertaining to the Company may be consulted at:

AXA Legal Department
21, avenue Matignon – 75008 Paris (France):

- The articles of association;
- The reports and other documents prepared by any expert at the Company's request, any part of which is included onto or referred to in this Annual Report *(Document de Référence)*;
- The parent company financial statements as well as the consolidated financial statements for each of the two financial years preceding the publication of this Annual report *(Document de Référence).*

## Material contracts

For the last two years, AXA has not entered into any material contract, other than contracts entered into in the ordinary course of business, that contain any provision under which the Group has any material obligation or entitlement.

## Anticipated sources of funds needed to finance the principal investments in progress or future

Investments under way or to come will be financed by the Group's usual and recurrent means of funding.

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars & Guérard
Exaltis - 61, rue Henri Régnault
92075 Paris-La Défense Cedex

**Special report of the Statutory Auditors**
**on regulated agreements and commitments**
(for the year ended December 31, 2006)

*This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders of
**AXA S.A.**
25, avenue Matignon
75008 Paris

To the Shareholders,

In our capacity as Statutory Auditors of AXA, we hereby submit our report on regulated agreements and commitments.

Agreements and commitments authorized during the 2006 fiscal year:

In accordance with Article L.225-88 of the French Company Code, we were informed of the agreements and commitments that were subject to the prior approval of your Supervisory Board.

It does not fall within the scope of our assignment to ascertain the potential existence of other agreements and commitments but rather, on the basis of the information that was supplied to us, to inform you, the shareholders, of the relevant features of those agreements of which we were informed. It is not our responsibility to express an opinion on the utility or merits of such agreements. Pursuant to Article R-225-58 of the French Company Code, you are asked to form an opinion on the relevance of such agreements for the purpose of approving them.

We performed our work in accordance with the professional standards applicable in France: those standards require that we plan and perform the review to obtain reasonable assurance about whether the evidence supporting the information in our possession is consistent with that information.

**With Schneider**

On May 15, 2006, and after authorization on December 21, 2005 by the AXA Supervisory Board, the AXA Group (the AXA Mutuelles, AXA and its subsidiaries) and the Schneider Group entered into an agreement that provides for the maintenance of minimal cross-shareholdings. Under the terms of this agreement, the AXA Group undertakes to hold at least 2,583,300 shares of Schneider stock and the Schneider Group undertakes to hold at least 8,816,681 shares of AXA stock. The number of shares held under this cross-shareholding agreement will be adjusted as needed to reflect the impact of capital transactions, including but not limited to free allotments of stock or share tenders involving the same company (stock splits, business re-combinations, etc.). In addition, the parties have consented to a reciprocal repurchase option in the event of a hostile takeover attempt on either AXA or Schneider.

In force for a period of one year as of the date of signature, this agreement is renewable automatically for successive periods of one year thereafter, unless one of the two parties decides to terminate beforehand, in which case it is required to give three months notice prior to the next renewal date.

The agreement was made public by the AMF *(Autorité des Marchés Financiers)* on May 31, 2006.

We hereby inform you that Mr. Henri Lachmann is a member of the Supervisory Board of the AXA Group and Chairman of the Supervisory Board of Schneider Electric.

Agreements and commitments approved in prior fiscal years that remained in force in 2006:

Pursuant to the Article R-225-31, we were informed that the following agreements, approved in prior fiscal years, remained in force in 2006:

**With France Telecom**

AXA Technology Services (as the Principal), AXA (as the Guarantor) and France Telecom entered into an agreement on December 15, 2003, after the Supervisory Board granted its authorization on December 10, 2003. This agreement entrusts the management of all AXA Group communications networks worldwide to a single global provider, and contains a clause committing to expenditures totaling approximately 280 million euros over the term of the agreement (six and a half years starting from July 1, 2003). It also provides for a contract performance guarantee from AXA to France Telecom on behalf of AXA Technology Services, the amount of which is capped at 50 million euros, and the term of which is the term of the aforementioned agreement.

**With the BNP Paribas Group**

On December 15, 2005 and after authorization on June 29, 2005 by the AXA Supervisory Board, the AXA Group (AXA and its subsidiaries) and the BNP Paribas Group entered into an agreement that replaces the one in force since September 12, 2001 (and amended on October 26, 2004).

The new agreement maintains the existing provisions in terms of minimal and stable cross-shareholdings (the AXA Group undertakes initially to hold at least 43,412,598 shares of BNP Paribas stock; the BNP Paribas Group undertakes initially to hold at least 61,587,465 shares of AXA stock; these amounts will be adjusted thereafter to reflect the impact of capital transactions, including but not limited to free allotments of stock or share tenders involving the same company (stock splits, business re-combinations, etc.), and capital increases involving either BNP Paribas or AXA), and also provides for a reciprocal repurchase option in the event of a hostile takeover attempt on either AXA or BNP Paribas.

In force for a period of five years as of the date of signature, this agreement is renewable automatically for an initial period of two years and for successive periods of one year thereafter, unless one of the two parties decides to terminate beforehand, in which case it is required to give three months notice prior to the next renewal date.

The agreement was made public by the AMF (Autorité des Marchés Financiers) on December 21, 2005.

Neuilly-sur-Seine and Courbevoie, April 10, 2007

The Statutory Auditors

PricewaterhouseCoopers Audit
Yves Nicolas – Eric Dupont

Mazars & Guérard
Patrick de Cambourg – Jean-Claude Pauly

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# AXA:
# A LEADER IN FINANCIAL PROTECTION

The Company is the holding company for AXA, a worldwide leader in financial protection. Based on available information at December 31, 2006, AXA was one of the world's largest insurance groups, with consolidated gross revenues of €78.8 billion for the year ended December 31, 2006. AXA is also one of the world's largest asset managers, with total assets under management as at December 31, 2006 of €1,315 billion, including assets managed on behalf of third party clients in an aggregate amount of €689 billion. Based on available information at December 31, 2005 and taking into account banking companies engaged in the asset management business, AXA was the world's 5th largest asset manager[1].

AXA operates primarily in Western Europe, North America, the Asia Pacific region and, to a lesser extent, in other regions including in particular the Middle East and Africa. AXA has five operating business segments: Life & Savings, Property & Casualty, International Insurance, Asset Management, and Other Financial Services (including banks). In addition, various Holding companies within the AXA Group conduct certain non-operating activities.

The diversification of the AXA operations is key to improve its efficiency. Operating in different segments, AXA benefits from the mutualization effect of different natures of risk exposure. For instance, mortality risks are partly offset by longevity risks, insurance risks by financial risks. In addition, geographic diversification of localized risk reduces the volatility of claims experience, thus limiting the cost of economic capital needed to support the solvency of the AXA Group.

## *Financial protection: a business with a strong human dimension*

In today's globalized and complex world, AXA believes that people feel a greater need for protection against the risks they face. This is why AXA describes its business as "Financial Protection" and seeks to provide customers with advice and solutions to accompany them throughout their lives.

## *Assisting customers in all phases of their lives*

The business of Financial Protection covers all of the Group's activities and includes life and savings insurance, property and casualty insurance, asset management, assistance and liability. It also includes AXA's personalized approach to its customers: AXA seeks to accompany clients throughout their lives, managing their risks, both personal and business-related, and assets.

## *A long-term business in a growing market*

AXA believes that factors such as the ageing population, increasing health risks and healthcare costs, need for retirement funding,

(1) Source: AXA from Pensions & Investments, Watson Wyatt Global 500 survey.

the rising severity and frequency of natural catastrophes, financial market uncertainty, and terrorism tend to make people more averse to risk and therefore increase demand for protection. AXA is working hard to understand this demand, in order to meet it more effectively. Besides, these evolutions are opening up attractive development opportunities for the Group.

## *Becoming the "Preferred Company"*

As a worldwide leader in Financial Protection, AXA has set for itself in 2005 the target of becoming the "Preferred Company" for its customers, employees and shareholders. AXA is developing projects as part of its "Ambition 2012" program aiming at improving the quality of its advice and services, product innovation, distribution network development and improved operational efficiency in all its business segments.

## *Improving service quality*

AXA believes that improvement in service quality will increase customer satisfaction. AXA considers that in-depth knowledge of its customers needs at key stages of their relationship with AXA will foster quality of service.

## *Constantly improving technical expertise*

AXA's sustainability and profitability are related to its expertise in three areas: risk underwriting, claims handling and asset and capital management. These skills allow AXA to offer adapted-priced products to its customers while generating adequate returns.

## *Reinventing products and adjusting the offer*

AXA is convinced that customers are attracted and retained by innovative and competitive products designed to meet their evolving needs. AXA's approach to innovation is therefore based on identifying these needs and creating products to address them.

## *Developing distribution networks*

Distribution networks are the starting point of AXA's relationship with its customers. Distribution channels' quality and efficiency determine AXA's ability to become the "Preferred Company" for the customers. Ease of access and initial contact with AXA employees often determine the customer's view of the company. AXA's distribution strategy combines strengthening traditional channels and developing new ones, such as the internet, telephone platform and partnerships. AXA entities around the world try to enhance their distribution strategy by adopting best practice and successful initiatives developed in other countries.

## *Enhancing operational efficiency*

To improve quality while keeping a firm control of costs, AXA is trying to simplify and adapt its processes and organization. In claims handling, costs are limited by tight control over information technology expenditure, measures to reduce claims leakage and anti-fraud initiatives. Going forward, AXA plans to develop its procurement policy to leverage its size to reduce costs and improve customer service through its service partners.

# *A balance between organic growth and acquisitions*

AXA's strategy focuses on Financial Protection, the development of three core business lines, Life & Savings insurance, Property & Casualty insurance and Asset Management, and a targeted presence in the world's main markets. In fulfilling this strategy, the Group favors a balance between acquisitions and organic growth.

In this context, AXA fosters growth by making acquisitions in key markets. For example, in a consolidating industry, the Winterthur acquisition is intended to strengthen AXA's position in five key European countries and gives it a greater presence in fast-growing markets, particularly in Eastern Europe and Asia. Winterthur's activities complement and reinforce AXA's distribution networks and product range, and increase its geographical diversification.

The table below summarizes certain key financial data by segment for the last three years.

(in Euro million, except percentages)

| AXA ACTIVITY INDICATORS AND EARNINGS | Years ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | | 2005 Restated [a] | 2005 Published | | 2004 Restated [a] | 2004 Published | |
| **Consolidated gross revenues** | | | | | | | | |
| – Life & Savings | 50,479 | 64% | | 45,116 | 63% | | 42,344 | 63% |
| – Property & Casualty | 19,793 | 25% | | 18,874 | 26% | | 17,852 | 27% |
| – International Insurance | 3,716 | 5% | | 3,813 | 5% | | 3,363 | 5% |
| – Asset management | 4,406 | 6% | | 3,440 | 5% | | 3,084 | 5% |
| – Other financial services | 381 | – | | 428 | 1% | | 387 | 1% |
| ***CONSOLIDATED GROSS REVENUES*** | ***78,775*** | ***100%*** | | ***71,671*** | ***100%*** | | ***67,030*** | ***100%*** |
| **Annual Premium Equivalent [b]** | **6,234** | | | **5,476** | | | **4,807** | |
| **New Business Value [c]** | **1,501** | | | **1,138** | | | **895** | |
| **Underlying earnings [d]** | | | | | | | | |
| – Life & Savings | 2,325 | 58% | 1,931 | 1,931 | 59% | 1,563 | 1,563 | 59% |
| – Property & Casualty | 1,453 | 36% | 1,346 | 1,346 | 41% | 1,102 | 1,102 | 42% |
| – International Insurance | 131 | 3% | 68 | 68 | 2% | 138 | 138 | 5% |
| – Asset management | 508 | 13% | 396 | 396 | 12% | 300 | 300 | 11% |
| – Other financial services | 51 | 1% | 67 | 67 | 2% | 23 | 23 | 1% |
| – Holdings | (457) | -11% | (471) | (549) | -17% | (396) | (489) | -19% |
| ***UNDERLYING EARNINGS*** | ***4,010*** | ***100%*** | ***3,337*** | ***3,258*** | ***100%*** | ***2,730*** | ***2,637*** | ***100%*** |
| Net capital gains | 1,130 | | 944 | 850 | | 679 | 705 | |
| **Adjusted earnings [e]** | **5,140** | | **4,281** | **4,108** | | **3,409** | **3,342** | |
| Exceptional operations (including discontinued operations) | 196 | | (72) | (72) | | 10 | 10 | |
| Goodwill and other related intangible impacts | (24) | | (13) | (13) | | (41) | (41) | |
| Profit or loss on financial assets (under fair value option) & derivatives | (226) | | 122 | 149 | | 416 | 428 | |
| ***NET INCOME*** | ***5,085*** | | ***4,318*** | ***4,173*** | | ***3,793*** | ***3,738*** | |

*(a) Restated means: (i) transfer of the forex impact from adjusted earnings to net income, and (ii) following clarification of IFRIC agenda committee following IASB decision, AXA has reclassified TSDI instruments (perpetual subordinated debts) into shareholders' equity for all periods presented in the 2006 financial statements with impact on net income.*

*(b) Annual Premium Equivalent (APE): Measure of new business volume. Represents 100% of regular premiums + 10% of single premiums, in line with EEV methodology. APE is group share.*

*(c) New Business Value: The value of new business issued during the current year consists of the Value In Force of new business at the end of the year plus the statutory profit result of the business during the year.*

*(d) Underlying earnings correspond to adjusted earnings excluding net realized capital gains attributable to shareholders.*

*(e) Adjusted earnings represent the net income (group share) before:*

*(i) The impact of exceptional operations (primarily change in scope, including restructuring costs related to a newly acquired company during the considered accounting period),*

*ii) Goodwill and other related intangible impacts, and*

*(iii) Profit and loss on financial assets accounted for under fair value option (excluding assets backing contract liabilities for which the financial risk is borne by the policyholder) and derivatives related to invested assets (including all impacts of foreign exchange including the ones related to currency options in earnings hedging strategies, but excluding derivatives related to insurance contracts evaluated according to the "selective unlocking" accounting policy).*

The table below sets forth the total assets managed by AXA's entities, including assets managed on behalf of third parties:

(in Euro million)

| AXA'S TOTAL ASSETS UNDER MANAGEMENT | At December 31, | | |
|---|---|---|---|
| | 2006 [(a)] | 2005 | 2004 |
| AXA | | | |
| AXA (general account assets) | 449,099 | 353,346 | 313,548 |
| Assets backing contracts with financial risk borne by policyholders (Unit-linked) | 176,562 | 141,410 | 112,387 |
| Sub-total | 625,661 | 494,756 | 425,935 |
| Managed on behalf of third parties [(b)] | 689,004 | 575,117 | 445,524 |
| *TOTAL* | *1,314,665* | *1,069,872* | *871,459* |

*(a) Winterthur (acquired on December 22, 2006) represents €104 billion of total assets under management.*
*(b) Including Mutuelles AXA.*

The table below sets forth AXA's consolidated gross revenues by segment for each of its major geographic markets for the years indicated:

| BREAKDOWN OF AXA'S GROSS REVENUES | At December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | 2005 | | 2004 | |
| | Segment contribution (%) | Market contribution to total Segment (%) | Segment contribution (%) | Market contribution to total Segment (%) | Segment contribution (%) | Market contribution to total Segment (%) |
| *TOTAL GROSS REVENUES (IN EURO MILLION)* | *78,775* | | *71,671* | | *67,030* | |
| Life & Savings | 64% | | 63% | | 63% | |
| France | | 29% | | 29% | | 27% |
| United States | | 30% | | 31% | | 30% |
| United Kingdom | | 9% | | 5% | | 6% |
| Japan | | 10% | | 10% | | 13% |
| Germany | | 7% | | 8% | | 8% |
| Belgium | | 5% | | 6% | | 5% |
| Southern Europe | | 3% | | 3% | | 3% |
| Other countries | | 7% | | 7% | | 7% |
| Property & Casualty | 25% | | 26% | | 27% | |
| France | | 26% | | 27% | | 27% |
| Germany | | 14% | | 15% | | 16% |
| United Kingdom (including Ireland) | | 24% | | 23% | | 25% |
| Belgium | | 8% | | 8% | | 8% |
| Southern Europe | | 16% | | 16% | | 16% |
| Other countries | | 13% | | 11% | | 8% |
| International Insurance | 5% | | 5% | | 5% | |
| AXA RE [(a)] | | – | | 38% | | 31% |
| AXA Corporate Solutions Assurance | | 45% | | 42% | | 45% |
| AXA Cessions | | 2% | | 2% | | 3% |
| Assistance | | 17% | | 14% | | 14% |
| Others [(a)] | | 36% | | 4% | | 7% |
| Asset management | 6% | | 5% | | 5% | |
| AllianceBernstein | | 67% | | 72% | | 75% |
| AXA Investment Managers | | 33% | | 28% | | 25% |
| Other Financial Services | 0% | | 1% | | 1% | |
| French banks | | 15% | | 15% | | 26% |
| German banks | | 6% | | 6% | | 6% |
| AXA Bank Belgium | | 77% | | 78% | | 67% |
| Others | | 3% | | 1% | | 1% |

*(a) Transfer (in 2006 only) of reinsurance activities formerly led by AXA RE to AXA Liabilities Managers (recorded in "Others"), following the sale of AXA RE activities to Stone Point Capital.*

# LIFE & SAVINGS
## SEGMENT

AXA offers a broad range of Life & Savings products, including individual and group investment and savings products, as well as life and health products for both individuals and commercial clients. The Life & Savings segment accounted for €50.5 billion or 64% of AXA's consolidated gross revenues for the year ended December 31, 2006 (2005: €45.1 billion or 63% respectively).

The table below summarizes AXA's Life & Savings consolidated gross revenues and gross insurance liabilities by geographic region for the periods and as at the dates indicated:

(in Euro million, except percentages)

| | AXA's gross revenues Years ended December 31, | | | | | | | Gross insurance liabilities at December 31, 2006 [d] |
|---|---|---|---|---|---|---|---|---|
| | 2006 | | 2005 | | 2004 Proforma [b] | 2004 As published | | |
| France | 14,797 | 29% | 13,228 | 29% | 11,538 | 11,538 | 27% | 109,149 |
| United States [a] | 15,389 | 30% | 13,940 | 31% | 12,847 | 12,847 | 30% | 107,408 |
| Japan | 5,027 | 10% | 4,735 | 10% | 5,526 | 5,526 | 13% | 28,899 |
| United Kingdom | 4,292 | 9% | 2,395 | 5% | 2,420 | 2,420 | 6% | 101,396 |
| Germany | 3,681 | 7% | 3,585 | 8% | 3,499 | 3,499 | 8% | 53,238 |
| Belgium | 2,512 | 5% | 2,734 | 6% | 2,188 | 2,188 | 5% | 22,003 |
| Southern Europe | 1,357 | 3% | 1,439 | 3% | 1,333 | 1,333 | 3% | 12,056 |
| Others [b] | 3,424 | 7% | 3,059 | 7% | 2,829 | 2,993 | 7% | 67,739 |
| *Australia and New-Zealand* | *1,254* | *2%* | *1,225* | *3%* | *1,153* | *1,153* | *3%* | *10,704* |
| *Hong Kong* | *1,041* | *2%* | *831* | *2%* | *734* | *734* | *2%* | *6,076* |
| **TOTAL** | **50,479** | **100%** | **45,116** | **100%** | **42,180** | **42,344** | **100%** | **501,886** |
| Of which: | | | | | | | | |
| *Gross written premiums* | *48,786* | | *43,496* | | | *41,103* | | |
| *Fees and charges relating to investment contrats with no participating feature* | *608* | | *509* | | | *417* | | |
| *Other revenues [c]* | *1,084* | | *1,111* | | | *824* | | |

*(a) MONY was acquired on July 8,2004, and represents €980 million in 2004 and €1,381 million in 2005 of the revenues recorded.*
*(b) Proforma 2004 takes into account the impacts of the following changes in scope:*
*– As of January 2005, Turkey was fully consolidated instead of being accounted for under the equity method. If full consolidation had been applied in 2004, revenues would have been €61 million higher.*
*– As of December 1, 2004, in the Netherlands, sale of the Health portfolio (€149 million), and transfer of the Disability activity from Life & Savings to Property & Casualty (€76 million). 2004 revenues would have been €225 million lower if Health and Disability activity had been excluded.*
*(c) Includes revenues from other activities (mainly commissions and fees on mutual funds sales).*
*(d) Winterthur represents €87,328 million of total gross insurance liabilities, of which €34,800 million in Switzerland.*

(in Euro million)

| | Annual Premium Equivalent [a] | | | New Business Value [b] | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| France | 1,231 | 1,075 | 951 | 202 | 157 | 103 |
| United States | 1,922 | 1,700 | 1,482 | 424 | 284 | 232 |
| Japan | 651 | 589 | 505 | 431 | 364 | 279 |
| United Kingdom | 1,134 | 817 | 713 | 100 | 72 | 51 |
| Germany | 287 | 270 | 387 | 90 | 29 | 74 |
| Benelux | 348 | 381 | 315 | 124 | 115 | 58 |
| Southern Europe | 143 | 140 | 125 | 23 | 27 | 27 |
| Others | 519 | 504 | 330 | 106 | 91 | 69 |
| *Australia and New-Zealand* | *420* | *428* | *268* | *38* | *32* | *21* |
| *Hong Kong* | *100* | *75* | *62* | *68* | *59* | *47* |
| **TOTAL GROUP SHARE** | **6,234** | **5,476** | **4,807** | **1,501** | **1,138** | **895** |

*(a) Annual Premium Equivalent (APE): Measure of new business volume. Represents 100% of regular premiums + 10% of single premiums, in line with EEV methodology. APE is group share.*
*(b) New Business Value: The value of new business issued during the current year consists of the Value In Force of new business at the end of the year plus the statutory profit result of the business during the year.*

## Markets and competition

In the Life & Savings segment, AXA operates primarily in Western Europe (including France, the United Kingdom, Germany, Belgium and Southern Europe), the United States and Japan. In addition, AXA offers investments and savings, and life and health products in other countries, such as Australia and New Zealand, but also in Asia (notably Hong Kong, Singapore, and China), in Europe (including the Netherlands, Luxembourg, Switzerland and Turkey) and in the Middle East. The products in these markets are offered through various distribution channels, including exclusive agents, salaried sales forces, brokers and independent financial advisers, and bank networks. See the "Distribution channels" section below.

The nature and level of competition vary among the countries in which AXA operates for all the types of individual and group Life & Savings products sold by AXA. Many other insurance companies offer similar products to those offered by AXA, and, in some cases, also use similar marketing techniques. In addition, AXA may compete with banks, mutual fund companies, investment advisers and other financial institutions for sales of savings-related investment products and, to a lesser extent, life insurance products.

The principal competitive factors affecting the Life & Savings business include:
- size, strength and quality of the distribution channels, in particular the quality of advisors,
- range of product lines and product quality, feature functionality and innovation,
- price,
- quality of service,
- investment management performance,
- historical levels of bonuses with respect to participating contracts,
- crediting rates on fixed products,
- reputation, visibility and recognition of brand,
- quality of management,
- ratings for an insurer's financial strength and claims-paying ability (at December 31, 2006, the main Life & Savings entities of the AXA Group (excluding Winterthur) were rated AA by Fitch Ratings, AA– by Standard & Poor's and Aa3 by Moody's, which enable them be part of the companies with very strong ratings for financial strength), and
- changes in regulations that may affect the policy charge structure relating to commission and administrative charges.

In 2006, local insurance market's growth was impacted by a number of factors. The ageing population and the continuing shift of financial responsibility from governments to individuals are worldwide factors that have increased the demand in the retirement market for new products and the need for advisory related services. In addition, the global economic growth fuelled the demand for wealth management services.

The integration of the European markets, the opening of emerging markets in Asia and Central and Eastern Europe, and regulatory changes in certain countries toward more transparent tariffs and fees, intensified the competition level, reduced development prospects and hindered profitability.

As a result, AXA has developed and will continue to develop local answers in response to the needs of its customers taking into account the current local business environment.

The table below presents the main Life & Savings insurance markets in which AXA operates ranked by worldwide gross revenues in 2005, along with AXA's estimated ranking (by market share).

| LIFE & SAVINGS | Based on worldwide gross revenues in 2005 | | | |
|---|---|---|---|---|
| | Country Statistics (a) | | AXA (b) | |
| COUNTRIES | Ranking | % revenues | Ranking | % revenues |
| United States | 1 | 25% | 4 (c) | 8% |
| Japan | 2 | 19% | 14 | 2% |
| United Kingdom | 3 | 12% | 8 (d) | 5% |
| France | 4 | 8% | 3 | 9% |
| Germany | 6 | 5% | 8 | 4% |
| Belgium | 11 | 2% | 4 | 11% |
| Southern Europe | | | | |
| *– Spain* | *16* | *1%* | *14* | *2%* |
| *– Italy* | *5* | *5%* | *13* | *1%* |
| *– Portugal* | *24* | *1%* | *8* | *2%* |

*(a) Source: Swiss Re, Sigma report 2006 "World insurance in 2005".*
*(b) Source AXA, mainly based on national insurance association data for each specific country.*
*(c) Relates to variable annuity products.*
*(d) Based on new business APE.*

For more detail on markets please refer to the "activity report" section.

## *Customer relationship*

In 2006, AXA Group had approximately 52 million customers worldwide. The breakdown of AXA customers was as follows: for Life & Savings and Property & Casualty businesses approximately 33 million in Europe, 9 million in Asia/Pacific, and 5 million in North America, and approximately 4 million customers for AXA's Asset Management companies.[1]

AXA targets both individual and commercial customers. Individual customers pertain to all the socio-economic categories, and include families with or without children, employees and retirees. Commercial customers include mainly small and medium-sized enterprises (SMEs).

In **France,** AXA organization is driven by clients: individual customers on the one hand (approximately 8 million customers), and commercial clients on the other hand, (approximately 200,000 companies). AXA has developed a segmented approach to customer relationship based on the category of clients, using specific scoring tools to retain clients with high added value as well as to enhance cross-selling.

In the **United States,** AXA targets primarily affluent and emerging affluent individuals such as professionals and business owners, as well

(1) Source: AXA.

as employees of public schools, universities, not-for-profit entities and certain other tax-exempt organizations.

In the **Belgian** market, in 2006, approximately 50% of the households had at least one insurance or banking product with AXA[1].

AXA **Japan**'s customer base has been built on strong relationships within the chambers of commerce (CCIs) market, with exclusive partnerships with more than 70% of CCIs nation-wide. Within CCIs, two distinct customers can be identified, on the one hand, the companies that need efficient savings products and group insurance coverage for their employees, and, on the other hand, the individuals looking for a broad range of personal insurance products. Employees and retirees of large corporations are another significant customer segment with sales, predominantly medical, coming through regular solicitations.

### Survey of customer needs and customer retention

To acquire more detailed information about customer needs and expectations, which may differ from one country or region to another, AXA conducts regular customer scope surveys to measure satisfaction. The results of these surveys are used locally to identify and address customer concerns through targeted actions, but also to measure customer satisfaction levels and retention. AXA believes that the last survey conducted shows a significant improvement of the overall customer satisfaction with 84% of AXA customers that are extremely and very satisfied in 2006 versus 81% in 2005[1].

In 2006, various initiatives were implemented throughout the AXA Group to improve retention and increase value of AXA customer base. These initiatives include a cross-selling strategy, pro-active direct marketing campaigns and dedicated call centre teams.

In **France,** scoring tools have been developed in order to have specific marketing approaches based on the category of clients to meet the customer expectations. As a consequence, AXA, in France, has strongly committed itself toward its distribution channels to help them improve customer relationship and enhance their client service level, increasing for instance exclusive agent support with dedicated customer service platform.

Quality of Service stands at the core of AXA **Belgium** strategy; concrete actions to become "best in class" have been initiated in 2006 and will be pursued to become the "Preferred Company".

In **Germany,** AXA's redesign of the underwriting process aimed at establishing a cycle time within AXA underwriting departments of maximum 4 days for 93% of all application forms[1]. AXA believes this improvement was perceived positively by AXA clients.

In **Australia** and **New Zealand,** AXA improved its quality of customer service by developing faster, more accurate and more reliable service processes. For instance, in 2006, AXA implemented a 2 day service level in portfolio administration services to improve the client and adviser experience and increase reliability – target is 95% of service requests actioned within 2 days, 95% of the working days in the year[1]. In addition, AXA is training its customer service staff to better handle the customer issues that fall outside AXA standard processes and hence turn potential problems into opportunities to strengthen customer relationships. Customer retention is also a focus, through proactive direct marketing campaigns targeting customers considered to be "at risk," as well as through dedicated call centre teams that respond to particular customer enquiries.

(1) Source: AXA.

### *Targeting mass affluent customers and retirees*

As a result of the market opportunities opened by regulatory changes, the ageing population, increasing risk aversion, and economic expansion, AXA has decided to focus more specifically on certain segments of individual customers, including mass affluent individuals and retirees. In addition, specific approaches to markets were pursued depending on local and historical context wherever it was seen as opening opportunities.

In the **United States,** variable and interest-sensitive insurance is targeted at individuals in middle-to-upper income levels for protection and estate planning purposes, business owners to assist in, among other things, business continuation planning and funding for executive benefits, and professional and trade associations.

In the **United Kingdom,** AXA's individual clients are concentrated in higher socio-economic groups, typically investing in short-term bonds or in the long-term pension policies. During 2006, AXA invested significantly to improve its offering to individuals including launching an open architecture offering to widen investment choice (including "self investment"). AXA also targets individuals who require financial protection against events such as illness or death, as well as older clients from lower socio-economic groups with policies that cover funeral expenses upon death.

In **Germany,** within life and health, AXA has identified the medical sector as a strategic target with a profitable and affluent customer group. Special tariffs and product features are designed according to the particularities of this target. Moreover, a specialized tied agent organization with a separate label "Deutsche Ärzteversicherung" gives AXA a preferred access to this customer group.

## *Products and services*

AXA's Life & Savings products include a broad range of investments and savings, and life and health products marketed to individuals and commercial clients, the latter in the form of group contracts. The Life & Savings products offered by AXA include term life, whole life, universal life, endowment, deferred annuities, immediate annuities, and other investment-based products. The health products offered include critical illness and permanent health insurance products. The types and specificities of the products offered by AXA vary from market to market.

### *Product types by nature of risk*

Investment and savings products include:

- Deferred annuities, which may be purchased with either a single premium or regular premiums. A deferred annuity has two distinct periods: an accumulation period and an annuity payment period. Typically, more flexibility is permitted in premium payments for longer deferred periods. The premium can be invested in the general account of the company, or in a choice of unit-linked funds. Also known as variable annuities in the United States, these products often include optional guarantees (for a fee) such as guaranteed minimum income – or annuity – benefit (GMIB), guaranteed minimum death benefit (GMDB) and guaranteed minimum withdrawal benefit (GMWB).
- Pure savings, which provide investment return to policyholders, while AXA bears the investment risk.
- Universal savings, which is the same as universal life but has no significant death benefit component. See below for a description of universal life products.

Life products include:

- Term assurance, which provides a death benefit for a limited period of time.

- Whole life products, which provide a death benefit over a person's entire lifetime or to a certain age, such as age 95 or 100, as long as the required premiums are paid.
- Universal life products, which are all unbundled products that include a significant death benefit component. Funds can be invested in unit linked and / or general accounts.
- Endowment products, which pay a level death benefit for a limited period of time or to age 65. An endowment benefit is paid at the end of that period if the insured is still alive.
- Disability products, which pay a benefit in case of disability. The benefit can be a lump sum, or a percentage of the income paid over a specified period of time.
- Immediate annuity products, which are usually single premium products with no previous accumulation period, which promise regular payments for a fixed period of time or over someone's lifetime.

Health products offer reimbursement of medical expenses or provision of medical services.

Mutual funds offered by insurance companies are open-ended funds operated by an investment company, which raises money from its shareholders and invests in a group of assets, in accordance with a stated set of objectives.

## *Participating contracts*

Certain of AXA's Life & Savings products are participating contracts, which enable the policyholders to participate in the excess assets over liabilities (the surplus) of the insurance company issuing the contract through an interest or bonus payment. AXA offers this type of participating contracts in most of its main Life & Savings operations. The policyholder may participate in the investment return and/or in part of the operating profits earned by the issuing company. The nature and extent of such participation vary from country to country.

## *Contracts with financial risk borne by the policyholders (unit linked)*

In general, for contracts with financial risk borne by the policyholders, the investment risk (and reward) is transferred to the policyholder while the issuing company earns fee income from managing the underlying assets. However, there may be certain types of unit linked products that offer guarantees, such as guarantees of minimum living benefits or death benefits.

## *New products and Commercial successes*

To attract and retain clients, especially in the strategic segments identified, AXA has developed new solutions to meet the needs of the targeted customer groups. In addition, new products have been designed to support AXA's cross-selling strategy and thus improve client retention and enhance value for the clients. Recently, a range of successful or innovative products was launched in AXA's main markets. Some of them are adaptations to the local context of successful experience abroad such as "Twinstar" in Germany derived from the US Accumulator product which is a variable annuity product with enhanced guarantee features.

In **France,** AXA offers a full range of products for individual and commercial customers, and enhanced its product offering in 2006 with the launch of new individual products, such as "Arpèges", which is an universal life product with a large range of funds, services and guarantees, and "Prêt-à-Protéger", which is a protection product distributed through the tied agents' channel with a promising start. The universal life product "Odyssiel" and the life product "Héliade", launched through the salaried sales force, appear to be commercial successes. Commercial business is mainly driven by group products with large companies, which are tailor made contracts addressing each corporation main issues.

In the **United States,** AXA is among the country's leading issuers of variable annuity and variable life insurance products. Variable annuity and variable life insurance products offer customers the opportunity to invest some or all of their account values in various separate account investment options.
A significant portion of the variable annuities sold by AXA offer one or more enhanced guarantee features in addition to the standard return of principal death benefit guarantee. Such enhanced guarantee features may include an enhanced guaranteed minimum living benefits such as GMIB and GMWB. GMIB is the predominant guaranteed minimum living benefit elected by AXA's customers.

In the **United Kingdom,** "Investment Bonds", a pure savings product written both in the United Kingdom and offshore, provide packaged investment solutions to individuals with a tax efficient Life & Savings insurance wrapper. Product innovation and wide investment choice have made AXA a UK market leader in offshore Investment Bonds.

AXA **Japan** has a long established and leading share of the profitable medical insurance market, through a wide range of products such as Medical Term, Medical Whole Life and Medical Rider. Similarly, in life business, a wide range of term products are purchased by AXA SME clients. Over the past few years AXA's savings product range has expanded to include a number of new and innovative variable annuities to support AXA's expansion into the bancassurance market. These products have been developed in collaboration with other companies within the AXA Group (for example, AXA Financial for the "Accumulator" variable annuity).

In **Germany,** AXA has improved its competitiveness with the launch of Twinstar, the first variable annuity product with living benefits in Germany. The product concept allows a clear differentiation from competition by offering guarantees that are tailored to the client needs. The product won an innovation award by *Cash Magazin*[1] in 2006. The product is sold by the German branch of AXA Life Europe and has been positioned in the market successfully as a complement to the existing product offer. The Twinstar launch was an example of the successful transfer of local expertise around the AXA Group.

In **Southern Europe,** AXA has launched easy to sell packaged products, such as "ticket life", a simple life product with only one question required to underwrite.
AXA **Italy** was the first company to introduce a "double engine" investment and savings product for both regular and single premiums, which allows the policyholder to switch between unit linked and general account investment.

In **Australia and New Zealand,** AXA has leveraged the capabilities of the global group and local multi-manager expertise to build a market offering that is differentiated by its breadth of investment styles and asset classes, and by its quality. This capability has been recognized through high research house ratings and awards such as the Money Management 2005 Fund Manager of the Year in Australia and the Fundsource Research 2006 Fund Manager of the Year for New Zealand equities and for International Fixed Interest in New Zealand. In advice, AXA continues to be a leader in the provision of lifestyle financial planning and quality financial advice[2].

In **Hong Kong,** using the experience of AXA in Australia, AXA launched the first true multi-manager investment platform in Hong Kong, Elite MPF, as part of AXA MPF retirement offer, in early 2005. In recognition of the market leading nature of Elite MPF, AXA received the Asian Investor magazine "MPF Master Trust of the Year Award" for 2006. In July 2006, AXA extended its multi-manager proposition to the retail unit trust offers, which allows individual customers to invest their

(1) Financial Advisor Award granted by Cash media Group in August/September 2006 issue.
(2) Source: AXA, in 2006.

monies in the multi-manager platform in a more flexible manner.

The table below presents consolidated gross revenues (after inter-segment eliminations) and gross insurance liabilities by major product for the periods and as of the dates indicated for AXA's Life & Savings segment.

(in Euro million, except percentages)

| LIFE & SAVINGS SEGMENT | Gross revenues by main product lines Years ended December 31, | | | | | | Gross insurance liabilities at December 31, 2006 [(a)] |
|---|---|---|---|---|---|---|---|
| | 2006 | | 2005 | | 2004 | | |
| Investment & Savings | 29,349 | 60% | 25,392 | 58% | 22,627 | 55% | 237,278 |
| *Individual* | *26,319* | *54%* | *22,783* | *52%* | *20,368* | *50%* | *206,980* |
| *Group* | *3,031* | *6%* | *2,609* | *6%* | *2,259* | *5%* | *30,297* |
| Life contracts (including endowment contracts) | 13,031 | 27% | 11,775 | 27% | 11,891 | 29% | 153,895 |
| Health contracts | 4,468 | 9% | 4,387 | 10% | 4,552 | 11% | 12,772 |
| Other | 1,938 | 4% | 1,942 | 4% | 2,033 | 5% | 14,014 |
| **Sub-total** | **48,786** | **100%** | **43,496** | **100%** | **41,103** | **100%** | **417,959** |
| Fees and charges relating to investment contracts with no participating feature | 608 | | 509 | | 417 | | 57,243 |
| Fees, commissions and other revenues | 1,084 | | 1,111 | | 824 | | |
| Liabilities arising from policyholder's participation | | | | | | | 24,734 |
| Unearned revenues and unearned fees reserves | | | | | | | 2,080 |
| Derivatives relating to insurance and investment contracts | | | | | | | (130) |
| ***TOTAL REVENUES AND LIABILITIES*** | ***50,479*** | | ***45,116*** | | ***42,344*** | | ***501,886*** |
| Of which: | | | | | | | |
| *Contracts with financial risk borne by policyholders (Unit linked)* | *18,793* | *39%* | *13,216* | *30%* | *7,696* | *19%* | *176,113* |
| *UK "With-Profit" business* | *941* | *2%* | *953* | *2%* | *1,034* | *3%* | *30,681* |

*(a) Winterthur represents €87,328 million of total gross insurance liabilities.*

## *UK "With-Profit" business*

A participating contract, specific to the United Kingdom and known as the "With-Profit" contract, was offered by AXA Sun Life until 2002. Under "With-Profit" contracts, the policyholders are entitled to receive a share of the profits arising from the invested policyholders' premiums which includes regular bonuses and terminal bonuses. The regular bonuses are designed to provide a return to the policyholder through a periodic increase in benefits and are credited to the policyholder. Once credited, regular bonuses are guaranteed to be paid at maturity, death or as otherwise specified in the policy. Terminal bonuses, which are not guaranteed in advance of payment are designed to provide policyholders with their share of total investment performance and other experience of the fund (including expenses, mortality experience and income taxes) over several periods. Terminal bonuses can represent a significant portion of the total amount paid at maturity or upon surrender prior to maturity and are at the discretion of the board of directors.

Following policyholder and court approvals, in 2001 AXA Equity & Law underwent a financial reorganization whereby the life insurance funds were transferred to AXA Sun Life and fundamentally restructured. A portion of the assets that accumulated over the years (which we refer to in this Annual Report as the "inherited estate") were attributed to AXA as the shareholder, less a portion allocated to the "With-Profit" policyholders in the form of a reorganization bonus, based on the number of eligible policyholders that elected in favor of this plan.

# Distribution channels

AXA distributes its products through exclusive and non-exclusive channels that vary from country to country. Exclusive channels include exclusive agents, salaried sales forces and direct sales including mail, telephone and internet. Non-exclusive channels include brokers, independent financial advisors, aligned or wholesale distributors and partnerships including financial, especially banks, and non financial such as car dealers.

Exclusive agents are individuals or firms commissioned by a single insurance company to exclusively sell its products on its behalf. Tied agents are a typical example of exclusive agents.

Salaried sales forces are salespeople employed by a single insurance company (or an affiliated company) to exclusively sell the company's products.

Direct marketing relates to all sales made through mail, telephone, and internet.

Brokers are independent firms who negotiate with insurance companies on behalf of customers. As opposed to exclusive agents they can work with different insurance companies.

Independent financial advisors are individuals or firms who provide financial advice to customers and negotiate related policies with insurance companies on behalf of customers.

Aligned distributors are independent individuals or firms who have chosen AXA to provide them with a full range of dealership services. They negotiate, on behalf of customers, policies of various insurance companies among a range of products selected by AXA.

Partnerships are sales agreements between an insurance company and another company from the financial services industry, especially banks, or from another industry such as car dealers. The insurance company and its partners might be involved in a joint-venture.

The distribution network is the starting point of the relationship with customers. Ease of access and initial contact with AXA employees often determine the customer's view of the company. AXA's distribution strategy focuses on strengthening traditional channels and developing new ones, such as the internet, direct selling and partnerships. Staff hiring, retention of veteran staff, professionalism and commercial performance are the main initiatives to strengthen distribution channels. To face more volatile and more demanding customers, AXA considers that the diversification of distribution channels improves the opportunities to create contact with the AXA customer base.

AXA also takes into account the characteristics of each local market. For instance, the **Belgian** market is dominated by bank-insurers.
As a result, AXA has developed a multi-channel distribution strategy relying mainly on three distribution channels: its own network of bank agents acting as brokers, brokerages and its small exclusive insurance agent's network. AXA also diversifies its distribution through partnerships.

In **France,** the salaried sales force is the main contributor to the individual business, whereas brokers are mainly distributing group products. In 2006, to attract professionals and mass affluent customers, AXA reinforced its dedicated life specialist tied agents sales force. This channel continued to grow at a fast pace in 2006 and contributed to approximately 10% of individual savings premiums. AXA increased agent support with dedicated customer service platform. AXA continues to reinforce its links with independent financial advisors whose development outperforms the market. This channel contributed to 10% of individual savings premiums.

In the **United States,** AXA distributes products directly to the public through financial professionals associated with AXA Advisors and AXA Network. These financial professionals also have access to and can offer a broad array of products and services from unaffiliated insurers and other financial service providers. AXA also distributes its annuity and life insurance on a wholesale basis through AXA Distributors to third-party national and regional securities firms, independent financial planning and other broker-dealers and banks. In the past few years, AXA has focused on the expansion of the planner channel, a fast growing independent financial advisor distribution channel. AXA continues to implement a comprehensive approach toward this channel through increasing staff, continued product innovation, enhancing services and increased frequency and quality of the contact.

In the **United Kingdom,** AXA relies mainly on the independent financial advisor distribution channel, where it holds a 6.9% market share[1] in 2006. In 2006, AXA invested heavily in relationship management, including the launch of innovative advisor tools enabling the advisor to model asset risks and returns. It assists the independent financial advisor in delivering strategic asset allocation advice to customers. During 2006, AXA also announced the acquisition of Thinc Destini, an independent financial advisor network, which AXA expects will strengthen AXA's distribution presence in the United Kingdom, build its advisory capabilities and allow it to take a stake in another part of the insurance value-chain. AXA also has a small tied advisor network in the United Kingdom selling AXA products and a distribution agreement with a major United Kingdom mortgage provider.

In **Japan,** AXA has a well-established, balanced and diversified distribution model. AXA Advisors, a salaried sales force channel and the largest distribution channel of AXA in Japan, has strong relationships within the small and medium-sized enterprises and Chambers of Commerce (CCI) market focusing on medical and savings products. To reinforce growth, AXA Advisors have launched a number of initiatives aimed at increasing new recruits, improving retention and boosting productivity. AXA also targets the rapidly expanding bancassurance market via a range of innovative variable annuity products. Whilst a relatively new area of focus, customers looking to purchase insurance from mega and smaller independent financial advisors are catered for via the AXA Agent and AXA Corporate channels.

In **Germany,** AXA sells its products through a variety of distribution channels: tied agents, brokers, banking and insurance partnerships and salaried sales force. To reach one of its strategic target groups, the medical sector, AXA had, as of 2006, 330 specialized tied agents offering life and non-life products for the medical sector. In recent years, AXA has broadened its distribution base with increasing sales through brokers, banks and corporation partners in addition to tied agents. A new important partnership with the SEB-Bank started to operate in January 2007. In an effort to attract and retain distributors, AXA also optimized the application process by direct routing, case-ownership and direct feedback to the brokers and agents. With respect to health products, this allows AXA to guarantee same-day processing for all applications coming in before noon[2].

In **Southern Europe,** exclusive networks are developing strongly, owing to organic growth initiatives (mass trainings of agents, advertisement of investments on direct channel), as well as external growth (recruitment of new agencies). As far as non-exclusive networks are concerned, the strategy is focused on the development of distribution partnerships with banks.

In **Australia,** AXA has developed a diversified distribution capability, including owned advice practices (ipac, Tynan Mackenzie and Monitor

(1) Souce: ABI (Association of British Insurers).
(2) Source: AXA, in 2006.

Money), aligned advisers (AXA Financial Planning and Charter Financial Planning) and independent financial advisers. Similarly, AXA's distribution capability in **New Zealand** includes owned advice practices (Spicers), aligned advisers, brokers, banks and partnerships. The owned advice practices are the largest of their type in each country, while the aligned networks are ranked # 5[1] in Australia and # 2[2] in New Zealand, in terms of number of advisers. AXA has developed a number of "industry first" programmes to recruit new advisers, establish new advice practices, support the growth of existing adviser practices and increase adviser productivity. AXA is also actively acquiring practices and transitioning them to the ipac model.

In July 2006, AXA **Hong Kong** launched a pilot of the new "Network" distribution channel. "Network" is a semi aligned channel targeting middle tier advisers. It represents a first step for AXA Hong Kong toward introducing a dealership practice model alongside its existing agency force. AXA Advisers, a leading non-bank salaried channel in Hong Kong, continued to be one of the highest productivity salaried channels in Hong Kong. AXA is now building AXA Financial Planning, a salaried financial planning team targeting the wealth management needs of local small and medium-sized enterprises.

The split by distribution channels used by AXA's principal Life & Savings operations, based on consolidated gross revenues for the years ended December 31, 2006 and 2005, is presented below:

| BASED ON GROSS WRITTEN PREMIUMS IN 2006 | Agents, salaried salesforce, direct sales and marketing | Intermediaries / independent advisers / brokers | Other networks, including, corporate partnerships and bank networks |
|---|---|---|---|
| France | 51% | 42% | 7% |
| United States | 56% | 18% | 26% |
| Japan (a) | 54% | – | 46% |
| United Kingdom (b) | 21% | 75% | 4% |
| Germany | 50% | 37% | 13% |
| Belgium | – | 99% | 1% |
| Southern Europe | 75% | 12% | 13% |

*(a) Based on APE.*
*(b) Gross written premiums under IFRS overweight the share of agents, salaried salesforce and direct sales and marketing in the United Kingdom.*

| BASED ON GROSS WRITTEN PREMIUMS IN 2005 | Agents, salaried salesforce, direct sales and marketing | Intermediaries / independent advisers / brokers | Other networks, including, corporate partnerships and bank networks |
|---|---|---|---|
| France | 57% | 35% | 9% |
| United States (c) | 59% | 30% | 11% |
| Japan (a) | 64% | – | 36% |
| United Kingdom (b) | 28% | 64% | 8% |
| Germany | 48% | 39% | 13% |
| Belgium | 3% | 90% | 7% |
| Southern Europe | 67% | 13% | 19% |

*(a) Based on APE.*
*(b) Gross written premiums under IFRS overweight the share of agents, salaried salesforce and direct sales and marketing in the United Kingdom.*
*(c) In 2006, there was a realignment of wholesale distribution channels in the US, resulting in an inconsistent classification between 2005 and 2006. If 2005 has been restated, the "intermediaries" share would have been 14% and the "other networks" 27%.*

(1) Money Management Top 100 dealer Groups Survey, June 2006.
(2) Source: AXA, estimation at December 2006.

## Surrenders and Lapses

For most Life & Savings products, fees and revenues are accrued over time, while costs to the issuing company in the first year are higher than costs in subsequent years due to first year commissions and the costs of underwriting and issuing a contract. Consequently, the rate of policies remaining in-force and not lapsing, also known as the "persistency rate", plays an important role in profitability. The majority of individual Life & Savings products issued by AXA may be surrendered for a cash surrender value. Most of the individual Life & Savings products issued by AXA have front-end charges to the policyholder (or subscription fees), which are assessed at the inception date of the contract and/or surrender charges (charges assessed in the case of early surrender). Both front-end charges and surrender charges are intended to offset a portion of the acquisition costs.

Total surrenders and lapses for 2006, and the ratio of surrenders and lapses to gross surrenderable insurance reserves at the beginning of the periods indicated are presented below:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2006 Total surrenders & lapses (in Euro million) | 2006 | 2005 | 2004 |
| | | Surrender & lapse ratio | | |
| | | % | % | % |
| France | 6,074 | 6.9% | 6.6% | 6.8% |
| United States [(a)] | | | | |
| *– Individual life* | *1,268* | *4.2%* | *4.2%* | *4.9%* |
| *– Individual retirement* | *6,211* | *9.2%* | *8.6%* | *8.2%* |
| Japan [(b)] | 1,912 | 7.4% | 8.0% | 10.9% |
| United Kingdom | 7,507 | 12.0% | 8.9% | 8.4% |
| Germany | 416 | 2.2% | 2.2% | 2.7% |
| Belgium | 486 | 4.0% | 4.2% | 3.5% |
| Southern Europe | 593 | 8.4% | 6.7% | 5.3% |
| *– Spain* | *215* | *6.7%* | *6.1%* | *5.1%* |
| *– Italy* | *327* | *12.1%* | *8.3%* | *6.6%* |
| *– Portugal* | *51* | *5.2%* | *4.5%* | *4.2%* |

*(a) Amounts reported for the US operations exclude lapses and institutional assets backing contracts with financial risk borne by the policyholders (Unit-Linked) (€347 million in 2006).*
*(b) Including conversions in Japan.*

Changes induced by the *Fourgous* law in **France** have led to a marginal increase in the surrender and lapse rate as it gave the opportunity to policyholders to switch their Life & Savings contract backed by the general account to a unit-linked contract while retaining the fiscal benefits of their previous contract.

In the **United Kingdom,** the simplification of pension legislation (A day) in 2006 encouraged policyholders to take the opportunity to review their product holdings. This led to an increase in surrender rates in pension products, resulting in an increase in the total surrender and lapse rate from 8.9% in 2005 to 12.0% in 2006.

In **Japan,** the main drivers for the improvement in lapses and surrenders are lower conversions and lower group pension transfers. Almost offsetting these are higher surrenders mainly driven by the maturation of the inforce portfolio of contracts.

In **Southern Europe,** the unfavorable experience in surrender rate was mainly due to the market interest rate increase in 2006.

## *Value drivers*

The in force portfolio in the Western European markets where AXA operates is mainly composed of investment and savings products with discretionary participation features, generating an investment margin linked to the spread, expressed in basis points, between investment returns and returns credited to policyholders.

Due to its strategic orientation toward mass affluent customers, fee-based business represents a growing share of the new business, especially with the development of unit-linked products. AXA believes that the profitability of this business is mainly dependent on the levels of reserves that are driven by sales volumes and returns on financial markets.

Life and health businesses generate mortality and morbidity margins that flow through technical margin.

The level of costs is an additional factor that drives value. AXA considers that enhancing operational efficiency is key in order to deliver value to shareholders and to be able to offer price competitive products to its customers. Procurement is actively contributing to the overall level of savings, while controlling supplier risks and securing quality of service. For instance, in **Germany,** various initiatives were launched in 2006, aimed at continuously improving operational efficiency, ranging from tighter procurement policy, smoother and more stable operational processes through reengineering, and improvements in efficiency for information technology (IT) resources usage. AXA Germany was distinguished by an external benchmark[1] as a top 5 best practitioner in the IT cost control. In **Japan,** AXA's earnings are strongly driven by fees and revenues notably due to the strong presence in the profitable medical insurance market. Reinsurance, predominantly internal, is being increasingly used to manage the innovative guarantees developed as part of the variable annuity products. In **Australia / New Zealand,** by operating across the value chain, AXA aims to capture margin at each stage. For financial advice, clients pay either a fee for service or a product-based commission. For wealth management products, platforms and asset management, clients pay fees based on asset values, along with some fixed administration charges. Aligned advisers pay for support services provided by AXA through a combination of fixed and variable dealer service fees. A range of initiatives was implemented to improve business process efficiency, notably through migrating processes to AXA Business Services (offshore facilities in India). For instance, on-going IT costs are being reduced through a phased migration to lower cost infrastructure and through software vendor rationalization.

## *Impacts of Winterthur acquisition*

AXA believes that the Winterthur acquisition should complement and strengthen AXA's distribution channels and product range, while further increasing AXA's geographic diversification, by both strengthening AXA's European franchise and increasing its presence in certain high growth markets.

In the **Swiss** market, AXA should gain a leading position (Winterthur was # 2 in Life & Savings in 2005[2]), supported by a network of approximately 1,500 tied agents.

In **Germany,** the aggregation of Winterthur and AXA's market positions would have placed the combined company in the sixth position with a market share of 5% in Life & Savings and of 7% in Health[3]. The number of tied agents should increase by more than 1,500 to more than

(1) This benchmark study compares 29 German insurance companies. Benchmarking is done yearly by the Boston Consulting Group.
(2) Source: AXA.
(3) Source: AXA, estimates based on 2005 data.

4,600. AXA believes it will benefit from DBV Winterthur's very good reputation and expertise in the civil servants market with respect to health products.

The acquisition of Winterthur should reinforce AXA # 4 **Belgium** market position in a concentrated market, the 5 major players accounting for 75% of the market[1].

In the **United Kingdom,** AXA expects to benefit from Winterthur's access to the growing high net worth market and a range of retirement and investment solutions with an innovative open charging structure distributed via top tier advisers. AXA believes that Winterthur's commercial benefits' business provides an industry-leading solution for the employee benefits' market. In total, AXA believes that Winterthur could increase AXA's new business market share. The aggregation of Winterthur and AXA's market position would have placed the combined company in the seventh position in 2005[2] (versus # 8 for AXA alone.)

AXA also expects to gain access to Winterthur's high growth pension operating platforms in **Central and Eastern Europe,** in particular in Poland, the Czech Republic, Hungary and Slovakia.

In **Asia,** AXA believes that Winterthur will bring complementary activities notably in Japan, Hong Kong and China. In **Japan,** AXA and Winterthur have a good complementary fit. The aggregation of Winterthur and AXA's market position would have placed the combined company in the eighth position based on new business[3]. The Winterthur's tied agent channel, with its strong presence in major cities, is expected to complement AXA Advisors' strong and established presence in regional areas.

(1) Source : AXA, estimate based on 2005 data.
(2) Source : AXA, estimate based on 2005 NBI data.
(3) Source: “Statistics of Life Insurance Business in Japan, 2005” published by Insurance Research Institute (April 2005 to March 2006).

# PROPERTY & CASUALTY
## SEGMENT

AXA's Property & Casualty segment offers a broad range of products including motor, household property and general liability insurance for both personal and commercial customers, targeting mainly small to medium sized companies, and in certain countries health products[1]. The Property & Casualty segment accounted for €19.8 billion, or 25% of AXA's consolidated gross revenues for the year ended December 31, 2006 (2005: €18.9 billion or 26% respectively).

The table below summarizes AXA's Property & Casualty consolidated gross revenues (after inter-segment eliminations) and gross insurance liabilities by geographic region for the periods and as at the indicated dates.

(in Euro million, except percentages)

| PROPERTY & CASUALTY SEGMENT | Gross revenues Years ended December 31, | | | | | | | Gross insurance liabilities at December 31, 2006 (d) |
|---|---|---|---|---|---|---|---|---|
| | 2006 | | 2005 | | 2004 Proforma (b) | 2004 Reported | | |
| France | 5,187 | 26% | 5,070 | 27% | 4,895 | 4,895 | 27% | 10,816 |
| Germany | 2,745 | 14% | 2,785 | 15% | 2,796 | 2,796 | 16% | 6,025 |
| United Kingdom (& Ireland) (b) | 4,721 | 24% | 4,393 | 23% | 4,360 | 4,469 | 25% | 7,177 |
| Belgium | 1,511 | 8% | 1,451 | 8% | 1,430 | 1,430 | 8% | 6,761 |
| Southern Europe | 3,152 | 16% | 3,012 | 16% | 2,901 | 2,901 | 16% | 6,619 |
| Others (c) | 2,477 | 13% | 2,163 | 11% | 1,924 | 1,361 | 8% | 8,887 |
| *TOTAL* | *19,793* | *100%* | *18,874* | *100%* | *18,305* | *17,852* | *100%* | *46,286* |
| Of which: | | | | | | | | |
| *Gross written premiums* | *19,741* | | *18,831* | | | *17,810* | | |
| *Other revenues* | *52* | | *43* | | | *42* | | |

*(a) Proforma 2004 takes into account the impacts of the following change in scope:*
*– In United Kingdom, the right to renew UK Personal Direct business was sold to RAC in October 2004. In 2004, revenues from this activity amounted to €110 million.*
*– In Others countries, as of January 2005, Turkey, Hong Kong and Singapore are fully consolidated instead of being accounted for under the equity method. If full consolidation had been applied in 2004, other countries 2004 revenues would have been €487 million higher.*
*– As of December 1, 2004 the Netherlands disability activity has been transferred from Life & Savings to Property & Casualty. Other countries 2004 P&C revenues would have been €76 million higher if disability had been included.*
*(b) Winterthur represents €9,525 million of total gross insurance liabilities, of which €4,760 million in Switzerland.*

For the ten-year loss development of the Property & Casualty claims reserves, see Note 14 included in the consolidated financial statements. Key ratios for Property & Casualty operations are presented in the activity report.

## Market and Competition

In the Property & Casualty segment, AXA operates mainly in the main Western European markets, including France, Germany, the United Kingdom, Belgium and Southern Europe (Italy,

(1) For historical reasons, some countries classified health insurance in the Property & Casualty segment, while other countries classified it in the Life & Savings segment. AXA chose to comply with local classification.

Spain and Portugal). AXA offers personal and commercial Property & Casualty insurance products in other countries in Europe (including the Netherlands, Luxembourg, Switzerland and Turkey), as well as in Canada, Asia (notably Japan, Singapore, and Hong Kong), the Middle East, and Morocco.

The nature and level of competition vary among the countries in which AXA operates. AXA competes in each of its Property & Casualty products and geographic markets with other insurers. In Western European countries, a large proportion of customers hold one or more Property & Casualty products. Overall, the Property & Casualty insurance industry tends to be cyclical with surplus underwriting capacity leading to lower premium rates. Throughout 2006, the market cycle softened, which means that competition tends to increase pressure on insurance price. Many customers became very price-oriented when looking for a new insurer.

The principal competitive factors are as follows:
– Price,
– Quality of service,
– Distribution network,
– Brand recognition,
– Ratings for financial strength and claims-paying ability (at December 31, 2006, the main Property & Casualty entities of the AXA Group (excluding Winterthur) were rated AA by Fitch Ratings, AA– by Standard & Poor's and Aa3 by Moody's, which enable them be part of the companies with very strong ratings for financial strength), and
– Changes in regulations, which may affect premium rates charged or claims settlement costs paid.

The table below presents the Property & Casualty markets in which AXA operates ranked by worldwide gross revenues in 2005, along with AXA's ranking (by market share).

| PROPERTY & CASUALTY | Based on worldwide gross revenues in 2005 | | | |
|---|---|---|---|---|
| | Country statistics [a] | | AXA [b] | |
| COUNTRY | Ranking | % gross revenues | Ranking | Market share |
| *Germany* | *2* | *7%* | *8* | *5%* |
| *United Kingdom* [c] | *3* | *7%* | *5* | *6%* |
| *France* | *5* | *5%* | *1* | *16%* |
| *Belgium* | *14* | *1%* | *1* | *16%* |
| *Southern Europe* | | | | |
| *– Spain* | *8* | *2%* | *3* | *5%* |
| *– Italy* | *6* | *3%* | *9* | *3%* |
| *– Portugal* [d] | *26* | *0%* | *3* | *9%* |

*(a) Source: Swiss Re, Sigma report 2006 "World insurance in 2005".*
*(b) Source AXA, mainly based on national insurance association data for each specific country.*
*(c) United Kingdom, including Health, but excluding Ireland.*
*(d) Portugal, including health.*

For more detail on market description, please refer to the activity report section.

## Customer relationship

For a description of the customer base in the Property & Casualty segment, please refer to the "Customer relationship" section in the Life & Savings segment.

In the Property & Casualty segment, AXA believes that development of value should take three directions: development of individual offers that build on objective socio-demographic characteristics and recorded behavior, cross-selling to enhance customer loyalty and added value, and growth in the SME market.

In **France,** AXA developed a segmented approach based on the category of clients, using specific scoring tools to retain clients with high added value as well as to enhance cross-selling.

In the **United Kingdom,** AXA aims at becoming leader in the market of insurance services to the SME market. AXA is in the second year of an initiative to provide services that consistently meet customer expectations. In the United Kingdom, AXA was awarded "Best Personal and Medical Insurance Provider 2006" in the Your Money Direct Awards.

In **Germany,** AXA concentrates on special initiatives for customers with low risk profiles and offers a number of targeted group products. In 2006, AXA introduced rebates for motor customers which have no records of traffic infringements. Besides an innovative product offer, AXA benefits from a good service quality in terms of claims handling as well as widespread local organization with competent contact persons for sales partners leading to strong customer satisfaction[1].

In **Southern Europe,** in 2006, notably in **Italy,** AXA focused on improving the quality of the service delivery through an acceleration of the claims settlement process. In **Italy,** the last edition of "Customer Scope" survey highlighted a progression of overall satisfaction of 7 points in 2006 compared to 2005.

## *Products and services*

AXA's Property & Casualty insurance operations offer a broad range of products including motor, household, property and general liability insurance for both personal and commercial customers, targeting mainly small to medium sized companies, and, in certain countries, health products. In addition, AXA offers engineering services to support prevention policies in companies.

The table below sets forth consolidated gross revenues and gross insurance liabilities by major product for the periods and as at the dates indicated.

(in Euro million, except percentages)

| PROPERTY & CASUALTY INSURANCE SEGMENT | Gross revenues Years ended December 31, 2006 | | 2005 | | 2004 | | Gross insurance liabilities at December 31, 2006 [(a)] |
|---|---|---|---|---|---|---|---|
| **Personal lines** | | | | | | | |
| Motor | 6,595 | 33% | 6,213 | 33% | 5,891 | 33% | 14,835 |
| Homeowners/household | 3,042 | 15% | 2,815 | 15% | 2,626 | 15% | 3,059 |
| Other | 2,516 | 13% | 2,536 | 13% | 2,359 | 13% | 5,762 |
| **Commercial lines** | | | | | | | |
| Motor | 1,427 | 7% | 1,368 | 7% | 1,244 | 7% | 2,679 |
| Property damage | 2,244 | 11% | 2,096 | 11% | 2,031 | 11% | 2,748 |
| Liability | 1,404 | 7% | 1,359 | 7% | 1,320 | 7% | 7,136 |
| Other | 2,237 | 11% | 2,107 | 11% | 2,008 | 11% | 9,011 |
| Other | 275 | 1% | 336 | 2% | 331 | 2% | 872 |
| ***TOTAL*** | ***19,741*** | ***100%*** | ***18,831*** | ***100%*** | ***17,810*** | ***100%*** | ***46,102*** |
| Liabilities arising from policyholders' participation | | | | | | | 184 |
| ***TOTAL*** | | | | | | | ***46,286*** |

*(a) Winterthur represents €9,525 million of total gross insurance liabilities.*

To attract and retain clients, new products are designed to add value for the clients and support cross-selling, thus improving client retention. Recently, a range of successful or innovative products were launched in AXA's main markets.

In **France,** in personal lines, mainly motor and household, products are more segmented in order to better fit all client needs, and focus on the development of customer loyalty. Several products were launched in 2006, such as a dedicated package to owners of more than

(1) Source AXA.

8 year-old cars and household insurance products for renters. In commercial lines, development is focused on the liability and construction business, as well as some niche products, relying on the expertise of teams and quality of processes. Priority is also put on services enabling AXA to strengthen client loyalty such as prevention pacts in motor and liability, through, for instance, *AXA Prévention,* a non profit organization, which encourages more responsible driving manners and other concrete actions to contribute to lowering the car accident frequency. AXA France pursued the development of service offerings to small and medium-sized enterprises such as crisis management, and developed service commitments such as claims payments in less than 72 hours.

In **Germany,** AXA launched, in retail motor, a dual product offer in 2002 focusing on both price sensitive and service-oriented customers, which has allowed AXA to grow steadily since then. Targeting SME customers, AXA introduced, in 2006, a flexible product, Profischutz, a combined property and liability product that adapts to the needs of the client company by choosing the appropriate components. AXA has also launched a new combined accident and care annuity product solutions, a unique market mix.

In **Belgium,** in commercial lines, new assistance covers are progressively integrated into all products. For medium businesses, packaged products have been customized for specific professions, for instance the Talisman package for car repair shops.

In **Southern Europe,** AXA believes that it should distinguish itself in the market by developing innovative services and products such as: in **Spain,** access to best European surgeons for a car accident victim and launch of a new motorbike product combined with an affinity club membership, based on the Club 14 offer in France. In motor, a “pay as you drive” offer, which is based on GPS technology, has been developed in **Italy.** AXA spurs cross-selling initiatives such as in **Spain,** aiming at taking advantage of its strong motor portfolio by increasing the proportion of clients with comprehensive motor coverage, at an improved tariff and with lower commissions. In **Portugal,** insurance prices are frozen during 3 years for clients without claims, aiming at improving client retention.

## *Distribution channels*

AXA distributes its Property & Casualty insurance products through a number of channels that vary from country to country, including exclusive agents, brokers, salaried sales forces, direct marketing (mail, telephone or internet sales) and banks and other partnerships including car dealers. In Europe, the same distribution channels are used by both AXA’s Life & Savings operations and Property & Casualty operations. For a description of the distribution channels, please refer to the “Distribution channels” section in the Life & Savings segment.

Development of distribution channels is key to reach targeted customers and overall for the profitability of the activity.

In **France,** developing the exclusive agents’ networks is a key element of AXA’s Property & Casualty distribution strategy driven by a focus on segmentation and increased professionalism of selected agents to develop the commercial business. A new channel through the internet was launched in 2006, taking advantage of the Avanssur experience, a direct distribution channel by phone.

In the **United Kingdom,** intermediaries remained a key distribution channel in 2006, and, during the year, AXA acquired a specialist Personal and Medical Insurance intermediary, and agreed to an innovative distribution partnership with a leading UK retailer for distribution of healthcare products. As consolidation continued in the intermediary market in 2006, AXA focused on growing direct and affinity channels.

In the **German** market, tied agents are the dominant sales channel for Property & Casualty products. Brokers are gaining more importance, especially in the commercial segment. For AXA Germany, in the last three years, brokers signed a growing share of the business in the retail market. In addition, direct business, especially via the internet, is growing fast and has become a relevant sales channel in motor. AXA's direct sales channel is responsible for more than 10% of the motor premiums in 2006.

In **Southern Europe,** exclusive networks are strongly developing, owing to organic growth initiatives including mass training of agents and advertisement for the direct channel, as well as external growth such as acquisition of new agencies.

The split by distribution channel used by AXA's Property & Casualty operations, based on gross revenues for the year ended December 31, 2006 and 2005, is presented below.

| BASED ON GROSS REVENUES IN 2006 | General agents and salaried sales force | Intermediaries, independent advisers & brokers | Direct sales and marketing | Other networks, including corporate partnerships and bank networks |
|---|---|---|---|---|
| France | 71% | 26% | 2% | 1% |
| Germany | 47% | 45% | 4% | 5% |
| United Kingdom (& Ireland) | 3% | 63% | 21% | 13% |
| Belgium | – | 98% | – | 2% |
| Southern Europe | 66% | 24% | 6% | 4% |

| BASED ON GROSS REVENUES IN 2005 | General agents and salaried sales force | Intermediaries, independent advisers & brokers | Direct sales and marketing | Other networks, including corporate partnerships and bank networks |
|---|---|---|---|---|
| France | 70% | 25% | 4% | 1% |
| Germany | 45% | 43% | 4% | 8% |
| United Kingdom (& Ireland) | – | 60% | 26% | 14% |
| Belgium | – | 88% | 6% | 6% |
| Southern Europe | 65% | 25% | 5% | 4% |

## *Ceded Reinsurance*

AXA's Property & Casualty operations use various types of reinsurance, primarily to limit their maximum exposure to catastrophic events, environmental pollution risks and certain other types of risks. A growing portion of AXA's Property & Casualty insurance exposures are ceded internally to AXA Cessions, which organizes external reinsurance programs. Total gross premiums ceded by AXA's Property & Casualty operations to third party reinsurers in 2006 was €1,004 million (2005: €935 million).

In 2006, AXA France launched a securitization on part of its motor portfolio to take advantage of the financial capacities in a reinsurance capacity shortage situation.

## Value drivers

AXA believes that long term profitability of the main Property & Casualty businesses including motor – individual and commercial – and household, which are "short tail" businesses, is driven by the difference between premium income for assumed risk and the actual cost of claims, reflected by the loss ratio. In addition to loss experience, AXA considers that profitability is sensitive to the expenses related to contract acquisition and policy management. On these mass markets, price evolutions are mainly driven by the demand side. Besides, AXA believes that the ability to transfer risks to an external capacity reduces the volatility of the earnings and improves the overall profitability of the business. Therefore, AXA's ability to share the volatility of its portfolio with the financial markets through securitization should be profitable in the long run.

AXA believes that long tail business, including workers' compensation, liability and construction, is more driven by investment return, and its contribution to earnings depends in part on the pace of growth, technical gains emerging gradually over years.

AXA follows a tight underwriting approach and implemented various claims management initiatives: fraud containment, claims leakage reduction and insurance procurement. The enhanced productivity of AXA internal processes and its strong cost management have led to an improving expense ratio. Procurement has been involved in many sourcing and negotiation events leading to increasing rebates, risk minimization and quality increase. Various initiatives are targeted at continuously improving operational efficiency, ranging from tighter procurement policy, smoother and more stable operational processes through reengineering, and improvements in efficiency for IT resources usage.

In a context of growing activity, AXA **France** is focusing on creating value by improving productivity, mainly by closely monitoring the evolution of staff in order to optimize unit costs, focusing on investments with short payback and high return, such as repurchase agreements (Repos) and hedge funds, and reviewing and optimizing processes mainly through AXA Way.

In the **United Kingdom,** AXA's 24.5% share in the healthcare market[1] gives it purchasing power for claims settlement to achieve higher profitability. Claims restructuring has continued, focusing on process and system improvements, delivering a reduction in leakage rates. The United Kingdom branch transformation program has better aligned distribution capacity to the existing geographical market spread, and has eased efficiencies.

In 2006, despite inflation and owing to claims management initiatives, AXA **Belgium** has been able to maintain the average claims cost at the 2005 level in motor individual lines.

In **Southern Europe,** the operational model is based on a shared factory for product development. Products are sold across a variety of distribution channels, both exclusive and non-exclusive. In **Portugal,** with the acquisition of Seguro Directo, call centers were optimized and new technological tools were introduced, to optimize the quality of service and to ease the evolution of the processes.

## Impacts of Winterthur acquisition

In the Property & Casualty segment, AXA expects that the acquisition of Winterthur will give AXA a leading and profitable position in the **Swiss** market (in 2005, Winterthur was # 1 in Property & Casualty with a market share of

(1) Source: AXA.

20%[1]). As an all-line insurer, Winterthur offers a wide range of products, especially in motor and workers' compensation.

In addition, AXA believes that the Winterthur acquisition will enable it to consolidate its position in three key European countries:

In **Germany,** the aggregation of Winterthur and AXA's market positions would have placed the combined company in the fourth position with a market share of 5.6%[2]. AXA expects also to gain access to the Civil Servants market via Winterthur's DBV brand. For the targeted group of medical practitioners, AXA believes that Winterthur will help AXA to reach the leading position in the Property & Casualty market.

In **Belgium,** the deal should strengthen AXA's # 1 position in Property & Casualty with a combined market share of approximately 23%[2]. It also represents an opportunity for AXA to enter the fast growing Property & Casualty direct segment with Winterthur's subsidiary Touring Assurances, the market's # 2 direct distribution channel as of 2005[1].

In **Spain,** The aggregation of Winterthur and AXA's market positions would have placed the combined company in the # 2 position[2] (versus # 3 for AXA alone).

(1) Source: AXA.
(2) Source: AXA, estimate based on 2005 data.

# INTERNATIONAL
## INSURANCE SEGMENT

Operations in this segment are principally focused on reinsurance, large risks, and assistance. The offered insurance products, which specifically relate to AXA Corporate Solutions Assurance, include coverage to large national and international corporations mainly relating to property damage, third party liability, marine, aviation and transport, construction risk, financial risk, and director and officer liability. In addition, AXA Liabilities Managers is the specialized unit in charge of managing the AXA Group's Property & Casualty run-off portfolios including risks underwritten by AXA RE for all periods prior to and including 2005. Reinsurance operations (AXA RE) principally focus on property damage, third party liability, marine and aviation property, and third party liability reinsurance. Operations are 100% reinsured through Paris Re Holdings Limited for all periods following 2005.

The businesses of the International Insurance segment at the end of 2006 are described below. The International Insurance segment accounted for €3.7 billion, or 5% of AXA's consolidated gross revenues for the year ended December 31, 2006 (2005: €3.8 billion or 5%, respectively).

**AXA Corporate Solutions Assurance** is the AXA Group subsidiary dedicated to large Property & Casualty risk insurance for large European companies, and to aviation and marine insurance companies worldwide.

**AXA Cessions** is an intra-group reinsurance company. Most of the companies within the AXA Group cede internally some of their major claims and catastrophic exposure to AXA Cessions which analyzes, structures and places reinsurance programs for such risks with third-party reinsurers. It also provides advice in risk management and purchase of reinsurance coverage to AXA Group subsidiaries.

**AXA Assistance** provides assistance services including medical aid for travellers, automobile-related road assistance, home assistance and health-related services mainly to banking and insurance companies, tour operators, telecommunication operators, gas, water and electricity utilities and automobile manufacturers. AXA Assistance has also developed its expertise in the market of home services and, in France, distributes "Chèque Emploi Service Universel" (CESU) to businesses, local authorities and unions.

**AXA Liabilities Managers** is the specialized unit in charge of managing the AXA Group's Property & Casualty run-off portfolios. This entity manages the internal run-off portfolios of AXA UK, AXA Germany and AXA Belgium, as well as a number of stand-alone run-off companies of the "Other International Activities" segment. In connection with the disposal of AXA's reinsurance activities, AXA Liabilities Managers also started managing the run-off of AXA RE at the end of 2006.

The table below summarizes AXA's consolidated gross revenues and gross insurance liabilities (gross of reinsurance) for the International Insurance segment for the periods and as at the dates indicated.

(in Euro million, except percentages)

| INTERNATIONAL INSURANCE SEGMENT | Gross revenues Years ended December 31, 2006 | | 2005 | | 2004 | | Gross insurance liabilities at December 31, 2006 [b] |
|---|---|---|---|---|---|---|---|
| AXA RE [a] | – | – | 1,451 | 38% | 1,056 | 31% | – |
| AXA Corporate Solutions Assurance | 1,689 | 45% | 1,605 | 42% | 1,506 | 45% | 4,870 |
| AXA Cessions | 56 | 2% | 60 | 2% | 94 | 3% | 200 |
| AXA Assistance | 621 | 17% | 549 | 14% | 467 | 14% | 280 |
| Other international activities [a] | 1,351 | 36% | 147 | 4% | 240 | 7% | 6,922 |
| *Of which* | | | | | | | |
| *AXA RE* | *1,217* | *34%* | – | – | – | – | *3,534* |
| *AXA Liabilities Managers* | *36* | *1%* | *36* | *1%* | *124* | *4%* | *3,207* |
| *AXA Re Life* | *98* | *3%* | *111* | *3%* | *117* | *3%* | *180* |
| **TOTAL** | **3,716** | **100%** | **3,813** | **100%** | **3,363** | **100%** | **12,271** |
| Of which: | | | | | | | |
| *Gross written premiums* | *3,572* | | *3,668* | | *3,240* | | |
| *Other revenues* | *144* | | *145* | | *123* | | |

*(a) Transfer (in 2006 only) of reinsurance activities formerly led by AXA RE to AXA Liabilities Managers (recorded in "Other international activities"), following the sale of AXA RE to Stone Point Capital.*
*(b) Winterthur represents €1,163 million of total gross insurance liabilities.*

For the ten-year loss development of AXA's International Insurance liabilities, see Note 14 included in the financial statements.

## Market and competition

**AXA Corporate Solutions Assurance.** After several years of rate increases and restructuring of large corporate insurance programs, underwriting conditions in the large risk insurance market softened in 2005 and 2006. In 2006, this trend was also assisted by lack of a major natural disaster. In Property & Casualty insurance, AXA Corporate Solutions Assurance revenues grew significantly in 2006, pursuing its development in the property insurance business by targeting risk managed accounts in selected trade sectors. Growth in revenues was also due to the development of construction business. In the marine and aviation markets, despite pressure on price, growth outlook remained positive in 2006 considering the ongoing increase in air traffic worldwide and the booming shipping industry. AXA believes that AXA Corporate Solutions Assurance ranks among the top 5 large European insurance companies.

**AXA Assistance** has enjoyed a steady profitable growth since 2003 and has outperformed its traditional competitors. However, new business-to-consumer players specialized in specific markets with different competitive advantages were gaining ground on traditional assisters. As a consequence, AXA Assistance chose to diversify in home services, a fast growing market due to a variety of factors including an ageing population, a higher standard of living, an increasing proportion of working women and tax incentives.

## Products and services

**AXA Corporate Solutions Assurance** provides global insurance programs to large international corporations that require coverage for all their locations. AXA Corporate Solutions Assurance underwrites large insurance risks for large national and international corporations.
AXA Corporate Solutions Assurance products cover property damage, liability, construction risks, motor fleet, marine and aviation. AXA also offers loss-prevention and risk management services. In 2006, AXA Corporate Solutions Assurance focused on developing its worldwide

loss control engineering resources to better meet client needs for risk management. To respond to client expectations outlined in a survey conducted in 2006, AXA Corporate Solutions Assurance has launched a specific program called "Commitment to clients" to improve quality of service with an objective of operational excellence.

**AXA Assistance** applies its know-how to both emergency and daily services and health management through a new range of health products and health claims management. AXA Assistance has developed its expertise in managing crisis situations, whether they are of a political nature, health-related or linked to natural disasters. In July 2006, AXA Assistance repatriated 1,103 people from Lebanon to Paris in less than 24 hours.

The table below presents the International Insurance segment's gross revenues and gross insurance liabilities by major product lines for the periods and as at the dates indicated:

(in Euro million, except percentages)

| INTERNATIONAL INSURANCE SEGMENT | Gross revenues Years ended December 31, | | | | | | Gross insurance liabilities at December 31, 2006 [(a)] |
|---|---|---|---|---|---|---|---|
| | 2006 | | 2005 | | 2004 | | |
| Property damage | 1,132 | 32% | 1,273 | 35% | 1,302 | 40% | 2,288 |
| Automobile, Marine, Aviation | 977 | 27% | 1,010 | 28% | 848 | 26% | 3,294 |
| Casualty / Civil Liability | 493 | 14% | 488 | 13% | 581 | 18% | 3,935 |
| Other | 969 | 27% | 897 | 24% | 509 | 16% | 2,786 |
| *TOTAL* | *3,572* | *100%* | *3,668* | *100%* | *3,240* | *100%* | *12,304* |
| Derivatives relating to insurance and nvestment contracts | | | | | | | (33) |
| *TOTAL* | | | | | | | *12,271* |

*(a) Winterthur represents €1,163 million of total gross insurance liabilities.*

## Distribution channels

**AXA Corporate Solutions Assurance** mainly distributes its products through international brokers, but also domestic brokers. Marine and aviation business is distributed through specialized brokers.

**AXA Assistance** mainly operates as a business to business company although it also uses direct sales and marketing to sell its products. In countries in which AXA offers Property & Casualty insurance products, such as France, Spain, the United Kingdom and Germany, AXA distribution networks offer assistance services in their insurance products. AXA Assistance aims at integrating service providers and developing capacities of distribution to final customers.

## Ceded Reinsurance and retrocession

**AXA Corporate Solutions Assurance** reviews annually its exposure to ensure that the risks underwritten are diversified geographically and by line of business in order to avoid concentration risk. In 2006, AXA Corporate Solutions Assurance ceded €738 million premiums (2005: €653 million) to third-party reinsurers.

Also, in 2006, approximately €664 million were placed externally by **AXA Cessions** on behalf of AXA's insurance subsidiaries (2005: €717 million).

## *Value drivers*

**AXA Corporate Solutions Assurance.** Profitability of the written business is driven by the difference between premium income for assumed risk and the actual cost of claims, which is measured by the loss ratio. The loss ratio is sensitive to the occurrence of large claims, especially in the property and aviation lines of business. Thus, the ability to partly transfer risks to an external capacity reduces the volatility of AXA Corporate Solutions Assurance earnings. To a lesser extent, the loss ratio is also dependent upon price cycles which can be of higher amplitude than in personal insurance markets. In addition to loss experience, profitability is also driven by the level of expenses related to contract acquisition, as well as policy and claims management. Long tail business (i.e. liability and construction) is sensitive to asset yields, and its contribution to earnings depends partly on the pace of growth.

**AXA Liabilities Managers** focuses on maximizing the value embedded in the Group's run-offs. Key drivers of performance include claims management, commutations, collection of reinsurance, asset-liability management and optimization of capital and management expenses. The Company has developed specific skills and expertise tailored to a run-off environment in each of those areas.

## *Impacts of Winterthur acquisition*

The acquisition of Winterthur will bring new talent to **AXA Liabilities Managers** in the field of run-off management. This is indeed an area where Winterthur had developed specific expertise through their "Closed Portfolio Management" team. This team will be integrated into AXA Liabilities Managers and will gain access to its global platform, enabling to further optimize the management of Winterthur's run-offs.

# ASSET MANAGEMENT
## SEGMENT

Asset Management is important to AXA, from both a strategic and profitability perspective. The development of Asset Management activities is a key part of AXA's financial services strategy, which seeks to capitalize on existing strengths and expand its client base. This strategy is based on the belief that its asset management expertise will enable AXA to benefit in the future from the expected growth in savings-related products in the markets in which it operates. The Asset Management segment accounted for €4.4 billion of AXA's consolidated gross revenues for the year-ended December 31, 2006 (2005: €3.4 billion).

AXA's Asset Management companies are AllianceBernstein and AXA Investment Managers. The Asset Management companies manage assets on behalf of retail investors, private clients and institutional clients as well as on behalf of companies affiliated with AXA.

AXA has Asset Management specialists' teams in each of its major markets: Western Europe, the United States and the Asia / Pacific region.

The table below sets forth the total assets managed by AllianceBernstein and AXA Investment Managers, including assets managed on behalf of third parties, and the fees earned by these companies on these assets for the indicated dates and periods.

(in Euro million)

| AXA ASSET MANAGEMENT SEGMENT | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Assets managed by AXA's asset managers at December 31, [(a)]** | | | |
| Managed on behalf of third parties [(b)] | 687,965 | 574,868 | 445,318 |
| Assets backing contracts with financial risk borne by policyholders | 79,419 | 76,714 | 66,138 |
| Other invested assets | 261,372 | 271,111 | 229,331 |
| ***TOTAL*** | ***1,028,756*** | ***922,692*** | ***740,788*** |
| Of which | | | |
| AllianceBernstein | 544,123 | 490,612 | 395,453 |
| AXA Investment Managers | 484,633 | 432,080 | 345,335 |
| **Commissions and fees earned for the years ended December 31,** | | | |
| AllianceBernstein | 3,102 | 2,587 | 2,434 |
| AXA Investment Managers | 1,679 | 1,195 | 944 |
| **SUB-TOTAL** | **4,781** | **3,783** | **3,378** |
| Intercompany eliminations | (375) | (343) | (293) |
| **Contribution to AXA's consolidated gross revenues** | **4,406** | **3,440** | **3,084** |

*(a) Based on estimated fair value at the dates indicated. Assets under management presented in this table are based on asset management companies only; AXA Group (including insurance companies) assets under management amounted to €1,315 billion (of which €104 billion linked to Winterthur), €1,070 billion and €871 billion as of December 31, 2006, 2005 and 2004, respectively.*
*(b) Including Mutuelles AXA.*

# *Market and Competition, Products and services, and Distribution Channels*

### *AllianceBernstein*

AllianceBernstein, through its parent company AllianceBernstein Holding, is a listed subsidiary of AXA Financial and is a leading global investment management firm in the United States. AllianceBernstein provides diversified investment management and related services to individual investors, private clients and to a variety of institutional clients, including AXA Financial and its insurance company subsidiaries (which collectively are AllianceBernstein's largest client) as well as unaffiliated entities such as corporate and public employee pension funds, endowment funds, and United States and foreign governments.

AllianceBernstein provides diversified Asset Management and related services globally to a broad range of clients including:

- Management of assets backing contracts with financial risk borne by policyholders (unit-linked), hedge funds and other investment vehicles for private clients (such as high net worth individuals, trusts and estates and charitable foundations),
- Management of mutual funds sponsored by AllianceBernstein, its subsidiaries and affiliates for individual investors,
- Management of investments on behalf of institutional investors, and
- Investment research and advisory services for institutional investors.

As at December 31, 2006, AllianceBernstein had €544 billion of assets under management, including €491 billion of assets managed on behalf of third party clients (2005: €491 billion and €431 billion, respectively). Excluding the exchange rates impact, assets under management at AllianceBernstein increased by 24%.

### *AXA Investment Managers ("AXA IM")*

AXA IM is a key player in the international Asset Management business. AXA IM provides its clients with a wide range of global products and expertise via mutual funds and dedicated portfolios. AXA IM's clients include (i) institutional investors, (ii) individual investors to whom products are distributed through AXA and external distribution networks, and (iii) AXA's insurance subsidiaries both for main fund and unit-linked fund backing insurance products.

In 2006, AXA IM finalized the full integration of Framlington's activities, a UK-based asset management company specialized in retail unit trust management. This acquisition gives AXA IM critical mass and visibility in the UK retail market.

AXA IM's worldwide growth is reflected in the set up of new subsidiaries in 2006 in Qatar, the Netherlands and Japan.

As at December 31, 2006, AXA IM had €485 billion of assets under management, including €197 billion of assets managed on behalf of third party clients (2005: €432 billion and €143 billion respectively).

# *Value drivers*

Revenues of asset managers stem from fees on assets under management. The revenue growth is driven by, on the one hand, the volume growth through client attraction and retention, market performance, optimal expertise scalability and higher net inflow and, on the other hand, by margins through innovation, value added performance products that sustain the overall margin and optimal focus on key markets and regions as well as value added client segments.

Shareholders value is calculated as the difference between revenues and costs. The latter can be broken down into four main categories: sales and marketing, fund management, middle and back office, and support.

## *Impacts of Winterthur acquisition*

AXA believes that the integration of Winterthur's business within **AXA IM** is an opportunity to grow in the race toward global size.
AXA believes that Winterthur will expand AXA presence, mainly in Switzerland and Germany. AXA IM should become a significant player in Switzerland, with a new management centre in Zurich and new market for AXA REIM.
AXA considers that Winterthur will also strengthen AXA fixed income and alternative expertise, with a new expertise in Swiss Franc fixed income management and in Swiss real estate, and the consolidation of AXA asset base in Hedge Funds.

# OTHER FINANCIAL SERVICES SEGMENT

The operations in the Other Financial Services segment are conducted primarily in Belgium, France and Germany. For the years ended December 31, 2006 and 2005, the Other Financial Services segment accounted for €0.4 billion, or around 1% of AXA's consolidated gross revenues.

This segment's operations principally include:

## AXA Bank Belgium

AXA Bank Belgium, a subsidiary of AXA Belgium, offers a comprehensive range of financial services to individuals and small businesses and has a network of approximately 950 exclusive independent bank agents, who also support the sale of products offered by AXA Investment Managers and of insurance products offered by AXA Belgium. AXA Bank is the sixth largest bank in Belgium where the four largest banks represent 90% of the market[1].

Despite the increase of the long term interest rates in 2006, the volume of the market of mortgage loans remained high. Because of the strong pressure on margins, the market share of AXA Bank Belgium decreased from 11% to 8% in 2005[2]. Prepayments decreased but stayed at a high level as customers switched from variable formulas to loans with fixed interest rates. AXA Bank Belgium has increased its presence in consumer and commercial loans.

While the volume in deposit accounts decreased for the whole market, the AXA Bank Belgium portfolio increase was mainly due to the launch of a new product with a higher base rate. Certificates of deposit decreased at a lesser pace in 2005 due to lower maturities.

The number of active current accounts, which is a strong element in linking a customer to the bank, increased by 7.1% in 2006 (CAGR of 9.2% over the period 2003-2006).

## AXA Banque

Based in Paris, AXA Banque had more than 550,000 registered customers at the end of 2006, with development focused on exclusive networks (exclusive agents and salaried sales force) covering 70% of client scope. It offers a large range of retail banking products including deposit and saving accounts and consumer loans.

In 2006, AXA Banque has strengthened its innovation capabilities with a packaged product including a remunerating deposit account ("le Compte Oligo") and exclusive advantages for insurance clients. It also launched its own mortgage loan offer.

AXA Banque's strategy is to maximize client retention, develop cross-selling and acquire new clients, mainly through product innovation, convenience and service quality of the combined insurance and retail banking offer.

## German Bank

AXA Bank targets private customers, in retail bank, and is an important element of pensions and asset management of AXA Germany. The Bank had approximately 70,000 clients at year-end 2006, representing an increase of 15% compared to 2005. The major activities of AXA Bank are mortgage loans and mutual funds (funds based asset management or safe custody services only). These products are sold exclusively through the tied agent network of AXA Germany.

(1) Source: AXA, in 2005.
(2) Source: AXA.

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# INVESTMENT
## STRATEGY

### Significant acquisitions

#### In 2006

AXA Canada had announced on November 29, 2005, that it had entered into an agreement to buy Winterthur Canada Financial Corporation, whose main asset was **The Citadel General Assurance Company ("Citadel").** The acquisition was financed internally by the AXA Group. The transaction closed in March 2006. The purchase price amounted to €221 million, and the related goodwill to €99 million.

On May 8, 2006, AXA Asia Pacific Holdings announced it had completed the acquisition of **MLC Hong Kong** and **MLC Indonesia.** Each of the two purchases was subject to regulatory approval. Approvals were obtained for both purchases and completion occurred on terms consistent with AXA APH's February 21, 2006 announcement of the proposed purchase. The purchase price amounted to €340 million. Related intangibles amounted to €309 million, of which €115 million of goodwill and €194 million Value of Business in Force (net of tax).

On May 15, 2006, AXA announced the squeeze-out of the minority shareholders of its German subsidiary AXA Konzern AG, whereby it would acquire the 3.2% of AXA Konzern shares it did not already own at a price of €134.54 per ordinary share and preference share. The resolution of the squeeze-out was endorsed at the Annual General Meeting of AXA Konzern on July 20, 2006.

As announced on December 21, 2005, AXA made a voluntary public offer between January 9, 2006 and February 27, 2006 to purchase the minority shares of its German subsidiary **AXA Konzern AG** ("AXA Konzern") from minority shareholders at a price of €129.30 per ordinary and preference share. AXA reached a direct and indirect holding of 96.8% of the share capital of AXA Konzern as of the end of the offer period, thereby exceeding the 95% threshold that is a condition to launching a minority squeeze-out. Under the terms of the voluntary public offer, shareholders who tendered their shares to AXA at €129.30 per share during the offer period would also benefit from the higher squeeze-out price of €134.54 per share. At the end of December 2006, the corresponding ownership rate of the group in the German subsidiaries amounted to 96.84% generating an additional goodwill of €92 million.

AXA proceeded with a squeeze-out of the 0.44% minority shareholding in Kölnische Verwaltungs-Aktiengesellschaft für Versicherungswerte AG ("KVAG") at a price of €2,042.01 per ordinary share. The principal asset of KVAG was a 25.6% stake in AXA Konzern's share capital. The resolution of the squeeze-out was endorsed at the annual general meeting of KVAG, held on July 21, 2006. The total investment to reach a 100% ownership in both AXA Konzern and KVAG starting from the situation as at January 1, 2006 amounted to €309 million. A part of this amount remained to be paid in 2007 as the registration of the squeeze out is subject to various procedures according to German law.
In order to further streamline the organization in Germany, AXA Konzern launched in parallel the squeeze-out of the minority shareholders of its listed life insurance subsidiaries. Upon the completion of these transactions, AXA would own directly or indirectly 100% of all its German subsidiaries.

AXA announced on June 14, 2006, that it had entered into a definitive agreement with Credit Suisse Group under which AXA would acquire 100% of **Winterthur** for CHF12.3 billion (€7.9 billion) to be paid in cash.

In addition, AXA refinanced CHF1.1 billion (€0.7 billion) of internal loans redeemed to Credit Suisse as of the closing date.

Winterthur's operations complement and strengthen AXA's distribution channels and product range, while further increasing AXA's geographic diversification, by both strengthening its European franchise and increasing its presence in high growth markets.

AXA secured the total financing of the acquisition of Winterthur through:
- €4.1 billion capital increase resulting in the issue of 208,265,897 new shares,
- €3.8 billion of perpetual deeply subordinated note issues,
- €0.7 billion financed through internal resources.

On December 22, 2006, AXA received all necessary regulatory approvals and consequently closed the acquisition of Winterthur.

On December 22, 2006, AXA Asia Pacific Holdings (AXA APH) reached an agreement with AXA SA to acquire **Winterthur Life Hong Kong Limited (WLHK).** This followed the announcement of the completion of AXA SA's acquisition of the Winterthur Group from Credit Suisse.
AXA APH will acquire WLHK for consideration in the range of HK$1.7 billion to HK$2.4 billion ($AUD 278 million to $AUD 393 million). HK$1.9 billion will be payable on completion. This amount will be subject to an adjustment based on the future performance of the business measured in 2009.
AXA APH will be seeking shareholder approval for this acquisition at the Annual General Meeting in 2007. In addition, AXA APH has declined the opportunity to acquire Winterthur's Indonesian life insurance operations and Japanese operations.

On October 16, 2006, AXA entered into **an agreement with Alpha Bank** to acquire its insurance subsidiary Alpha Insurance for €255 million. AXA and Alpha Bank signed a long-term exclusive agreement to pursue and strengthen the existing bancassurance partnership. Alpha Insurance is one of the top ten composite insurers on the Greek market with solid positions on profitable segments and a strong distribution network. Alpha Insurance recorded revenues of €151 million in 2005. It will be integrated to AXA's Mediterranean Region platform upon completion of the acquisition which is subject to regulatory approvals in Greece.

On October 23, 2006, AXA UK announced that it reached agreement with the Board and two main institutional shareholders of **Thinc Destini** to acquire the entire share capital of Thinc Destini. AXA UK will be acquiring Thinc Destini using a newly created company, Advisory Services Limited ("ASL"). Under the terms of the agreement with the two main institutional shareholders and the Offer, the shareholders of Thinc Destini will share up to £70 million based primarily on the financial performance of the business during 2009. The maximum amount is subject to certain deductions as detailed in the terms of the Offer. AXA UK has also agreed to fund the repayment of Thinc Destini's existing indebtedness, which arose primarily due to Thinc Destini's acquisition of a number of IFA businesses, and provide further working capital to the Thinc Destini Group, up to an aggregate amount of £30 million. The transaction which was subject to the satisfaction or waiver of certain conditions, including the Offer being accepted by Thinc Destini ordinary shareholders holding at least 90 per cent of the issued Thinc Destini ordinary shares closed on November 10, 2006.

On December 14, 2006, ONA and AXA entered into an agreement for the buy-out of ONA's 49% share in the capital of **AXA-ONA** (the holding company of AXA Assurance Maroc). The transaction values AXA-ONA at MAD 6.382 billion (revised value, €573 million with December 31, 2006 exchange rate) for

100% of its share capital and will be financed locally. This agreement is an opportunity for AXA Assurance Maroc to reinforce its integration in the AXA Group. Closing of this transaction is subject to regulatory approvals. Upon its completion, AXA Assurance Maroc will be 100% controlled by AXA. As at December 31, 2006, AXA's ownership interest and voting right percentages in AXA Assurance Maroc were both 51%.

### In 2005

On October 31, 2005, AXA Investment Managers (AXA IM) completed the purchase of the **Framlington Group Limited.** Framlington is an investment management boutique with an emphasis on specialist, high-performance and high-value-added equity investments, and has a significant market position within the UK retail market segment. The purchase price amounted to €303 million, with a related goodwill of €142 million and an intangible asset of €132 million (net of tax).

On October 18, 2005, AXA acquired from the group Caixa Geral de Depósitos the insurance company **Seguro Directo** which operates in the direct insurance market in Portugal (by telephone and Internet). The purchase price amounted to €42 million, and the related goodwill to €31 million.

### In 2004

On July 8, 2004, following the receipt of all required regulatory approvals and the satisfaction of all conditions to the merger agreement, AXA Financial, Inc. finalized the acquisition of 100% of the **MONY Group, Inc. ("MONY"),** including MONY Life, MONY Life of America, Enterprise Capital Management, Advest and MONY Partner. This acquisition reinforced AXA Financial Life & Savings and asset management activities and enabled AXA to greatly expand its presence and influence in the U.S. market for financial advice, by increasing its multi-channel distribution networks and client bases.

## *Significant divestitures*

### In 2006

AXA initiated in 2006 a strategic review regarding the future of its reinsurance activity, currently underwritten by **AXA RE** and reported in the "International Insurance" segment. Following the receipt of a binding offer on April 6, 2006 and consultation with the relevant workers' councils, AXA announced on June 6, 2006 the signing of a definitive agreement to cede the **business of AXA RE** to Paris Re Holdings Limited.

On December 21, 2006, AXA completed the sale of AXA RE's business to Paris Re Holdings, in which AXA had taken a 3.4% stake. Under the terms of the agreement, the business of AXA RE has been ceded to Paris Re Holdings, with the risks and corresponding net income related to AXA RE's 2006 claims experience accruing to Paris Re Holdings. This transaction generated a capital gain of €66 million net of tax on the business ceded. AXA guarantees the reserves pertaining to losses incurred on or before December 31, 2005. Starting with the 2006 accounts, the accounting results of AXA RE accruing to the AXA Group will mainly comprise the impact of the loss reserve developments on the corresponding run-off portfolio and will be reported in the Other International Insurance segment.

### In 2005

On December 2, 2005, AXA Financial Group sold **Advest** to Merrill Lynch. Advest was a wholly owned subsidiary of AXA Financial Group and part of its Financial Advisory/Insurance segment. In accordance with the terms of the agreement, Merrill Lynch purchased all of the issued and outstanding capital stock of Advest for $400 million in cash. This transaction reduced AXA Financial Group's goodwill by an estimated €152 million. Total net income impact of the transaction was €–71 million, post tax.

# LIQUIDITY
## AND CAPITAL RESOURCES

Over the past few years, AXA has expanded its insurance and asset management operations through a combination of acquisitions, direct investments and organic growth. This expansion has been funded primarily through a combination of (i) proceeds from the sale of non-core businesses and assets, (ii) dividends received from operating subsidiaries, (iii) proceeds from the issuance of subordinated convertible debt securities, other subordinated debt securities and borrowings (including debt issued by subsidiaries), and (iv) the issuance of ordinary shares.

The Company and each of its major operating subsidiaries are responsible for financing their operations. The Company, as the holding company for the AXA Group, coordinates these activities and, in this role, participates in financing the operations of certain subsidiaries. Certain of AXA's subsidiaries, including AXA France Assurance, AXA Financial, Inc., AXA Asia Pacific Holdings and AXA UK Plc. are also holding companies and are dependent on dividends received from their own subsidiaries to meet their obligations. Operating entities have to meet multiple regulatory constraints, in particular a minimum solvency ratio. The level of internal dividends paid by operating entities to AXA parent company or other Group companies must therefore take into account these constraints as well as potential future regulatory changes. However, based on the information currently available, AXA does not believe that such restrictions constitute a material limitation on its ability to meet its obligations or pay dividends.

## AXA's insurance operations

The principal sources of funds for AXA's insurance operations are premiums, investment income and proceeds from sales of invested assets. These funds are mainly used to pay policyholder benefits, claims and claim expenses, policy surrenders and other operating expenses, and to purchase invested assets. The liquidity of insurance operations is affected by, among other things, the overall quality of AXA's investments and AXA's ability to cash out on its investments to meet policyholder benefits and insurance claims as they fall due.

### Life & Savings

Liquidity needs can also be affected by fluctuations in the level of surrenders, withdrawals and guarantees to policyholders in the form of minimum income benefits or death benefits, particularly on variable annuity business (see "Description of Business – Life & Savings – Surrenders").

The investment strategy of AXA's Life & Savings subsidiaries is designed to match the investment returns and estimated maturity of its investments with expected payments on insurance contracts. AXA regularly monitors the valuation and maturity of its investments and the performance of its financial assets. Financial market performance may affect the level of surrenders and withdrawals on life insurance policies, as well as projected immediate and long-term cash needs. AXA adjusts its investment portfolios to reflect such considerations.

### Property & Casualty and International Insurance

Liquidity needs can be affected by actual claims experience if significantly different from the estimated claims experience (see Note 14.6 to the consolidated financial statements).

Insurance cash flows are generally positive and can be slightly negative in the case of exceptional events. A portion of these cash flows is invested in liquid, short-term bonds and other listed securities in order to avoid the liquidity risk that may arise from such events. In the event of large catastrophic losses, AXA's Property & Casualty operations would be able to liquidate part of their investment portfolios to meet their obligations.

### Asset Management and Other Financial Services

These subsidiaries' principal sources of liquidity are operating cash flows, proceeds from the issuance of ordinary shares (where applicable), drawings on credit facilities and other borrowings from credit institutions.

The financing needs of asset management subsidiaries arise from their activities, which require working capital, in particular to finance prepaid commissions on some mutual fund-type products.

## Sources of liquidity

At December 31, 2006, AXA's consolidated balance sheet included cash and cash equivalents of €17.5 billion (2005: €19.5 billion), excluding bank overdrafts of €1.3 billion (2005: €0.8 billion). At December 31, 2006, the parent company's cash and cash equivalents amounted to €317 million excluding bank overdrafts (€130 million in 2006) versus €320 million as at December 31, 2005.

As part of its risk control system, AXA has for a number of years paid close attention to contractual clauses, particularly those that may lead to early redemption. A large portion of AXA's debts consist of subordinated bonds with no early redemption clauses, except in the event of liquidation. Early redemption clauses are in general avoided by AXA. However, when market practice makes them unavoidable, AXA has a centralized method of monitoring these clauses. AXA is not currently exposed to early redemption clauses that could have a significant impact on its financial structure.

### Subordinated debt

Following clarification of IFRIC Agenda Committee following IASB decision, AXA has reclassified TSDI instruments (perpetual subordinated debts) into shareholders' equity for all periods presented in the 2006 financial statements with impact on net income.

At December 31, 2006, the parent company had outstanding subordinated debt (excluding accrued interests) of €7,862 million, or €7,257 million taking into account a €605 million reduction due to the impact of foreign exchange hedging derivative instruments.

On a consolidated basis, subordinated debt (including derivative instruments impact) totaled €5,563 million after taking into account all intra-group eliminations, compared to €5,073 million at December 31, 2005.

The increase of €490 million, or €609 million increase at constant exchange rates (€119 million favorable exchange rate impact, mainly stemming from dollar-denominated subordinated debt), was mainly due to the fall in the market value of interest-rate swaps, attributable principally to the rise in eurozone variable interest rates.

At December 31, 2006, the number of shares that could be issued as a result of bond conversions was 65.7 million versus 64.4 million at end-2005. The conversion ratio applicable to bonds was reviewed following the capital increase financing the Winterthur acquisition, explaining the increase in the number of shares that may potentially be created. See the "Subsequent events after December 31, 2006 affecting AXA's liquidity" section, which sets out the initiatives undertaken by the Group in 2007 to offset this dilutive impact.

Movements in these items are described in Note 16 to the consolidated financial statements.

The contractual maturities of financing debts are detailed in Note 16.4 to the consolidated financial statements.

## *Financing debt instruments issued*

The parent company's financing debt instruments issued (excluding accrued interests) totaled €2,568 million at December 31, 2006, an increase of €1,332 million compared to 2005 principally due to €1,350 million relating to commercial paper issued at the end of the year, mainly to finance the Winterthur acquisition and future restructuring plans.

On a consolidated basis, AXA's total financing debt instruments issued amounted to €3,688 million at December 31, 2006, an increase of €872 million from €2,817 million at the end of 2005. At constant exchange rates, the increase was €1,023 million (exchange rate movements had an impact of €151 million), mainly due to €1,350 million of commercial paper issued by AXA SA, partly offset by AXA Equitable's early redemption of all of its Closed-Block Mony debt (€254 million) and associated derivatives (€15 million).

Movements in this item are described in Note 16 to the consolidated financial statements.

## *Financing debt owed to credit institutions*

At December 31, 2006, the amount of debt owed by AXA and its subsidiaries to credit institutions totaled €95 million versus €17 million at the end of 2005. The increase of €79 million at constant exchange rates was mainly due to €85 million related to the integration of Winterthur (€75 million at Winterthur Leven NV in the Netherlands and €10 million at Winterthur Life in Switzerland).

## *Other debt (other than financing debt)*

### Other debt instruments issued

At December 31, 2006, other debt instruments issued, excluding Winterthur's contribution (€2,796 million mainly relating to the integration of Holland Homes SPEs, which securitize mortgages in the Dutch DBV Life business) totaled €1,919 million, down from €2,233 million at end-2005. The decline of €314 million (or €284 million at constant exchange rates) resulted mainly from the €238 million fall in CDO instruments.

### Other debts by issuance

At December 31, 2006 and excluding Winterthur's contribution (€262 million of bank overdrafts), other debts by issuance (including €1.1 billion of bank overdrafts) totaled €3,734 million of the total amount of debt owed to credit institutions, down €2,443 million compared to end-2005. The decrease was €2,427 million at constant exchange rates, and was attributable primarily to the following items:

– A change in the classification of debts relating to securities sold under repurchase agreements at AXA Bank Belgium. As of January 1, 2006, these debts are presented as payables resulting from banking operations instead of debt instruments issued (other than financing debts) and bank overdrafts, resulting in a reduction of €3,242 million.

Partly offset by:

– a €332 million increase in bank overdrafts, and
– a €290 million increase in deposits as part of AXA SA collateral contracts.

Movements in this item are described in Note 17 to the consolidated financial statements.

## *Issuance of ordinary shares*

On July 11, 2006, AXA announced the completion of a €4.1 billion capital increase (1 new share for 9 previously held at a price of €19.8 per share) to finance part of the Winterthur acquisition, resulting in the issue of 208,265,897 new shares. The settlement and listing of the new shares on the Eurolist market of Euronext Paris took place on July 13, 2006. The new shares are eligible for any future dividend distributions, including the dividend paid in 2007 in respect of fiscal year 2006 earnings.

For several years, the AXA Group has been offering to its employees in and outside of France, the opportunity to subscribe for shares issued by way of a capital increase reserved for employees. In 2006, employees invested a total of €375 million leading to a total issuance of 15.5 million newly issued shares. Employee shareholders represented approximately 4.98% of the outstanding share capital as of the end of 2006.

In the first half of 2006, AXA pursued its share purchase program to control dilution arising from 2005 share-based compensation and the employee Shareplan program and purchased 12.7 million shares for a total amount of €0.35 billion.

### *Dividends received*

Dividends paid to the Company totaled €1,581 million in 2006 (2005: €1,420 million, 2004: €970 million), of which approximately €109 million were in currencies other than the euro (2005: €74 million, 2004: €121 million). The €161 million increase in dividends in 2006 was mainly due to:

(i) a €149 million rise in dividends received from financial companies to €192 million, mainly as a result of a €121 million special dividend paid by Compagnie Financière de Paris following the improvement in its major risk coverage ratio in 2006,

(ii) a €36 million increase in dividends received from insurance companies outside Europe to €109 million, mainly due to the €13 million dividend paid by the Moroccan subsidiary AXA-ONA and a €10 million increase in dividends from AXA Asia Pacific Holdings,

(iii) a €24 million decrease in dividends paid by European companies to €1,280 million. The main contributors remained AXA France Assurance (€674 million), AXA Holdings Belgique (€299 million), AXA UK (€114 million) and Southern European companies (€116 million). The non recurrent interim dividend of €236 million paid by AXA France Assurance in December 2005, was largely offset by increased dividends from Belgium (up €153 million) and AXA UK (up €106 million) as a result of higher earnings.

The Company is not subject to restrictions on dividend payments, provided that its accumulated profits are sufficient to cover them. However, some subsidiaries, particularly insurance companies, are subject to restrictions on the amount of dividends they can pay to shareholders. For more information on these restrictions, see Note 28.3 to the consolidated financial statements.

The Company anticipates that cash dividends received from operating subsidiaries will continue to cover its operating expenses including planned capital investment in existing operations, interest payments on its outstanding debt and borrowings, and dividend payments during each of the next three years. AXA expects that anticipated investments in subsidiaries and existing operations, future acquisitions and strategic investments will be funded from available cash flow remaining after payments of dividends and operating expenses, proceeds from the sale of non-strategic assets and businesses and future issues of debt and equity securities.

## *Uses of funds*

Interests paid by the Company in 2006 totaled €530 million (2005: €518 million, 2004: €561 million) or €408 million after the impact of hedging derivative instruments (2005: €267 million, 2004: €321 million). On a consolidated basis, total interests paid in cash in 2006 was €539 million (2005: €568 million).

Dividends paid to AXA shareholders in 2006 totaled €1,647 million in respect of the 2005 financial year, or €0.88 per share, versus €0.61 per share paid in respect of the 2004 financial year (€1,164 million in total). All of these dividends were paid in cash.

## Solvency margin

Each insurance company within AXA is required by local regulations to maintain a minimum solvency margin. The primary objective of the solvency margin requirements is to protect policyholders. AXA's insurance subsidiaries are in compliance with the applicable solvency requirements.

The solvency margin calculation is based on a formula that contains variables related to economic, financial and technical parameters. It also takes into account the matching of specific categories of assets and liabilities.

A European Directive dated October 27, 1998 requires a consolidated solvency calculation effective for periods ending on or after December 31, 2001. France transposed this directive under an ordinance dated August 29, 2001, decreed on March 14, 2002 and applicable from 2002.

Additional supervision of credit institutions, investment companies and insurance companies belonging to "financial conglomerates" was introduced by the European Parliament and Council Directive 2002/87/EC of December 16, 2002.
France transposed this directive through an ordinance dated December 12, 2004, which introduced the notion of financial conglomerate into the Insurance Code. According to article 20 of the Insurance Code, the provisions of this ordinance applied for the first time to periods starting on or after January 1, 2005.
AXA is not considered as a financial conglomerate. However, in accordance with the decree of September 19, 2005, if a company is not subject to the additional supervision applicable to a financial conglomerate, its solvency margin is nevertheless reduced by the amount of its equity interests in credit institutions, investment companies or financial institutions.

In accordance with the practical methods of calculation implemented by AXA by reference to these tests, AXA's adjusted solvency ratio was estimated at 186% at December 31, 2006 compared to 216% at the end of 2005. The decline resulted mainly from the Winterthur acquisition. The solvency ratio takes into account part of the future profits from life business in force, as allowed by the Directive 2002.12 dated March 5, 2002.

The application of these directives in France is governed by the Autorité de Contrôle des Assurances et des Mutuelles (ACAM).

## Subsequent events after December 31, 2006 affecting AXA's liquidity

On January 11, 2007, the meetings of holders of **AXA's 2014 and 2017 convertible bonds** were held to vote on an amendment of the final conversion dates of the bonds to January 26, 2007 in exchange for a cash payment in respect of the value of the conversion option.

The meeting of holders of the 2014 convertible bonds approved the amendment. Consequently, holders who did not convert their bonds by January 26, 2007, received €16.23 per bond on January 31, 2007. The meeting of holders of the 2017 convertible bonds did not approve the amendment. Consequently, to fully neutralize the dilutive impact of the 2017 convertible bonds AXA has purchased from a banking counterparty, for a total cash amount equivalent to the payment proposed to bondholders, call options on the AXA share with an automatic exercise feature. This feature is such that one option is automatically exercised upon each conversion of a convertible bond. Consequently, each issuance of a new share resulting from the conversion of the bond will be offset by the delivery by the bank to AXA (and subsequent cancellation) of an AXA share ; The issuance of a share in respect of the conversion of the bond and the cancellation by AXA of the AXA share received will offset each other. As a result of this transaction, there will no longer be a change to the outstanding number of AXA shares created by the convertible bond conversion.

For AXA shareholders, these transactions resulted in the elimination of the economic potential dilutive impact of the 2014 and 2017 convertible bonds (i.e. a maximum of 65.8 million shares). The total cash consideration paid by AXA amounts to €245 million.

The Management Board is proposing a dividend payment of €1.06 per share on May 21, 2007. As of January 1, 2006, this dividend gives rise to a 40% tax credit for individuals whose fiscal residence is in France, equal to €0.424 per share.

# RISK FACTORS

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# THE RISK MANAGEMENT ORGANIZATION

Within the Finance Department, the aim of Risk Management is to identify, quantify and manage the main risks to which the Group is exposed. To achieve this, the Risk Management Department develops and uses various methods and tools to assess and monitor risk.

These systems and tools allow optimal management of risks taken by the Group and, by facilitating a more accurate assessment of risk exposure, help to reduce earnings volatility and to optimize the Group's allocation of capital to its various businesses.

Within the AXA Group, Risk Management is coordinated by a central team, supported by local Risk Management teams within each operational entity.

## Risk Management principles and priorities

In order to make a tangible and measurable contribution to the Group's activities, Risk Management has three key characteristics:

- Pragmatic: focusing on clearly identified priorities.
- Operational: working directly with the Group's businesses.
- Decentralized: based on the subsidiarity principle, in line with the Group's general organization.

Risk Management has five main priorities:

- Co-ordinating and monitoring asset-liability management (ALM) and carrying out Economic Capital calculation and analyses.
- Approving new products prior to launch and promoting product innovation.
- Controlling insurance exposures, in particular reviewing Property & Casualty reserves and optimizing reinsurance strategies.
- Identifying and assessing operational risk.
- Managing information systems: projection, simulation, risk assessment, consolidation and reporting.

## The AXA Group's Risk Management entities: AXA Cessions and Group Risk Management

The Group's risk management structure is mainly based around two entities: the Group Risk Management (GRM) department and AXA Cessions.

GRM, under the authority of the Group Chief Risk Officer, is responsible for defining AXA's standards as regards risk. This includes developing and deploying tools for assessing and managing risk.

GRM also coordinates risk detection and management at the Group level, and indirectly at the subsidiaries' level. In particular, this includes all procedures for reporting risk and consolidating risk at Group level. GRM coordinates the local Risk Management teams of the Group's various subsidiaries. In line with Group governance principles, this coordination focuses on minimum Group-wide requirements defined by GRM in terms of organization, resources and results.

AXA Cessions advises and supports the Group's Property & Casualty and Life & Savings companies with their reinsurance strategy and centralizes the Group's purchasing of reinsurance. Its role is defined more precisely in sections "Pre-launch product approval and exposure monitoring" and "Definition of reinsurance requirements and analysis of underwriting" of this chapter.

## Local teams

Local Risk Management teams are in charge of applying AXA risk management standards and implementing the minimum requirements set by GRM.

The Risk Management departments of operational entities are managed by local Chief Risk Officers, who report directly to local CFOs. The roles and responsibilities of local Risk Management departments are formally approved by the executive committees of Group entities. These roles and responsibilities comply with the Group's Risk Management priorities (see section i above) and consist of:

- Leading efforts to determine the Economic Capital of local entities and developing the necessary tools. The Risk Management department performs these tasks using a uniform set of techniques including stochastic models. These modelling techniques allow an assessment of AXA's risk exposure based on the large number of scenarios examined in this type of approach. These tools complement more traditional deterministic forecasting tools, such as stress scenarios. Besides the specific conclusions for each product line and each unit, these analyses measure the level of assets with respect to the economic capital required to cover a level of assumed risks consistent with an AA credit rating.
- Controlling the implementation of ALM policies, and in particular monitoring the strategic asset allocation of local entities (see section "Management processes").
- Implementing pre-launch product approval procedures, and in particular reviewing risk-adjusted profitability analyses (see section "Pandemic / extreme mortality risk").
- Reviewing local technical reserves and optimizing entities' reinsurance strategy (see section "Implementation of the reinsurance strategy Role of AXA Cessions").
- Identifying, quantifying and monitoring the main operational risks (see section "General principles").
- Carrying out risk reporting defined by GRM.

# MARKET RISK

AXA is exposed to financial market risks through its financial protection business and through the financing of its activities as part of its equity and debt management. These two distinct sets of risks can be summarized as follows:

## *Asset-liability management of insurance portfolios*

One of the basic functions of the insurance business is to invest premiums received from customers with a view to settling any claims that might occur. The way these premiums are invested must take into account the way in which any claims will be settled. This is the role of asset-liability management. In an effort to protect and enhance shareholder value, AXA actively manages its exposure to market risks.

Primary responsibility for risk management, including market risk, rests with the Group's local subsidiaries, which have the best knowledge of their products, policyholders and risk profile. This approach allows subsidiaries to react in an accurate and targeted manner to changes in financial markets, insurance cycles and the political and economic environment in which they operate.

A wide variety of risk management techniques are used to control and mitigate the market risks to which the AXA Group's operational entities and the Group itself are exposed. These techniques include:

- ALM, and in particular the definition of optimal strategic asset allocations.
- Hedging of financial risks when they exceed the tolerance levels set by the Group. All products needed to set up hedging programs involving derivative instruments are designed with the assistance of the Group's specialist asset management teams (AXA Investment Managers and AllianceBernstein).
- Reinsurance is also used in GMIB (Guaranteed Minimum Income Benefit) products, to mitigate financial risks.
- The overall balance of the product range leads to some natural hedging effects between different products.
- Exposure analyses are carried out to monitor certain specifically identified risks.

AXA's exposure to market risk is reduced by its broad range of operations and geographical positions, which provides good risk diversification. Furthermore, a large portion of AXA's Life & Savings operations involve unit-linked products, in which most of the financial risk is borne directly by policyholders.

ALM figures and information on the AXA Group's main implementation, co-ordination and control processes are set out below.

### *Asset-liability and market risk management: General quantitative information*

There is a clear distinction between the issues involved in the Life & Savings and Property & Casualty businesses:

**Description of Life & Savings insurance reserves. Risk profiles**

The market risks to which Life & Savings subsidiaries are exposed arise from a number of factors:

- A decline in returns on assets (due in particular to a sustained fall in yields on fixed-income investments or in equity markets)

could reduce the investment margin if the return on new invested assets is not sufficient to cover contractual interest rates payable to life insurance policyholders.
– A rise in yields on fixed-income investments reduces the value of fixed-income portfolios and could have an adverse impact on the solvency margin and surrender levels on certain contracts, if competitive pressures lead to higher rates of policyholder profit participation on new contracts.
– A decline in equity and real estate prices may reduce the level of unrealized capital gains and therefore solvency margins, as well as available surpluses.
– Exposure to foreign-exchange risk is generally limited for the Group's life insurance companies. Foreign-currency commitments are matched to a large extent by assets in the same currency.

The policies put in place to manage these risks are tailored to each product type and the risks relating to it.

The percentages provided below, relating to the breakdown of life insurance reserves by product type and thus by AXA's obligations to its policyholders, are derived from management data:
– 30% of the Group's life insurance technical reserves cover separate-account (unit-linked) products that do not affect AXA's risk exposure. This category includes products that provide a guarantee on invested capital in the event of death. On these products, the underlying financial market performance is passed on to policyholders in full. In cases where these products include interest-rate guarantees, they are usually covered by a financial partner within the separate account. Overall, therefore, they do not present any market risk for the Group.
– 7% of the Group's life insurance technical reserves cover separate-account products with related interest-rate guarantees provided by the insurance company. Suitable risk management policies have been put in place:
  • In the United States, derivatives are used as part of the dynamic management of risks related to guaranteed benefits on separate-account savings products, in order to cover guaranteed minimum death benefits, guaranteed minimum withdrawal benefits and guaranteed minimum income benefits. Having previously been 50%-reinsured, products featuring guaranteed minimum income benefits have been fully covered by these programs since the start of 2005.
  • When these separate account products show a material risk of transfer to products that offer guaranteed-rate annuities, hedging programs that use derivatives are also put in place.
– 18% of the Group's life insurance technical reserves cover products without guaranteed cash values upon surrender.
  • The in-force "With-Profit" policies of AXA UK are managed with a significant surplus of free assets, used to adjust performance over the duration of such policies while at the same time reflecting financial market performance in policyholders' revenues.
  • Annuities in the payout phase are usually backed by fixed-income assets with maturities that match the underlying payout schedules, thereby avoiding reinvestment and liquidity risks.
  • In the UK, surrender options on guaranteed-rate annuities are monitored through specific analyses and partially covered by interest-rate options.
– 12% of the Group's life insurance technical reserves are related to products offering one-year guaranteed rates that are updated every year. The risks arising from a sustained fall in interest rates in the financial markets are limited for these types of products, which mainly concern policies in France and collective policies in Japan. Hedging derivatives programs are often implemented to cover long-term bonds from the risk of an increase of interest rates.
– 33% of the Group's life insurance technical reserves cover other products. These reserves cover both surrender guarantees and, in some cases, a guaranteed long-term rate. Related risks are managed in the following ways:
  • Products that are not surrender-sensitive are usually backed by fixed-income investments

whose maturities and interest rates are generally sufficient to cover guaranteed benefits, so as to reduce the reinvestment risk as far as possible.

- Other products are managed with the surplus required to cover guarantees.
- Hedging programs that make use of derivatives may be set up to hedge the risk of a fall (floor) or a rise (cap) in interest rates.

### Description of Property & Casualty insurance reserves

Property & Casualty technical reserves break down as follows.

(in euro millions)

| | Technical liabilities December 31, 2006 |
|---|---|
| Personal - Motor | 14,836 |
| Personal - Property | 3,059 |
| Personal - Other | 5,762 |
| **Personal - Sub-total** | **23,656** |
| Commercial - Motor | 2,679 |
| Commercial - Property | 2,748 |
| Commercial - Professional liability | 7,136 |
| Commercial - Other | 9,011 |
| **Commercial - Sub-total** | **21,574** |
| Other | 872 |
| ***TOTAL PROPERTY & CASUALTY INSURANCE EXCLUDING INTERNATIONAL INSURANCE*** | ***46,102*** |
| Property | 2,288 |
| Motor, marine, aviation | 3,294 |
| Professional liability | 3,935 |
| Other | 2,786 |
| ***TOTAL - INTERNATIONAL INSURANCE*** | ***12,304*** |
| ***TOTAL PROPERTY & CASUALTY INSURANCE INCLUDING INTERNATIONAL INSURANCE*** | ***58,406*** |

The obligations of Property & Casualty insurance companies are much less dependent on asset values than those of Life & Savings companies. Consequently, market fluctuations are fully reflected in their net asset value and fully borne by the shareholder. However, long-tail activities are more sensitive to movements in financial markets. The principal market risks are as follows:

– A rise in bond yields reduces the value of bond portfolios and may lead to a liquidity risk in these portfolios or a real loss of value if the rise in yields is related to a rise in inflation.

– Lower yields on fixed-income investments increase the value of bond portfolios, and therefore generally do not present a material risk, with the exception of certain contracts (disability and worker's compensation income) that provide guaranteed rates. On the other hand, a prolonged period of low yields would have an impact on the pricing of these products.

– Foreign-exchange rate risk is relatively limited as commitments in foreign currencies are largely backed by assets in the same currencies.

– Inflation is a risk, since it increases the compensation payable to policyholders, with the effect that, if it is not adequately taken into consideration, actual claims payments may exceed the reserves set aside. This risk is particularly significant for long-tail businesses.

The investments of Property & Casualty insurance companies are therefore managed so as to optimize the return on assets while bearing in mind both the aforementioned risks and the requirements in terms of regulatory solvency and covering commitments. A large portion of investments is made in liquid bonds, to ensure the payment of exceptional benefits and claims that may arise.

Once these factors have been taken into consideration, there is some capacity to make diversified investments (real estate or equity securities) that offer a natural hedge against inflation and optimize yields while minimizing volatility risk.

## *Management processes*

Management processes involve three stages. The first consists of defining general ALM organizational principles, allowing the most effective investment strategy. The second involves implementing investment processes and precise governance principles. The third consists of asset management companies applying the investment strategy.

**ALM co-ordination**

GENERAL ORGANIZATIONAL PRINCIPLES

The definition and co-ordination of ALM involves six major stages:

– Detailed analysis of the liability structure by insurance companies.
– Definition and proposal of a strategic asset allocation that factors in the long-term outlook as well as short-term constraints (see below).
– Validation of these strategic allocations by the entity's risk management unit and then by GRM.
– Implementation of these strategic allocations by insurance companies through the definition of management contracts with asset management companies.
– Tactical allocation and stock selection by asset management companies as part of management contracts.
– Performance and reporting analysis.

LONG-TERM OUTLOOK:
MODELING AND PROJECTING FUTURE CASH FLOWS

Long-term analysis is carried out in order to model commitments resulting from insurance policies and to define asset allocation so that these commitments can be met with a high degree of confidence while maximizing the expected return.

This work is carried out by Risk Management departments (local and central teams) and takes the form of detailed annual analyses that use consistent methods based on deterministic and stochastic scenarios. The aim of these analyses is to maximize the increase in economic value while complying with risk constraints. They are carried out by all significant Group entities, and provide the following information for the main product lines:

– The amount of assets needed to meet commitments in a specific proportion of cases depending on risk tolerance (for example, in 99% of cases over 10 years).
– The present value of future margins generated by insurance portfolios.

This information is compiled for AXA's insurance operations and for the Group, which allows strategic asset allocation to be monitored and adjusted if necessary.

SHORT-/MEDIUM-TERM OUTLOOK

These analyses are designed to validate AXA's ability to satisfy capital adequacy requirements over the short and medium terms. These requirements are included as constraints in asset-liability analyses.

The process is based primarily on monitoring and analyzing local and consolidated capital adequacy and solvency margin requirements. It is intended to ensure that AXA complies with its regulatory commitments and makes optimum use of capital resources at all times.

In addition, AXA's insurance operations are subject to local regulatory requirements in most jurisdictions in which AXA operates. These local regulations prescribe:

– The category, nature and diversification (by issuer, geographical zone and type) of investments.
– The minimum proportion of assets invested in the local currency taking into account technical commitments denominated in this currency (congruence rule).
– As part of an ongoing capital allocation process, subsidiaries perform twice-yearly simulations on the various regulatory constraints applicable to them using extreme scenarios for assets (in terms of both the market value of equity securities and interest rate trends). The Group Central Finance Department consolidates these models, enabling it to assess the extent of each subsidiary's financial flexibility. The results are presented to the Finance Committee of AXA's Supervisory Board on a regular basis.
– ALM constraints are also taken into account when new products are being designed as part of the product approval process (see section "Pandemic / extreme mortality risk").

### Monitoring investment processes

AXA manages its financial market risk as part of disciplined and organized investment processes.

As stated in the previous section, insurance subsidiaries are responsible for monitoring risks through the use of liability structure analysis and asset-liability matching techniques. They define the strategic asset allocation policy, which is implemented by asset management companies appointed via investment management agreements. Insurance subsidiaries are responsible for monitoring and controlling the investment policy carried out on their behalf by these asset management companies.

Risks relating to investments are controlled through an appropriate governance structure and through reliable reporting procedures.

#### GOVERNANCE

An Investment Committee, made up of managers from the financial and operational sides of the insurance company and also, in certain cases, representatives of its board of directors, approves investment strategy and assesses the quality of the results obtained.

The investment committees of significant entities include representatives of the AXA Group, and of GRM in particular.

These investment processes are part of a broader Group-level framework, which includes:

– defining standards for managing investments and assessing asset-liability mismatch risk (see section above),
– consolidating market risks at Group level.

At Group level, an ALM Co-ordination Committee, supervised by the Group Chief Financial Officer, determines general asset-liability management policy guidelines and evaluates the results, which are then submitted to the Management Board and to the Finance Committee of AXA's Supervisory Board.

#### REPORTING: QUARTERLY ASSET REPORTING

Operational entities produce an asset allocation statement every quarter, to ensure that strategic allocations are being implemented. This allows regular monitoring of certain key ALM indicators such as the duration and convexity of fixed income portfolios.

This work is carried out by local teams and then consolidated by GRM to give an overview for the whole Group and to allow any required action to be taken.

### Tactical allocation duties of Group asset management companies (AXA IM and AllianceBernstein)

Asset management specialists, primarily AXA subsidiaries (AXA Investment Managers and AllianceBernstein), are responsible for the day-to-day management of investments. Processes have been put in place in these companies to manage investments without exceeding agreed risk tolerance thresholds stipulated by their client insurance companies in investment management agreements. This organization makes the skills required in these activities available for the benefit of all Group insurance companies.

All products that involve hedging programs using derivative instruments are designed with the help of dedicated teams at AXA IM and AllianceBernstein. This organization means that all entities benefit from the best possible expertise and a high level of legal and operational security in these transactions, which are sometimes complex.

## *Market risks: financial risks relating to the management of equity and debt*

The main financial risks relating to the management of equity and debt are as follows:

– Interest-rate risk.

– Exchange-rate risk.
– Liquidity risk.

For the purpose of optimizing the financial management and control of financial risks, the Group Central Finance Department has defined and introduced formal management standards, as well as guidelines for monitoring and assessing financial risks, which enable it to measure the positions of each affiliate in a consistent manner. These standards have been validated by the Management Board.

The Group Central Finance Department produces monthly reporting data that consolidate interest rate, foreign exchange and liquidity exposures, as well as the interest expenses of holding companies. It bases its analyses on reports submitted by subsidiaries, which are responsible for the quality of the data. This consolidated reporting includes medium-term forecasts.

Together with information about hedging strategies, reporting documents are sent regularly to and validated by the Finance Committee of AXA's Supervisory Board.

Reporting documents must also mention the risk resulting from dividend restrictions or limitations on the ability to reduce reserves in the countries where AXA operates. The Group's operating subsidiaries must comply with local regulations, particularly minimum solvency requirements. As a result, internal dividend pay-outs must take into account these constraints and possible future regulatory changes.

**Interest-rate risk**

DEFINITION: interest-rate risk may result from:
– a mismatch between types of interest rates (fixed versus floating),
– a mismatch between floating rate benchmarks,
– a mismatch between floating rate renewal dates.

POLICY: the policy is defined in order to monitor and limit the potential medium-term variation in interest expenses and consequently to protect future levels of interest expenses, regardless of movements in interest rates.

ASSESSMENT:
– Variability analyses assess the change in interest expenses over the duration of the strategic plan resulting from a 1% rise in short-term interest rates.
– Interest-rate sensitivity analyses assess changes in the value of interest-rate positions by currency and by maturity following a 1% upward shift in the yield curve.

**Exchange-rate risk**

DEFINITION: exchange-rate risk results from a mismatch between the currency of an asset (particularly net foreign currency investments in subsidiaries) and the currency in which it is financed.

POLICY: the objective is to limit variations in net foreign currency-denominated assets resulting from movements in exchange rates. The purpose of the policy is therefore to protect the value of AXA's net foreign-currency investments in its subsidiaries and thus Group consolidated shareholders' equity against currency fluctuations. It is also designed to protect other key indicators such as adjusted net asset value, European embedded value and solvency ratios against such fluctuations.

ASSESSMENT: exchange rate sensitivity analyses measure the annual change in interest expenses resulting from a 10% appreciation in the euro against all other currencies together with the impact on adjusted net asset value, European embedded value and solvency ratios.

**Liquidity risk**

DEFINITION: liquidity risk results from a mismatch between the date on which an asset matures and the date on which a liability falls due.

POLICY: the policy establishes the amount of confirmed credit lines required by AXA to weather a liquidity crisis and sets constraints on the debt maturity profile.

In addition, liquidity is secured by Group standards, particularly through a procedure for tendering eligible assets to the European Central Bank's tender operations.

ASSESSMENT: maturity schedule of consolidated debt and available credit lines.

MANAGEMENT: liquidity risk is managed carefully and conservatively by keeping a long maturity on financial resources (debts) – mostly subordinated – and by maintaining a large amount of confirmed credit facilities (around €6 billion undrawn at December 31, 2006).

Furthermore, the Group's liquidity profile is strengthened by the following factors:

– The Group's financial strength gives it broad access to various different markets via standardized debt programs: for example €3 billion of commercial paper and a €12 billion program under EMTN documentation.
– AXA remains constantly vigilant regarding contractual documentation clauses that may be binding on the Group. This helps AXA limit its exposure to default or early repayment clauses that may have a material adverse effect on its consolidated financial position.
– AXA holds significant liquidity, amounting to €19.8 billion at December 31, 2006. More than half of this liquidity is managed within the AXA Trésorerie Europe economic interest grouping (GIE), which was specifically set up to centralize management of the liquidity held by units operating within the euro zone. This GIE reflects the solid liquidity position of the Group, since it had an average cash balance of around €13.4 billion in 2006, which was invested in a liquid portfolio with a very short maturity (41 days at end-2006).
– In addition, to deal with any liquidity crises that may arise, the back-up plan to tender eligible assets to European Central Bank tenders would allow around €20 billion to be mobilized, creating a very large alternative source of refinancing.

## *Exchange-rate risk related to the operating activities of Group subsidiaries*

In the insurance companies (including Winterthur subsidiaries) that accounted for 90% of Group assets at December 31, 2006, assets and liabilities with foreign currency exposure were generally matched or hedged.

– **Life & Savings business** (79% of Group assets):
  In France, AXA France Vie is exposed to exchange-rate risk through the units it owns in certain investment funds partly invested in foreign currencies (particularly US dollar, pound sterling and Japanese yen). It owns these units in order to diversify its investments and enable policyholders to benefit from the performance of international financial markets. AXA France Vie controls and limits its exposure to exchange-rate risk by using foreign exchange derivatives (forwards).
  In the UK, AXA Life is exposed to exchange-rate risk solely through its foreign-currency investments in Group companies, which are held in non-profit funds, and through investments held entirely in With-Profit funds. Exchange-rate risk on other investments held in non-profit funds is hedged through foreign exchange derivative instruments.
  In Japan, AXA Japan's investment strategy has led it to invest outside the Japanese market in order to benefit from the higher yields in bond markets and thereby increase returns on assets.
  The exchange-rate risk arising from these transactions is hedged. In 2006, however, AXA Japan reduced its investment in foreign markets.
  Companies in the German Life & Savings segment hold some investments denominated in foreign currencies, both directly and indirectly through investment funds, with the aim of diversifying their investments and

taking advantage of foreign markets' performance. These investments are mainly in US dollars, but also in pound sterling and Japanese yen, and account for a small proportion of assets. Exchange-rate risk exposure is also controlled using forwards and swaps.
In Switzerland, Winterthur Life is exposed to exchange-rate risk through its investments in foreign currencies (particularly the euro, pound sterling and US dollar). It owns these investments in order to diversify its investments and enable policyholders to benefit from the performance of international financial markets. It controls and limits its exposure to exchange-rate risk by using foreign exchange derivatives (mainly forwards).
In Belgium, the Netherlands and the USA, the Group's life insurance companies do not have any significant exposure to exchange-rate risk.
These companies account for 94% of the life companies' assets.

– **Property & Casualty business** (9% of Group assets):
In France, AXA France Dommages is exposed to exchange-rate risk through the units it owns in certain investment funds partly invested in foreign currencies (mainly US dollar) in order to attain marginal diversification of its investments. It controls and limits its exposure to exchange-rate risk by using foreign exchange derivatives (forwards).
In Belgium, AXA Belgium manages a US dollar run-off portfolio, which is fully hedged with investments in the same currency in an amount of around €130 million.
In Germany, AXA Versicherung is exposed to US dollar exchange-rate risk on certain investment funds. It controls and limits its exchange-rate risk by using foreign exchange derivatives (forwards). Remaining exchange-rate risk exposure, mainly concerning the pound sterling and the Japanese yen, is incurred for the purpose of diversifying investments.
In the UK and Ireland, AXA UK is exposed to exchange-rate risk through its AXA Insurance subsidiary, which operates in pound sterling but has diversified its investment portfolio in line with its assigned management constraints. At December 31, 2006, AXA Insurance managed around €146 million of foreign-currency investments, equal to around 3.4% of its investment portfolio. In addition, AXA UK's Irish subsidiary also operates in Northern Ireland, and so manages a portfolio of pound-sterling policies in an amount of £90 million, hedged with investments in the same currency.
In Switzerland, Winterthur is exposed to exchange-rate risk through its investments in foreign currencies (particularly the euro, pound sterling and US dollar). It owns these investments in order to diversify its investments and enable policyholders to benefit from the performance of international financial markets. It controls and limits its exposure to exchange-rate risk by using foreign exchange derivatives (mainly forwards).
These five companies account for 78% of the Group's Property & Casualty companies' assets.

– **International insurance business** (3% of Group assets):
In the course of its business, AXA Corporate Solutions Assurance carries insurance liabilities, some of which are denominated in foreign currencies, particularly the US dollar and, to a lesser extent, pound sterling. The congruence between the company's foreign-currency assets and liabilities is regularly adjusted, but is subject to unpredictable loss occurrence and the corresponding movements in reserves. AXA Corporate Solutions Assurance also has some Swiss franc-denominated investments.

– **As regards holding companies** (5% of Group assets), AXA SA has since 2001 adopted a hedging policy on net investments denominated in foreign currencies, aimed at protecting the group's consolidated shareholders' equity against currency fluctuations, using cross-currency swaps and foreign-currency debt.

At December 31, 2006, the main hedging positions were as follows:

- $11.1 billion in respect of the US Life & Savings business, including $7 billion via cross-currency swaps,
- JPY456 billion in respect of the activities in Japan, mainly in the form of cross-currency swaps,
- £1.2 billion in respect of the UK business, mainly in the form of debt,
- CAD996 million in respect of the Canadian business in the form of cross-currency swaps.

As of January 1, 2007, AXA SA's activities in Switzerland following the acquisition of the Winterthur Group were hedged in an amount of CHF5 billion.

AXA SA's assets account for most of the assets of Group holding companies.

# Analysis of sensitivity to interest rates, equity prices and exchange rates

AXA performs sensitivity analyses to estimate Group exposure to movements in interest rates, equity prices and exchange rates. These analyses quantify the potential impact on the Group of positive and adverse changes in financial markets.

The AXA Group analyses sensitivity to movements in interest rates and equity markets in three main ways:

– It analyses the sensitivity of European Embedded Value (EEV) in the Life & Savings business, as described in the "Other financial information" chapter of this document.

– It analyses the sensitivity of the fair value of assets less liabilities for the Property & Casualty business.

– It analyses the sensitivity of the fair value of Group debt to movements in interest rates.

These analyses cover AXA SA, which carries most of the Group's debt, along with the largest subsidiaries in France, the USA, the UK, Belgium, the Netherlands, Germany, Southern Europe (Spain, Portugal and Italy), Australia, Hong Kong and Japan. These analyses also include the Winterthur Group. At December 31, 2006, these subsidiaries represented more than 95% of AXA's consolidated invested assets and technical reserves within its insurance operations.

## Sensitivity of economic value to variations in interest rates and equity markets

### INTEREST RATES

The purpose of these analyses is to estimate changes in the economic value of assets and liabilities in the event of parallel 100-basis-point upward or downward shift in the risk-free bond yield curve in the country in which each subsidiary operates.

In the Group's Life & Savings business, a parallel 100-basis-point downward shift in the risk-free bond yield curve would reduce EEV by €1.5 billion.

It would also increase the fair value of Group debt by an estimated €0.7 billion. On the other hand, it would increase the fair value of assets net of liabilities in the Property & Casualty business by an estimated €0.8 billion.

The overall impact of these three factors in the event of a 100-basis-point fall in interest rates is therefore €–1.4 billion.

In the event of a 100-basis-point upward shift in the risk-free bond yield curve, EEV in the Life & Savings business would be unchanged overall. It would reduce the Group's debt by €0.7 billion. These factors would be offset by a €0.7 billion fall in the fair value of assets net of liabilities in the Property & Casualty business. The overall impact of these three factors assuming this 100-basis-point rise in interest rates is therefore neutral.

EQUITY MARKETS

The purpose of these analyses is to estimate changes in the economic value of assets and liabilities in the event of a 10% rise or fall in the main equity markets.

In the event of a 10% fall in the equity markets, calculations suggest a negative €2.0 billion impact on EEV in the Life & Savings business.

The same decline would cause a €0.9 billion fall in economic value in the Property & Casualty business, since liabilities in this business are regarded as insensitive to movements in equity markets.

As a result, a 10% fall in the equity markets would have an overall negative impact estimated at €2.8 billion.

In the event of a 10% rise in equity markets, the overall positive impact would be €2.8 billion. This breaks down into a positive €1.9 billion effect on EEV in the Life & Savings business and a positive €0.9 billion impact on the fair value of the Property & Casualty business.

## *Sensitivity to exchange rate fluctuations*

As mentioned in section "Exchange-rate risk related to the operating activities of Group subsidiaries", each operational entity has the task of ensuring the congruence between foreign-currency-denominated assets and liabilities. In many countries, this congruence is covered by specific standards issued and monitored by the regulatory authorities.

At Group level, in order to calculate AXA's potential exposure to foreign currency fluctuations, movements of the major foreign currencies have been analyzed in terms of their impact on Group net income in euros. The scenario that resulted in the most adverse effects for AXA was a decline in all currencies against the euro, or a rise in the euro against these currencies.

In 2006, a 10% increase in the euro against all other currencies would have had an approximately €73 million negative impact on AXA's net income, taking into account hedging, particularly on US dollar movements. The same scenario applied to the end-2005 position would have resulted in a negative impact of €61 million on AXA's 2005 net income.

This low sensitivity of AXA's net income to a rise in the euro is stable over time. It results from the quality of hedging arranged, particularly on the US dollar (the main contributor currency to Group income after the euro) but also on other major currencies (GBP and JPY). This hedging is arranged systematically at the start of each year.

## *Limitations to sensitivity analyses*

The results of the analyses presented above must be examined with caution due to the following factors:

- Only the assets and liabilities defined at the start of the sensitivity analysis section were included in the scope of estimates regarding sensitivity of fair values to market fluctuations.
- The "snapshot" analyses presented do not take into consideration the fact that the asset-liability management carried out by the various Group entities to minimize exposure to market fluctuations is an active and dynamic strategy. As market indices fluctuate, these strategies may involve buying and selling investments, changing investment portfolio allocations or adjusting bonuses credited to policyholders.
- In addition, these sensitivity analyses do not take into account the impact of market changes on new business, which is a critical component of future profitability. Like its industry peers, AXA would reflect adverse market changes in the pricing of new products. These analyses do not include the possible impact of these movements on business levels. A fall in interest rates would increase the value of bond assets and would increase revenues from asset management activities.

Other limitations of these sensitivity analyses include:

– the use of hypothetical market movements that do not necessarily represent management's view of expected future market changes;
– the assumption that interest rates in all countries move identically and that all global currencies move in tandem with the euro;
– the lack of correlation between interest rates, equity prices and foreign currency exchange rates.

Taken together, these factors limit the ability of these analyses to predict accurately the actual trend in the fair value of assets and liabilities and in AXA's future earnings.

# CONTROLLING
## EXPOSURE AND INSURANCE RISK

The Group's insurance activities expose it to various risks with a wide range of time horizons. Natural risks arising from climate change, particularly global warming, are long-term risks to which AXA Group pays close attention. On a more short-term view, insurance risks are covered mainly through procedures governing pre-launch product approval, exposure analyses, the use of reinsurance and the financial markets (catastrophe bonds, mortality bonds) and reviews of technical reserves.

### *Long-term outlook. Natural risks: climate change*

The changing and growing risks caused by climate change and, more specifically, by global warming, represent a major challenge for all human activities and particularly insurance operations.

Global warming is now proven beyond doubt, although experts disagree on its scale, causes and pace. Greenhouse gas emissions are the principal human cause. Very broadly, global warming leads to higher maximum and minimum temperatures, with more hot days (heatwaves) as well as heavier and more frequent cyclonic precipitation events. These phenomena have already been observed and could become more prevalent, albeit to different extents, across almost all land surfaces on the planet.

The latest publications by the IPCC (Intergovernmental Panel on Climate Change) point in the same direction. However, it remains very difficult to estimate the local effect of climate change, due to the large number of local geographical factors to be taken into account (sea currents, reliefs etc.). It is also very difficult to estimate the consequences of extreme events (heatwaves, droughts and floods, high winds and intense precipitation caused by cyclones), which are of particular concern to insurance companies.

Aside from the immediate destruction caused mainly by flooding and to a lesser extent by drought, climate change will have major implications for most human activities, particularly agriculture, timber production, healthcare and water activities, and therefore for the insurance used to protect them.

These changes already affect and will affect in future a large number of insurance sectors (property, agricultural, business interruption, civil liability, marine and aviation, life, health, etc.). The insurance sector thus faces major challenges in the coming years in the form of potential increases in property and casualty claims, the emergence of new liability claims and growing uncertainties about the size of maximum possible losses, which have become harder to assess and to predict on the basis of past events. Furthermore, certain key economic sectors, which work together with the insurance sector, are set to undergo radical changes, due in particular to future greenhouse gas emission constraints laid down in the Kyoto protocol, which came into force on February 16, 2005.

Gradual premium rate adjustments will be required to reflect these risk factors, but are not likely to be sufficient on their own. In addition, the increasing damage caused by meteorological events will lead to greater efforts to transfer these risks to the financial markets, such as via European storm catastrophe bonds.

By seeking to develop these solutions and actively contributing to the overall debate about the issues involved – particularly as part of the Carbon Disclosure Project – AXA, along with other major market players, intends to promote a better understanding and better forecasting of the risks resulting from global warming.

## *Pandemic / extreme mortality risk*

Recent developments relating to bird flu have attracted increasing attention to risks associated with pandemics. Although assessing pandemic risks involves a significant amount of various assumptions, it generates increasing interest and requires the development and implementation of an appropriate risk management strategy.

As a result, and as part of its mortality risk management, AXA in 2006 issued a bond on which the redemption amount depends on general mortality thresholds. This instrument was created by AXA Cessions and transformed by AXA Cessions into reinsurance capacity for AXA Group subsidiaries.

## *Pre-launch product approval and exposure monitoring*

Risks relating to new product launches, particularly underwriting, pricing and ALM risks is managed on a gross basis (before taking into account reinsurance), primarily by AXA's operational entities. These have a set of actuarial tools for this purpose, enabling them to price products and then monitor their profitability over time.

The principal Risk Management tools are as follows:
– Pre-launch approval procedures for new products.
– Exposure analyses.
– Optimization of reinsurance strategies (see section "Definition of reinsurance requirements and analysis of underwriting").

### *Product approval*

In its Individual Life & Savings activities, the AXA Group has set up pre-launch product approval procedures in each of its principal subsidiaries. These procedures are defined and implemented locally, and are structured and harmonized using the minimum requirements defined by GRM. The main characteristics of these procedures are as follows:
– Although the decision to launch a new product is taken locally, it must be the result of a documented approval process that complies with local governance practices.
– All significant Individual Life & Savings products must go through this process.
– Guarantees and options embedded in the product must be quantified using stochastic methods defined by GRM in order to ensure that they are correctly reflected in pricing. This work also gives a better understanding of any asset-liability mismatch risk and the actual economic capital requirement at the product design stage.
– Pricing reports are sent to GRM prior to launch.

These procedures are intended to ensure that new risks underwritten by the Group have undergone a rigorous prior approval process before the products are offered to customers. This harmonized approach also facilitates the sharing of product innovation within the Group.

Similar methods have been developed for the underwriting of specific Property & Casualty risks, while maintaining the principle of local decision-making based on a documented approval procedure. The profitability analysis framework has been adapted to the Property & Casualty business, and special efforts have been made to formalize the quantitative requirements.

### *Exposure analysis*

A uniform Group-wide framework for quantifying all risks has been developed by GRM and AXA Cessions using stochastic modeling tools factoring in asset and insurance risks. This framework includes pricing control systems used by insurance operations as part of their product development process, such as those described in the previous section.

This type of analysis underlines the benefits of the diversification created by AXA's wide range of businesses and regional operations.

In addition to these exposure analyses, additional studies are undertaken to model life risks (mortality, longevity, dependence etc.).

In the Life & Savings business, therefore, the aforementioned tools allow mortality/longevity risks to be analyzed on a multi-country basis. The AXA Group regularly monitors its exposure to these risks. It uses the results of its work to enhance the structure of its product ranges and its reinsurance coverage.

### *Definition of reinsurance requirements and analysis of underwriting*

Reinsurance purchasing is an important part of the Group's insurance activities and risk management. For the Property & Casualty and Life & Savings operations, reinsurance programs are set up as follows:

– Reinsurance placement is handled centrally by AXA Cessions. Prior to ceding risks, in-depth actuarial analyses and modeling are conducted on each portfolio by AXA Cessions and GRM to optimize the quality and cost of reinsurance cover. These analyses are performed in collaboration with the technical and reinsurance departments of Group operational entities. They measure frequency risks as well as specific severity risks (natural catastrophe, storms, flooding, earthquakes). They provide guidance for determining the most appropriate reinsurance cover (retention levels and scope of cover) for each portfolio and for each type of risk in accordance with objectives and capital allocation constraints.

Estimates of catastrophic risks are carried out on the basis of several pieces of modeling software available in the market. Although this software is vital to allow objective discussions with reinsurers, it is regularly assessed within GRM and adjusted to the specific features of AXA's portfolio. Experience shows that this software gives imperfect estimates of real exposure, and can underestimate some important factors such as inflation following a major catastrophe or the effects of climate change. In addition, it does not factor in risks relating to legal developments requiring an insurer retrospectively to cover a risk that it believed it had excluded from its policies.

In 2006, this work was extended to the Life & Savings business based on the same procedures as in the Property & Casualty business. Certain entities now arrange reinsurance partially through AXA Cessions, which has set up a retention pool.

## *Implementation of the reinsurance strategy Role of AXA Cessions*

After analysis work, the Group's various operating subsidiaries place their reinsurance requirements with AXA Cessions. However, only a small part of most treaties is placed directly in the natural catastrophe reinsurance market. Most risk is combined at the AXA Cessions level to form an internal Group reinsurance pool.

The retention rate and coverage applied to this pool are designed to protect the Group effectively at low cost. Coverage is arranged through the reinsurance markets or directly in the financial markets through securitization (cat bonds).

For the motor liability segment, AXA Cessions has arranged Group protection for all entities.

For 2007, retention of risk within the Group (borne by entities) has been extended to the general liability and marine segments. All local ceding of reinsurance is protected collectively by Group coverage and the results are retroceded to entities.

Finally, in addition to the analyses described above, AXA regularly monitors its exposure to its main reinsurers, as described in the section relating to credit risk management.

## *Property & Casualty reserves*

In addition to controlling upstream risks through prior product approval and analyzing the reinsurance strategy, the Property & Casualty businesses specifically monitor reserve risks. Reserves have to be booked for claims as they are incurred or reported. These reserves are measured individually for each dossier by the claims departments.

Additional reserves for incurred but not reported (IBNR) claims, along with reserves not enough reserved (IBNER - incurred but not enough reported) are also booked. Various statistical and actuarial methods are used in these calculations. Calculations are initially carried out locally by the technical departments in charge, and are then reviewed by local risk management teams.

GRM has an annual review program to ensure the validity and coherence of the models used within the Group, in accordance with actuarial principles and accounting rules in force.

The Group's methods are based on internal and industry best practice.

Actuaries in charge of assessing reserves for claims payable do not use a single method but a selection of approaches such as:

- Methods based on the development of claims (paid or incurred) using triangulation methods (e.g. chain ladder and link ratio) for which past experience is applied to each loss occurrence or underwriting year, in order to make reserves projections until their estimated final development.
- Methods based on claims ratios (such as the ultimate claims ratio or the additional claims ratio).
- Hybrid methods (such as Bornhuetter-Ferguson and Cape Cod).
- Methods based on frequency and severity estimates.

The analysis is segmented differently depending on product type, geographical location, distribution channel, local regulation and other factors, in order to obtain a homogeneous claims base and ensure an appropriate analysis of reserves.

Assumptions depend on available data relating to reported losses at the time of the estimates, as well as local regulations, claims management procedures, pricing, underwriting information and the type of activities and claims (coverage type, attritional or major claims, recent or old occurrence).

They also depend on economic, social and environmental factors, as well as on the legislative and political context, which are important variables in terms of reserves. Assumptions are made following discussions with claims managers, pricing actuaries, underwriters and other specialised departments. These discussions lead to the definition of reasonable estimate ranges.

However, it must be kept in mind that estimates are based mainly on assumptions that may prove different from subsequent experience, particularly in the event of changes in the economic environment (e.g. a rise in inflation), in the legal environment (case law) and in the social environment (class action suits), and especially if they affect the Group's main portfolios simultaneously.

# CREDIT RISK

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

– Investment portfolios held by the Group's insurance operations (excluding assets backing separate-account products where risk is transferred to policyholders) as well as by banks and holding companies. These portfolios give rise to counterparty risk through the bonds and derivative products held within them.
– Receivables from reinsurers resulting from reinsurance ceded by AXA.

## Invested assets

AXA has a database consolidating the Group's listed assets and analyzing them by issuer, credit rating, sector and geographic region, in order to assess the risk of concentration in its equity and bond portfolios. This database allows AXA to monitor exposure to the default risk of a given issuer, particularly through holding its bonds. It also allows the monitoring of equity exposure, which is not subject to issuer-specific limits at Group level.

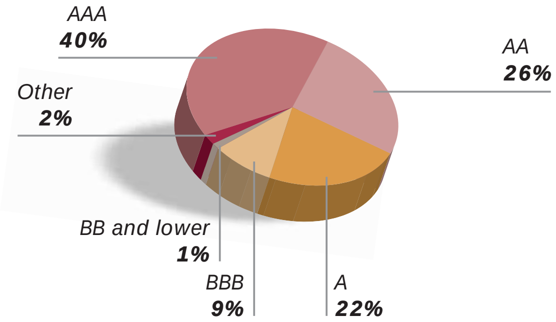
As regards bond issues, total issuer-specific exposure limits are set at Group level and at the level of each subsidiary. These limits depend on the issuer's risk, assessed via its credit rating and type (private, sovereign or quasi-sovereign).

These tools allow GRM to ensure compliance with limits. The ALM Co-ordination Committee is regularly kept informed of the work performed.

These tools also enable coordinated contingency measures to be taken for the most sensitive counterparties.

At December 31, 2006, the breakdown of the bond portfolio by credit rating category was as follows:

***Breakdown of the fixed income portfolio***
*by rating at December 31, 2006*




Credit risk diversification and analysis policies, particularly using credit ratings, are implemented by investment departments and monitored by Risk Management teams.

## Credit derivatives

The AXA Group, as part of its investment and credit risk management activities, may use strategies that involve credit derivatives. AXA is exposed to credit derivatives through its investments in structured products such as CDOs (collateralized debt obligations), which use credit derivatives to build their portfolio of collateral.

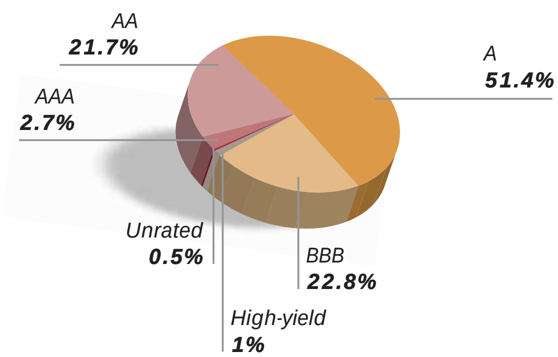
At December 31, 2006, the nominal amount of positions taken through credit derivatives was €9.9 billion including €4.3 billion via CDOs.

Credit risk relating to CDOs is monitored separately, depending on the tranches held, and regardless of the type of collateral (bonds or credit derivatives).

For other credit derivatives positions (nominal amount of €5.6 billion), the credit risk taken by the AXA Group through these instruments is included in analyses of bond portfolios as described in the previous section. Limits applied to issuers take into account these credit derivative positions.

The breakdown of underlying bonds by rating (resulting from management information) is as follows:

**Breakdown of CDS**
*by rating of underlying bond*



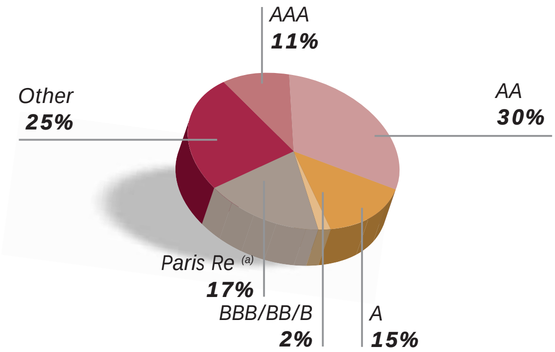

## Receivables from reinsurers: rating processes and factors

To manage the risk of reinsurer insolvency, a security committee is in charge of assessing reinsurer quality and acceptable commitments. The committee is under GRM's authority and is run by AXA Cessions, which is the AXA entity in charge of placing the Group's Property & Casualty and Life & Savings insurance with external reinsurers (see section "Definition of reinsurance requirements and analysis of underwriting"). This risk is monitored by comparing the various financial strength ratings available on various reinsurers as well as by conducting in-depth analyses of the recoverability of receivables in the event of reinsurer insolvency. The teams in charge of the Group reinsurance program analyze this information to add a credit risk dimension to their work in placing insurance and transferring risk to the reinsurers. The security committee meets monthly – and more frequently during renewal periods – and decides on any action to be taken with the aim of limiting AXA's exposure to the risk of default by any of its reinsurers.

Furthermore, AXA summarizes and analyzes its exposure to all reinsurers by factoring in all positions with reinsurers (claims, premiums, reserves, deposits, pledges and security deposits).

The Group's top 50 reinsurers accounted for 75% of reinsurers' share of insurance and investment contract liabilities in 2006. The breakdown of all reserves ceded to reinsurers by rating is as follows, taking into account only the ratings of these top 50 reinsurers:

**Breakdown of reserves ceded to reinsurers**
*by reinsurer rating at December 31, 2006*




(a) Provisions ceded to Paris Re as part of the AXA RE disposal.

The "other" caption relates to reserves ceded to reinsurance pools, reserves ceded to reinsurers with which the AXA Group does limited business (not in the top 50) and reinsurers not rated by the main rating agencies.

# OPERATIONAL
## RISKS

### General principles

Guided by the principles set forth by the Basel Committee on banking supervision, AXA defines operational risk as the risk of loss resulting from inadequate or failed processes, people or systems. This inadequacy or failure may come from internal or external causes.

Responsibility for managing day-to-day operational risks lies mainly with subsidiaries, which are best positioned to take the appropriate measures to mitigate the risks facing their organizations. However, AXA has defined a Group framework for identifying, quantifying and monitoring the main operational risks involving the deployment of a common system.

AXA has classified its operational risks as follows:
– Internal fraud.
– External fraud.
– Employment practices & workplace safety.
– Clients and business practices.
– Damage to physical assets.
– Business disruption and system failures.
– Execution, products, delivery and process management.

On this basis, AXA develops quantification methods to estimate the capital allocation needed to cover operational risks based on models inspired by those proposed by the Basel Committee for banking supervision. These efforts will be continued and stepped up during 2007.

### Professional ethics

To comply with Sarbanes-Oxley legislation, AXA adopted a code of professional ethics in February 2004. The code was updated in March 2006. It defines rules for day-to-day professional conduct. Rules defined in specific chapters include those concerning conflicts of interest, transactions involving AXA securities and those of its listed subsidiaries, confidentiality and control of sensitive information, and data protection and storage.

There are also codes of ethics for business units, which include requirements relating to the methods used to market products and services and sales practices, in accordance with local regulations. With respect to customers, ethical requirements focus on the quality of advice and the transparency of information provided to them, the confidentiality of customer information, equal treatment, and efforts to combat fraud and money laundering.

### Money laundering and corruption risk

AXA is firmly committed to combating money laundering wherever its entities have business relations. This commitment is enshrined in a charter drawn up in 2002, which was approved by the Management and Supervisory Boards. In line with this charter, each entity has introduced procedures based on certain general principles, on top of applicable local regulations, and has appointed an anti-money laundering officer. The "know your customer" principle is crucial in this respect, and is fundamental to all transactions. The principle also covers intermediaries. Special attention is paid to transactions involving cash or other equivalent instruments. Procedures are reviewed and adjusted regularly based on experience. In France, a specific organization has been set up to ensure effective co-operation with TRACFIN.

## *Regulatory risks*

AXA, due to its principal activity of acquiring and managing equity interests in insurance companies, is considered to be an insurance group (“société de groupe d’assurance”) under Article L.322-1-2 of the French Insurance Code (the “Code des assurances”). Consequently, it is subject to supervision by ACAM (Autorité de Contrôles des Assurances et des Mutuelles – French insurance company supervisory authority), which ensures compliance with the relevant legal and regulatory provisions of the French Insurance Code.

AXA is also subject to regulations pertaining to the additional supervision of insurance groups. As such, the Group computes an adjusted solvency margin based on its consolidated financial statements, which must be submitted annually to ACAM.

AXA’s main activities are in Western Europe, North America, Asia-Pacific and to a lesser extent Africa and the Middle East. In each jurisdiction within these regions, AXA is subject to strict regulation of its insurance and investment activities.

Although the extent and type of regulations vary between countries, most jurisdictions in which AXA’s insurance subsidiaries operate have a legal and regulatory framework covering: commercial practices, solvency margins, reserve levels, permitted investment types and concentrations, dividend distributions, relationships with supervisory authorities, insurance activities, agent authorization and, for some insurance segments, pricing approval or disclosure. From time to time, the AXA Group is subject to investigations by regulatory authorities. For example, in Japan, AXA is currently investigated by the FSA (the Japanese regulator), in relation with payments made to the policyholders under the terms of their life insurance policies, over the course of several years. In various countries, life-insurance products might offer tax advantages to policyholders. This advantageous tax treatment may be jeopardized by changes in tax laws. For example, the Japanese legislator is currently considering a change of this nature. The implementation of such a change in Japan is expected to have a negative impact on the results of the Group.

AllianceBernstein and AXA Investment Managers are subject to comprehensive regulations in each jurisdiction in which they operate. The aim of these various regulatory systems is to protect customer assets, to ensure transparent information for customers regarding investment returns and risks, to provide customers with information on the fund manager’s identity and skills and to ensure that the proposed investments fit with the customer’s objectives.

### *Risk related to the US stockmarket listing*

AXA is listed on the Paris stock exchange and, since August 1996, on the New York Stock Exchange (NYSE"). Because AXA, like all other non-US issuers, is listed on two different exchanges, it is subject to two sets of securities laws, and to accounting standards and corporate governance rules that may differ in certain respects. AXA prepares its consolidated financial statements in accordance with IFRS, and then reconciles this information with accounting principles generally accepted in the United States (US GAAP). The application of these two methods may lead to some differences. In addition, non-US issuers listed on the NYSE (like US issuers) are subject to the Sarbanes Oxley Act, which was adopted in the USA in July 2002. In particular, the Sarbanes Oxley Act requires that both the CEO and the CFO certify AXA's consolidated financial statements. It also contains requirements concerning corporate governance and, as of 2006, the annual audit of internal controls on financial reporting. Specialist teams at AXA ensure that the Group complies with these regulations through specific and targeted analyses and reports.

# *Legal and arbitration proceedings*

AXA and its subsidiaries are involved in a number of lawsuits arising from their business activities, particularly the USA, where lawsuits – including class-action lawsuits – are in progress against AXA and its subsidiaries. In some of these lawsuits, plaintiffs are seeking punitive damages which bear little relation to the real amount of damages suffered. Although it is difficult to predict with any certainty the level of damages or compensation that AXA and its subsidiaries may be required to pay as a result of these lawsuits, as of the date of this report, none of these lawsuits has resulted in a decision against AXA or any of its subsidiaries that has had a material adverse effect on the Group's consolidated financial position. At the present time, based on information available to it, AXA's management does not believe that any of these lawsuits is likely to have a material adverse impact on the consolidated financial position of the AXA Group taken as a whole.

### *Holocaust*

Since 1998, AXA has continued its efforts to identify unpaid life insurance policies issued to Holocaust victims in France, Germany, and Belgium and has actively participated in the International Commission on Holocaust Era Insurance Claims ("ICHEIC") together with four other European insurance groups, US insurance regulators and non-governmental Jewish organizations. After having completed its archival research and audit processes as well as the payment of all valid claims submitted by Holocaust victims and their heirs, the ICHEIC concluded its work in March, 2007. As a result of its participation in the ICHEIC process, AXA benefits from a statement of interest issued by the US federal government which provides that ICHEIC should be recognized as the exclusive remedy for all Holocaust era insurance claims. This statement of interest is intended to protect AXA against future civil litigation in the US by Holocaust claimants and to encourage judges faced with this type of litigation to dismiss these claims. While this statement of interest provides AXA with a certain level of protection against future lawsuits of this type in the US, it does not offer complete protection and, consequently, AXA could still be subject to litigation in the US brought by Holocaust claimants.

### *Philips*

Several subsidiaries of the Group are currently involved in a litigation in the Netherlands and in the US, in relation with asbestos related claims made by Philips (on behalf of one of its US subsidiaries) under its worldwide liability program. Certain insurance companies taking part into this program (including some AXA and Winterthur entities) seek the cancellation of this program for misrepresentation claiming that Philips failed to disclose information material to the program and, in particular, the fact that one of its subsidiaries distributed asbestos. Following the acquisition of Winterthur, the exposure of the AXA Group to the Philips program increased because Winterthur and some of its subsidiaries held a significant participation in Philips program. Philips commenced proceedings in the US seeking a judgement that a US court and not a Dutch court should have jurisdiction over the claim. The US court decision is expected in May 2007. The transfer of the proceedings to US courts would increase the AXA Group's exposure to this risk.

### *Litigation in the USA*

In addition to the foregoing, AXA and its subsidiaries face a certain number of lawsuits in the USA arising from their ordinary business activities. In particular, AXA Financial, AXA Equitable and AllianceBernstein are involved in several lawsuits, including class-action suits. This litigation relates to various matters including, among others, the sale of these companies' products in the US market, their investments, their real estate and asset management activities, their employees and their agents. Some of these lawsuits expose these companies to a risk of punitive damages, which bear no relation to the real damage suffered by the plaintiffs. In addition, certain US regulatory authorities regularly investigate the markets they supervise. These investigations may result in lawsuits from time to time. For example, the US insurance regulators, the SEC and certain state attorney generals – particularly the New York state attorney general – have continued to examine practices in the insurance market. As a result, AXA and its subsidiaries may be investigated by these authorities. It is difficult to estimate with any certainty the damages or compensation that AXA and its subsidiaries may be subjected to as a result of these lawsuits and investigations.

To the best of the Company's knowledge and at the current stage of the various lawsuits, none of the lawsuits described above is likely to have a material adverse effect on the business or consolidated financial position of AXA and its subsidiaries taken as a whole. However, AXA's management cannot currently predict whether these litigations could have a material adverse affect on AXA's consolidated financial results of operations in any particular accounting period.

## *Social and environmental risks*

With respect to its employment practices, AXA's key challenge is to retain employees and position itself as an employer that is able to attract top talent.

Environmental risks are limited because AXA's core business activities are generally non-polluting.

## *Insurance cover*

### *The AXA Group's general policy concerning the insurance of transferable risks*

In general, the AXA Group's purchasing of insurance is decentralized as far as possible. Group solutions are used wherever practical. Subsidiaries are responsible for identifying risks and buying their own insurance, for example property damage and professional liability cover for their local exposures.

Under the general decentralization policy, subsidiaries may take out cover with external insurers or an AXA Group insurer. AXA Cessions keeps an inventory of local insurance contracts.

AXA Cessions has been appointed to buy certain types of group-wide insurance coverage for risks shared by all entities. These policies, covering directors and officers' liability, professional liability and fraud, are set out below.

### *Exposure to common risks and group-wide insurance programs*

Group-wide insurance programs cover all Group entities with the exception of AXA Asia Pacific Holdings and AXA Financial and their subsidiaries, which have traditionally bought cover in their local markets.

The Group's insurance programs are designed for its specific requirements and its main businesses of insurance, banking, assistance, investment, asset management and property.

Insurance covers are revised annually to ensure that AXA has achieved the market's best terms as regards conditions, rates, limits and protection. The insurers used by the Group are acknowledged international leaders in their fields, and the solidity of each company is checked and approved according to Group standards.

All coverage is systematically controlled by AXA Cessions in consultation with local entities.

For 2006, the total cost of Group cover for directors and officers liability, professional liability and fraud was around €8.3 million, excluding taxes and commissions.

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# CAUTIONARY
## STATEMENTS CONCERNING THE USE OF NON-GAAP MEASURES AND FORWARD-LOOKING STATEMENTS

*This report includes certain terms that are used by AXA in analyzing its business operations and, therefore, may not be comparable with terms used by other companies; these terms are defined in the glossary provided at the end of this document.*

*Certain statements contained herein are forward-looking statements including, but not limited to, statements that are predications of, or indicate, future events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and AXA's plans and objectives to differ materially from those expressed or implied in the forward looking statements (or from past results). These risks and uncertainties include, without limitation, the risk of future catastrophic events including possible future weather-related catastrophic events or terrorist related incidents. Please refer to AXA's Annual Report on Form 20-F and AXA's Document de Reference for the year ended December 31, 2005, for a description of certain important factors, risks and uncertainties that may affect AXA's business. AXA undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.*

# INSURANCE AND ASSET MANAGEMENT MARKETS

## Life & Savings

**France.** According to the FFSA, in 2006, the increase in gross written premium has been estimated to 17% (of which PEL +9%) vs. +14% in 2005, explained by a strong increase in gross premiums on unit-linked contracts estimated at 45% (49% in 2005) and by an estimated increase of 9% in general account premiums. In the Life market, AXA ranks third.

**United States.**[1] In the annuity market, variable annuities have been the product of choice with industry sales up 18% through the first nine months of the year, primarily driven by the demand for guaranteed living benefit riders and favorable equity markets. Industry fixed annuity sales continued to decrease (–5%) over the same period as a result of the continued low interest rate and flat/inverted yield curve environment and competition from products such as bank certificates of deposit. In the life insurance market, total life industry sales were up 9% for the first nine months of 2006. Strong and consistent equity market performance buoyed variable life sales (+12%) through the first three quarters of 2006. The variable life business generally lags the movement in the equity market. Sales of life insurance products with fixed returns, such as universal life, continued their strong sales in the first nine months of 2006 with industry universal life sales up 16%. In that same period, fixed whole life insurance sales increased 2%, and term insurance sales increased 3%. AXA gained market share, ranking third in the variable annuity market and ninth in the variable life market for first nine months 2006 (source: VARDS).

**United Kingdom.**[2] New annualized business (new regular premiums plus 10% of single premiums) were 30% higher than 2005 in the year to September 2006. Continued investor confidence, driven by stock market gains, plus the growing popularity of offshore investment vehicles and fund supermarkets, fuelled significant growth in "Wealth Management" markets. The simplification of Pensions Legislation in April 2006 (known as A-Day) and the subsequent reviewing of existing arrangements by individuals, delivered a significant boost to new business for providers active in these sectors (although a proportion of this is thought to be one-off in nature).
As a result, Self-Invested Personal Pensions (SIPPs) have developed into a mainstream planning solution. A-Day and ongoing reconstructions of final salary schemes also drove Corporate Pensions growth. "At Retirement" markets received increased attention from providers, including new entrants, attracted by predicted population demographics in the medium to long term. Competitive Protection line volumes were static following premium rate cuts despite ongoing housing market activity. The IFA channel, and slowly emerging multi-tie channel, combined to represent 76% of total market new business.

**Japan.** The life insurance market continued to grow driven by individual annuity sales sourced from bancassurance distribution channels and Medical sales. This trend is expected to continue as changes in deregulation (notably the postal service privatization), social infrastructure (including a population that is both ageing & declining) and customer

(1) Please note that the numbers quoted for the market data (life and annuity) are 9M06.
(2) Derived from Q1-Q3 2006 figures.

sophistication evolve. The continued positive economic environment has contributed to improved solvency and credit standings of most insurers, restoring previously eroded customer confidence in the industry. Foreign life insurers continued to expand their role in the market. Being one of the most mature insurance markets, Japan continues to be a highly competitive market. Well established and mega domestic insurance companies dominate the landscape. However, attracted by the high margin medical market and bancassurance growth potential, some foreign insurers have succeeded in entering the market. This fragmentation of the market together with the revitalization of the mega domestic insurance companies has led to declining margins. A mid-sized player (10th & 12th in the market based on new business and assets respectively) with a diversified product range and distribution model, AXA Japan is well positioned to profitably grow its market share.

**Germany.** After the introduction of the German Retirement Earnings Law ("Alterseinkünftegesetz") in 2005, the market picked up again in 2006. It showed an increase in annuity products and a decrease in endowment products regarding annual premiums for pure life new business (non unit-linked endowments –7.4% to €1.0 billion, non unit-linked annuity products +18.9% to €2.2 billion, unit-linked endowments –7.8% to €0.5 billion, and unit-linked annuity products +60.2% to €1.2 billion). Among business for single premiums, that grew by 25.4% to €11.4 billion, non unit-linked annuity products are still dominating (+45.4% to €5.2 billion), followed by non credit-linked collective insurance (–8.1% to €2.4 billion), bank-like savings products ("Kapitalisierungsgeschäfte") (+1.6% to €1.4 billion) and unit-linked annuity products (+605.8% to €0.8 billion). New business for "Pensionskasse" (current premiums) decreased by 35.3% to €0.3 billion after losing tax advantages compared to individual pension plans ("Direktversicherung") that are easier transferable. GWP of pensions funds (Type "Pensionsfonds") increased by 649.0% to €0.8 billion, which was caused by a single contract in the market in Q4. Also in the future, an ongoing need to replace defined benefit systems is expected to push group life pension products in general. The core products of the Retirement Earnings Law ("Alterseinkünftegesetz"), the "Rürup" pensions, seem to gain acceptance at last. Current regular premiums increased by 59.5% to €0.4 billion (thereof 59.2% unit-linked). In 2006, 2.0 million contracts of the also highly regulated "Riester"-products were sold (+78.9%). The current regular premiums increased by 206.5% to €1.38 billion. Premiums were affected by a raised government aid this year which resulted in a significant growth. The regular premiums of cashed-in contracts increased only by 120.7% to €0.78 billion. The development of private health insurance is marked by two influences: on one hand, ongoing difficulties in the public health insurance system continue to push private health insurance. On the other hand, the increases of the income threshold in 2003, fixed by the health reform, complicated the switch from public to private. This is the reason why mainly civil servants and self-employed contribute to the market growth. In consequence, it lowered the market potential for full coverage and resulted in a strong decline of net new inflow for this type in 2006. Supplementary insurance, however, increasingly meets demand. But the increase in gross written premiums by 4.2% in Q1-Q3 mainly reflects rising premiums per contract. In the Life market AXA ranks eighth with a market share of 4%[1] and in Health, AXA is tenth with a market share beyond 3%[2].

**Belgium.** On the retail market, significant shifts occurred in 2006. The main ones were the decrease in the national savings rate, the introduction of a new insurance front-tax (1.1%) and the increase of the tax deductibility on the pension schemes premiums. This context clearly intensified the competition in the Life & Savings business. While AXA Belgium is very well positioned in these markets due to its investment capacities and its marketing skills,

(1) Derived from Q1-Q3 2006 figures.
(2) Derived from Q1-Q3 2006 figures.

new product developments are required to sustain business growth. The market downturn in 2006 was spectacular in Individual Life, especially for Non-Unit-Linked market (forecast 2006 –18% compared to +11% in 2005) but also in Unit-Linked products (forecast 2006 +2% compared to +127.5% in 2005). Nonetheless, AXA Belgium managed to increase its market share thanks to the robustness of its Crest product line as well as the launch of competitive unit-linked products. The corporate market in retirement and savings was rather stable in 2006, most insurance companies adjusting their existing plans (to comply with *Loi de Pension Complémentaire*). In Disability and Health, volumes remained stable while prices decreased.

**Southern Europe.** In Spain, socio-demographic evolution results in an ageing population, partly mitigated by recent influx of immigration, which now represents 7% of total country population. An increasing awareness of the need for retirement savings is observed. New tax law to be introduced in 2007 wipes out fiscal advantages of life insurance versus other forms of saving, and had a unfavorable impact on sales of unit-linked products. However, the new law also appears to favor annuities, for which insurers are better positioned than banks. In Italy, 2006 market forecast in Life & Savings (IAMA Source as of October 2006) shows a 5% new production decrease, with bank channels decreasing by 7% and agent networks at the same level as previous year. In Portugal, insurance activity has been facing an unfavorable economic environment. Portuguese economy has passed through a declining trend in the recent years, reaching recession in 2003. Since then, the recovery seems fragile. However, the government programs, namely, the new social security contribution schemes, the expected labor legislation towards increasing flexibility, the educational, health and technological plans, will have a medium term impact on insurance activity as new insurable markets are expected to emerge. In Spain, AXA is placed as 12$^{th}$ market player (before Winterthur integration). In Italy, AXA is ranked 13$^{th}$, in a very concentrated market. In Portugal, where the market is dominated by bancassurance, AXA is ranking 7$^{th}$ (data September 2006).

**Australia / New Zealand.** Regulatory change and complexity, the continuing shift of financial responsibility from Government to individual and the poor savings behaviors of most households are driving demand for quality financial advice and, in turn, the need for comprehensive support services for advisers. Growth in the wealth management product markets in Australia and New Zealand continues to be driven by the ageing population, government support for self-funded retirement and strong investment markets. Major regulatory changes in both countries in 2006 aimed at encouraging retirement savings are expected to maintain momentum with market growth rates forecast before these changes of 9-13% pa. Financial protection product markets are underpinned by rising incomes, asset appreciation and widespread under-insurance, with expected growth rates of 6-7% pa. Both Australia and New Zealand have open, competitive and relatively concentrated markets. The top 10 companies account for around 60% of retail funds under management, 80% of net retail funds flow and close to 90% of new and in-force annual premiums in Australia. AXA is ranked 1$^{st}$ in New Zealand and 6th in Australia for retail wealth management and is 3$^{rd}$ in financial protection in both countries. AXA is unique amongst major competitors in operating across the entire wealth management and financial protection value chain – asset management, products, platforms, adviser services and financial advice. With open competition at each stage of the value chain, this end-to-end presence allows AXA to capture more overall margin and makes us less sensitive to the shifting of margin between different parts of the value chain.

**Hong Kong.** The economy of Hong Kong continued to grow in 2006 with GDP growing by 5.8%[1] and Hang Seng index growing by 34.2% in 2006. Hong Kong remains a very attractive life

(1) 3$^{rd}$ quarter 2006, year-on-year % change in real terms.

insurance market, with high profit margins, high savings ratios and moderate life insurance penetration. Individual life market new business sales increased by 19%[1] for the nine months to September 2006. AXA has also been seeing the emergence of wealth management. The Mandatory Provident Fund (MPF) and the huge level of bank savings mean that wealth management and financial advice have strong growth potential. Now in its sixth year, the Hong Kong workforce has shown increasing interest towards their MPF benefit and there have been increasing numbers of changes in MPF providers. Life insurance premiums have increased over the past few years partly because of growing product options and the entry of banks and new distribution channels to the market. Hong Kong life insurance market is relatively concentrated, 61% of individual life new business sales are contributed by the top 5 companies. Following the acquisition of MLC Hong Kong in May 2006 and strong organic growth, AXA is now number four for inforce premiums and for new business.[2]

## *Property & Casualty*

**France.** After 5 consecutive years of accelerated growth from 1999 (2%) until 2003 (8%), market's premium growth reduced slightly to 4% in 2004, 2% in 2005 and an estimated 2% in 2006. Household is expected to grow by 4.5% (+5% in 2005) whereas market should stay flat in Motor. In the property & Casualty market, AXA is the first player.

**United Kingdom and Ireland.** The UK market has continued to be soft, causing difficult underwriting conditions throughout the market. This has made rating increases and the retention of business difficult. Within Personal Lines, Household and Healthcare have shown significant growth largely due to new business deals. Commercial Lines have seen lower growth due to the ongoing competitiveness in acquiring new business contracts. In Ireland, the Motor market also remained soft with intense competition leading to a fall in average premium.

**Germany.** In the first nine months 2006, total business decreased by 1.3% (to €44.1 billion). Due to this, the combined ratio in Property & Casualty is expected to increase to 94%. In motor lines, an intensive price competition went on, initiated by the big players to keep or regain market share. Therefore, in these lines, gross written premiums decreased by 4.0% to €19.2 billion in the first nine months 2006. Despite partially high claims ratio increases in industrial property lines (but still keeping combined ratios below 100%) the gross written premiums decreased by 3.1% (in the first nine months 2006). The number of contracts is expected to remain stable in 2006 compared to previous year. Regarding retail dominated non-motor lines, volume increased by only 0.8% in the first nine months 2006 as penetration is already high. However, the gross written premiums for these lines increased in a range from –4.2% (assistance) to 3.3% (accident) in the first nine months 2006. In the P&C market AXA ranks eighth with a market share above 4%[3].

**Belgium.** The Property & Casualty market 2006 growth rate was fuelled by the introduction of the natural peril coverage. The motor market which represents 34% of total Property & Casualty should grow by 1.3% while household premiums should rise by 5.9% (natural peril). The Workers' compensation market should confirm its growth pace in 2006 with 3.6% (vs. 3.0% in 2005). In Property & Casualty Corporate, increased competition leads to pressure on average premiums. This is particularly true in Workers Compensation, Household and Motor. AXA continued to rank first in the market.

**Southern Europe.** In Spain, the sales in motor car industry reached successive records level over past years, even though a recent slow down of the growth is noticeable. This has

(1) OCI, September 2006, combining HSBC and Hang Seng (given common ownership). Market statistics must be used with caution, they are not sanctioned or audited and comparisons with previous years do not fully reflect the true trends in the market place.
(2) 3rd quarter 2006, year-on-year % change in real terms.
(3) Derived from Q1-Q3 2006 figures.

helped to develop comprehensive motor insurance market as well as insurance solutions for renting. The on-going development of non-motor insurance lines, such as household, private health cover, accidents, compensated the lower growth in motor. In Italy, market 2006 forecast in P&C (ANIA Source) shows a +2.7% gross written premiums increase (motor +1%, property +5%, health +6,6%). In Portugal, insurance activity has been facing an unfavorable economic environment. Portuguese economy has passed through a declining trend in the recent years, reaching recession in 2003. Since then, the recovery seems fragile. The new relevant legislation on clams handling, premium collection, agents' law or discrimination against disease or deficiency should have significant impacts on insurance activity. In Spain, AXA is placed as 3rd market player, in Italy, AXA is ranked 9th on the market, and in Portugal, AXA is ranked 2nd with a 9% market share, after the integration of Seguro Directo, purchased at the end of 2005.

## International Insurance

AXA Corporate Solutions is the AXA Group subsidiary dedicated to Property and Casualty insurance of major European companies, and to Aviation and Marine insurance worldwide. After several years of rate increases and restructuring of large corporate insurance programs, underwriting conditions on large risks insurance market softened in 2005 and 2006. In 2006, this trend was also fuelled by a lack of major natural disasters. In Property and Casualty insurance, AXA Corporate Solutions revenues grew significantly in 2006. AXA Corporate Solutions pursued its development in property insurance business targeting risk managed accounts on selected industry sectors. Growth in revenues was also due to the development of construction insurance. In marine and aviation, one-off elements and negative change impacts explained a decrease in revenues in 2006 after a significant increase in 2005. Despite recent pressure on price, growth outlook remained positive considering an ongoing increase in air traffic worldwide and a booming shipping industry, particularly in Asia. AXA Corporate Solutions is among the top five large corporate risks insurers in Europe.

## Asset management[1]

In 2006, total long-term stock, bond and hybrid fund net inflows were $226 billion for 2006, compared with $192 billion for 2005. Specifically, stock net inflows increased 16% and bond net inflows increased 95% reflecting the continuing demand for retirement savings products such as life-style funds, asset allocation funds, and target maturity funds. The strong performance of funds investing in foreign stocks and the depreciation of the dollar also continued to attract strong demand for U.S. stock funds investing abroad. In addition, strong market appreciation of +13.6% for the S&P 500 U.S. Equity Index, +13.5% for the MSCI World Equity Index and +15.9% for the MSCI Europe Index increased assets under management. Favorable demographics continue to support industry expansion as financial advisors and planners continue to recommend mutual funds as the primary investment vehicle for retirement plans. A growing theme among investors is to focus on products with income distribution characteristics.

(1) Please note that the numbers quoted for the market data are 9M06.

# 2007 POST-CLOSING
## TRENDS

Global equity markets got off to a buoyant start boosted by optimistic economic growth prospects, robust corporate earnings and an active M&A environment. During late February/early March the global financial markets experienced volatility not seen since 2003, the beginning of the four-year bull market. Concerns of a market correction materialized when China's Shanghai Market sparked a worldwide equity sell-off causing significant downward pressure on all major indices; erasing recent benchmark highs. In addition, losses were extended in major markets by the concern of a slow down in US economic growth, the deteriorating condition of the US sub-prime mortgage lending market and the unwinding of the yen carry trade. However, since mid-March, markets seem to regain the lost ground. The European Central Bank and the Bank of England continued to raise their benchmark interest rates in early 2007 while the U.S. Federal Reserve maintained its target interest rate. Bond yields fell across all major bond markets during the month of February, highlighting the responsiveness of credit markets to turbulence in the equity markets.

The insurance sector had a solid start to the year with most large companies releasing 2006 earnings that exceeded expectations buoyed by strong equity markets in 2006 partially offset by the continued low interest rate environment, narrowing credit spreads and a flat yield curve. Specifically, life insurance earnings were robust driven by a continued product mix shift toward guaranteed equity products and an expansion in distribution channels. Property and casualty earnings demonstrated resilience again contributing strong earnings to 2006 results. Asset management earnings were a significant contributor aided by strong global equity market performances and higher net inflows.

# MARKET CONDITIONS
## IN 2006

## Financial markets

The major stock markets ended the year on an upbeat note. The equity markets posted double-digit growth in 2006, for the fourth year in a row, and fixed-income securities turned in slightly positive performances in the year.

The global economy slowed down, but it remained robust nonetheless, driven both by the United States and the emerging countries-especially China, which has once again posted gross domestic product growth in excess of 10% in 2006. In the United States, growth slowed down off slightly in 2006, to around 3.3%, while the Euro zone saw a marked improvement in its economic situation during the year.

Against this backdrop, monetary policies played a key role in 2006 with most of the world's countries embarking on a course of monetary tightening in 2006. The European Central Bank continued to harden its policy stance gradually, taking the repo rate from 2.25% in the early part of the year to 3.5% in December. In the United Kingdom, the Bank of England adjusted its policy twice, bringing the base rate to 5% in November. Japan ended its policy of 0 % interest rates in July, raising its intervention rate to 0.25%, marking the beginning of the process to normalize its monetary policy.

### Stock Markets

Throughout the year, the Dow Jones advanced by 16.3%, the S&P 500 by 13.6%, the NASDAQ by 9.5%, the Stoxx 50 by 11.3%, the DAX by 23.1%, the CAC by 18.9%, and the FTSE by 11.6%. The Nikkei was the biggest disappointment in 2006, gaining a mere 5%, after having advanced by 40% in 2005. Equity markets in emerging countries posted good performances in general, with China (+83%), Argentina (+67%) and Russia (+56%) standing out.

### Bond markets

The 10-year Treasuries climbed during the first part of the year, reaching as high as 5.25% before falling as the economy began to lose steam and the Fed ended its round of monetary tightening. Overall, government bonds performed in barely positive territory, with a marked outperformance of the United States. The performance of indexed bonds was comparable to that of nominals.

On the credit side, sustained growth, low volatility, solid credit quality and buoyant technical elements all helped to boost corporate bonds, which ended the year up by 5% on average.

### Exchange rates

Compared to December 31, 2005, the Dollar lost nearly 12% against the Euro (Closing exchange rate moved from 1.18$ at the end of 2005 to 1.32$ at the end of December 2006). The same was true for the yen at September 2006 but to a lesser extent (Closing exchange rate moved from 136.3 yens at the end of September 2005 used for Full Year accounts to 149.3 yens at the end of September 2006).

On an average rate basis, the Dollar lost 1% against the Euro (from 1.25$ over 2005 to 1.26$ over 2006), whereas the yen lost 5 % against the Euro at September 2006 (from 136.3 yens for the twelve months to September 2005 used for Full Year accounts to 142.9 for the twelve months to September 2006).

# DECEMBER 31, 2006
## OPERATING HIGHLIGHTS

### *Significant acquisitions and disposals*

#### *Acquisitions*

AXA Canada had announced on November 29, 2005, that it had entered into an agreement to buy Winterthur Canada Financial Corporation, whose main asset was **The Citadel General Assurance Company ("Citadel").** The acquisition was financed internally by the AXA Group. The transaction closed in March 2006. The purchase price amounted to €221 million, and the related goodwill to €99 million.

On May 8, 2006, AXA Asia Pacific Holdings announced it had completed the acquisition of **MLC Hong Kong** and **MLC Indonesia.** Each of the two purchases was subject to regulatory approval. Approvals were obtained for both purchases and completion occurred on terms consistent with AXA APH's February 21, 2006 announcement of the proposed purchase. The purchase price amounted to €340 million. Related intangibles amounted to €309 million, of which €115 million of goodwill and €194 million Value of Business in Force (net of tax).

On May 15, 2006, AXA announced **the squeeze-out of the minority shareholders of its German** subsidiary AXA Konzern AG, whereby it would acquire the 3.2% of AXA Konzern shares it did not already own at a price of €134.54 per ordinary share and preference share. The resolution of the squeeze-out was endorsed at the Annual General Meeting of AXA Konzern on July 20, 2006.

As announced on December 21, 2005, AXA made a voluntary public offer between January 9, 2006 and February 27, 2006 to purchase the minority shares of its German subsidiary **AXA Konzern AG** ("AXA Konzern") from minority shareholders at a price of €129.30 per ordinary and preference share. AXA reached a direct and indirect holding of 96.8% of the share capital of AXA Konzern as of the end of the offer period, thereby exceeding the 95% threshold that is a condition to launching a minority squeeze-out. Under the terms of the voluntary public offer, shareholders who tendered their shares to AXA at €129.30 per share during the offer period would also benefit from the higher squeeze-out price of €134.54 per share. At the end of December, the corresponding ownership rate of the group in the German subsidiaries amounted to 96.84% generating an additional goodwill of €92 million.

AXA proceeded with a squeeze-out of the 0.44% minority shareholding in Kölnische Verwaltungs-Aktiengesellschaft für Versicherungswerte AG ("KVAG") at a price of €2,042.01 per ordinary share. The principal asset of KVAG was a 25.6% stake in AXA Konzern's share capital. The resolution of the squeeze-out was endorsed at the annual general meeting of KVAG, held on July 21, 2006. The total investment to reach a 100% ownership in both AXA Konzern and KVAG starting from the situation as at January 1, 2006 amounted to €309 million. A part of this amount remained to be paid in 2007 as the registration of the squeeze out is subject to various procedures according to German law.

In order to further streamline the organization in Germany, AXA Konzern launched in parallel the squeeze-out of the minority shareholders of its listed life insurance subsidiaries. Upon the completion of these transactions, AXA would own directly or indirectly 100% of all its German subsidiaries.

AXA announced on June 14, 2006 that it had entered into a definitive agreement with Credit Suisse Group under which AXA would acquire 100% of **Winterthur** for CHF12.3 billion (€7.9 billion) to be paid in cash.

In addition, AXA refinanced CHF1.1 billion (€0.7 billion) of internal loans redeemed to Credit Suisse as of the closing date.

Winterthur's operations complement and strengthen AXA's distribution channels and product range, while further increasing AXA's geographic diversification, by both strengthening its European franchise and increasing its presence in high growth markets.

AXA secured the total financing of the acquisition of Winterthur through:

- €4.1 billion capital increase resulting in the issue of 208,265,897 new shares (see Capital operations below for more details).
- €3.8 billion of perpetual deeply subordinated note issues (see Capital Operations below for more details)
- €0.7 billion financed through internal resources.

On December 22, 2006, AXA received all necessary regulatory approvals and consequently closed the acquisition of Winterthur.

On December 22, 2006, AXA Asia Pacific Holdings (AXA APH) reached an agreement with AXA SA to acquire **Winterthur Life Hong Kong Limited (WLHK).** This followed the announcement of the completion of AXA SA's acquisition of the Winterthur Group from Credit Suisse.
AXA APH will acquire WLHK for consideration in the range of HK$1.7 billion to HK$2.4 billion ($AUD 278 million to $AUD 393 million). HK$1.9 billion ($AUD 311 million) will be payable on completion. This amount will be subject to an adjustment based on the future performance of the business measured in 2009.
AXA APH will be seeking shareholder approval for this acquisition at the Annual General Meeting in 2007. In addition, AXA APH has declined the opportunity to acquire Winterthur's Indonesian life insurance operations and Japanese operations.

On October 16, AXA entered into **an agreement with Alpha Bank** to acquire its insurance subsidiary Alpha Insurance for €255 million. AXA and Alpha Bank signed a long-term exclusive agreement to pursue and strengthen the existing bancassurance partnership.
Alpha Insurance is one of the top ten composite insurers on the Greek market with solid positions on profitable segments and a strong distribution network. Alpha Insurance recorded revenues of €151 million in 2005. It will be integrated to AXA's Mediterranean Region platform upon completion of the acquisition which is subject to regulatory approvals in Greece.

On October 23, AXA UK announced that it has reached agreement with the Board and two main institutional shareholders of Thinc Destini to acquire the entire share capital of **Thinc Destini.** AXA UK will be acquiring Thinc Destini using a newly created company, Advisory Services Limited ("ASL"). Under the terms of the agreement with the two main institutional shareholders and the Offer, the shareholders of Thinc Destini will share up to £70 million based primarily on the financial performance of the business during 2009. The maximum amount is subject to certain deductions as detailed in the terms of the Offer. AXA UK has also agreed to fund the repayment of Thinc Destini's existing indebtedness, which arose primarily due to Thinc Destini's acquisition of a number of IFA businesses, and provide further working capital to the Thinc Destini Group, up to an aggregate amount of £30 million. The transaction, which was subject to the satisfaction or waiver of certain conditions, including the Offer being accepted by Thinc Destini ordinary shareholders holding at least 90 per cent of the issued Thinc Destini ordinary shares, has closed on November 10, 2006.

On December 14, 2006, ONA and AXA had entered into an agreement for the buy-out of ONA's 49% share in the capital of **AXA-ONA** (the holding company of AXA Assurance Morocco). The transaction values AXA-ONA at MAD 6.382 billion (revised value, €573 million with December 31, 2006 exchange rate) for 100% of its share capital and will be financed locally. This agreement is an opportunity for

AXA Assurance Morocco to reinforce its integration in the AXA Group. Closing of this transaction is subject to regulatory approvals. Upon its completion, AXA Assurance Morocco will be 100% controlled by AXA. As at December 31, 2006, AXA's ownership interest and voting right percentages in AXA Assurance Morocco are both 51%.

### Disposals

AXA initiated in 2006 a strategic review regarding the future of its reinsurance activity, currently underwritten by AXA RE and reported in the "International Insurance" segment. Following the receipt of a binding offer on April 6, 2006 and consultation with the relevant workers' councils, AXA announced on June 6, 2006 the signing of a definitive agreement to cede **the business of AXA RE** to Paris Re Holdings Limited.

On December 21, 2006, AXA completed the sale of AXA RE's business to Paris Re Holdings, in which AXA had taken a 3.4% stake. Under the terms of the agreement, the business of AXA RE has been ceded to Paris Re Holdings, with the risks and corresponding net income related to AXA RE's 2006 claims experience accruing to Paris Re Holdings. This transaction generated a capital gain of €66 million net of tax on the business ceded. AXA guarantees the reserves pertaining to losses incurred on or before December 31, 2005. Starting with 2006 accounts, the accounting results of AXA RE accruing to the AXA Group will mainly comprise the impact of the loss reserve developments on the corresponding run-off portfolio and will be reported in the Other International Insurance segment.

## Capital and financing operations

### Capital operations

During the first semester of 2006, AXA pursued its **share purchase program** to control dilution arising from 2005 share-based compensation and employee Shareplan program and purchased 12.7 million shares for a total amount of €0.35 billion.

AXA announced on July 11, 2006 the completion of a €4.1 billion **capital increase** (1 new share for 9 previously held at a price of 19.8 euros per share) to finance part of the Winterthur acquisition, resulting in the issue of 208,265,897 new shares. The settlement and listing of the new shares on the Eurolist market of Euronext Paris took place on July 13, 2006. The new shares are eligible for any future dividend distributions, including the dividend paid in 2007 in respect of fiscal year 2006 earnings.

As part of the financing of the acquisition of Winterthur, AXA placed on July 6, 2006, **a triple-tranche Euro and Sterling perpetual deeply subordinated notes** for a total amount of approximately €2.2 billion, of which €1 billion for the Euro Perpetual Non-Call 10 year tranche (issued at a spread of 150 bps over Euribor), GBP 500 million for the Sterling Perpetual Non Call 10 year tranche (issued at 150 bps over Libor) and GBP 350 million for the Sterling Perpetual Non Call 20 year tranche (spread of 175 bps over Libor).

AXA also placed in October 2006 a triple-tranche **Australian perpetual deeply subordinated note issue** for a total amount of $AUD 750 million (approximately €0.5 billion).

On December 11, 2006, AXA priced a two-tranche **US$ perpetual deeply subordinated note issue** for a total amount of US$1.5 billion (approximately €1.1 billion) of which US$750 million for the US Dollar Perpetual Deeply Subordinated Non-Call 12 year tranche and US$750 million for the US Dollar Perpetual Deeply Subordinated Non-Call 30 year tranche.

For several years, the AXA Group has been offering to its employees in and outside of France, the opportunity to subscribe for shares issued by way of a capital increase reserved for employees. In 2006, employees invested a total of €375 million leading to a total issuance of 15.5 million newly issued shares. Employee shareholders represented approximately 4.98% of the outstanding share capital as of the end of 2006.

### Financing operations

In 2006, in order to further protect the Group net assets denominated in U.S. dollars, AXA implemented a U.S.$ 2 billion foreign exchange hedge, at an average rate €/$ of 1.25. Overall US Dollar 11.1 billion group net assets are hedged at an average rate of €/$ 1.17.

At June 30, 2006, in order to hedge the acquisition price of Winterthur, AXA implemented foreign exchange forwards denominated in Swiss francs for CHF7.3 billion.

## Other operations

On November 13, 2006, AXA completed its first **mortality risk securitization transaction** by the implementation through a special purpose vehicle, "OSIRIS Capital plc", of a €1 billion shelf program in order to transfer mortality risk to the capital markets. This shelf program is a flexible and efficient structure to diversify sources of cover for the Group's mortality risk exposure by benefiting from the broad capacity of capital markets. In this framework, AXA announced the placement of notes indexed to mortality levels in France (60% of the combined index), Japan (25%) and the US (15%), for a total amount of circa €345 million in four different tranches rated AAA, A-, BBB, BB+.

# EVENTS SUBSEQUENT
## TO DECEMBER 31, 2006

On January 4, 2007, AXA reached an agreement with QBE Insurance Group for the sale of **Winterthur's US operations** for US$1,156 million (€920 million taking into account hedges put in place by AXA for this transaction at 1 Euro = 1.26 US$). In addition, Winterthur US will repay US$636 million of which US$79 million have been repaid in Q4 2006 (€506 million taking into account hedges put in place by AXA for this transaction at 1 Euro = 1.26 US$) of inter-company loans to Winterthur Group. This transaction follows AXA's decision to put Winterthur US operations under strategic review, as initially announced on June 14, 2006. The transaction is subject to necessary regulatory approvals and is expected to close during the second quarter of 2007.

On January 11, 2007, the meetings of holders of **AXA's 2014 and 2017 convertible bonds** were held to vote on an amendment of the final conversion dates of the bonds to January 26, 2007 in exchange for a cash payment in respect of the value of the conversion option.

The meeting of holders of the 2014 convertible bonds approved the amendment. Consequently, holders who did not convert their bonds by January 26, 2007, received €16.23 per bond on January 31, 2007. The meeting of holders of the 2017 convertible bonds did not approve the amendment. Consequently, to fully neutralize the dilutive impact of the 2017 convertible bonds AXA has purchased from a banking counterparty, for a total cash amount equivalent to the payment proposed to bondholders, call options on the AXA share with an automatic exercise feature. This feature is such that one option is automatically exercised upon each conversion of a convertible bond. Consequently, each issuance of a new share resulting from the conversion of the bond will be offset by the delivery by the bank to AXA (and subsequent cancellation) of an AXA share; The issuance of a share in respect of the conversion of the bond and the cancellation by AXA of the AXA share received will offset each other. As a result of this transaction, there will no longer be a change to the outstanding number of AXA shares created by the convertible bond conversion.

For AXA shareholders, these transactions resulted in the elimination of the potential dilutive impact of the 2014 and 2017 convertible bonds (i.e. a maximum of 65.8 million shares). The total cash consideration paid by AXA amounts to €245 million.

On January 12, 2007, AXA UK announced that it has reached agreement with **insurance brokers Stuart Alexander and Layton Blackham** to acquire both businesses. AXA UK will be acquiring both firms through its subsidiary Venture Preference Ltd which already owned 38.9% of Layton Blackham. The two companies are to be combined and will have considerable autonomy to develop the business and will maintain independent broking status. Quality accounts with current insurers will be maintained and grown. The total cash consideration paid for 61.1% of Layton Blackham and 100% of Stuart Alexander amounts to £58.5 million.

On February 7, 2007, AXA UK announced that it is to acquire the UK's only 100% online insurer, **Swiftcover,** jointly owned by international insurer Primary Group and Swiftcover's management. The transaction is subject to the satisfaction or waiver of certain conditions including regulatory approval. Swiftcover is a business on the UK personal direct market, with net inflows of 120,000 policies in 2006. The upfront cash consideration for Swiftcover amounts to £75 million, with an additional potential earn out of £195 million maximum over the next 4 years, based on policy volume and combined ratio level.

In connection with **AllianceBernstein's** acquisition of the business of SCB Inc., formerly known as Sanford C. Bernstein, Inc., in 2000, AXA Financial Inc. entered into a purchase agreement under which certain former shareholders of Sanford Bernstein have the right to sell ("Put") to AXA Financial, subject to certain restrictions set forth in the agreement, limited partnership interests in AllianceBernstein L.P. ("AllianceBernstein Units") issued at the time of the acquisition.

As of the end of 2006, AXA Financial, either directly or indirectly through wholly owned subsidiaries, had acquired a total of 24.5 million AllianceBernstein Units for an aggregate price of approximately $885.4 million through several purchases made pursuant to the Put. AXA Financial completed the purchase of another tranche of 8.16 million AllianceBernstein Units pursuant to the Put on February 23, 2007 for a total price of approximately $746 million. This purchase increased the consolidated economic interest of AXA Financial, Inc. and its subsidiaries in AllianceBernstein L.P. by approximately 3% from 60.3% to 63.3%.

On March 16, 2007, AXA reached an agreement with Kyobo Life to acquire its 75% stake in **Kyobo Auto** which has a leading position in the South Korean direct motor insurance market with revenues of KRW 346 billion (€278 million) and a market share above 30%. Following this acquisition, the AXA Group will serve over 2 million clients through its direct distribution P&C operations worldwide. Completion of this transaction was subject to local regulatory approvals.

On March 19, 2007, AXA Holdings Belgium SA reached an agreement with **ELLA** Holdings Ltd and its main shareholder Royalton Capital Investors to acquire 100% of the Hungarian retail bank ELLA and its affiliates. Originally specialized in on-line banking and today the fastest growing bank in Hungary, ELLA is the 6th largest supplier of mortgage loans in the country with total assets of €375 million. The combination of AXA Hungary's operations, the 5th largest company in the pensions market; with those of ELLA Bank shall duplicate the successful business model of AXA in Belgium. Completion of this operation was subject to required regulatory approvals.

On March 23, 2007, **AXA and BMPS** reached an agreement for the establishment of a long term strategic partnership in life and non-life bancassurance as well as pensions business. AXA will acquire:
– 50% of MPS Vita (life and savings) and MPS Danni (P&C);
– 50% of BMPS open pension funds business.

Management of insurance companies assets (€13 billion as of year-end 2006) and open pension funds assets (€0.3 billion as of year-end 2006).

The partnership will be the sole platform for developing AXA's and BMPS's operations in the Italian bancassurance and pensions market including any new distribution channel. The objective of the transaction is to further strengthen and consolidate the competitive position of the joint operations in life and non-life bancassurance and increase their profitability by: i) leveraging AXA specific know-how to capture fully the growth potential and develop a leading position in the Italian pensions market and ii) fully exploiting the potential of BMPS's franchise, improving the product and service offer, and achieving higher efficiency and commercial effectiveness.

Total cash consideration to be paid by AXA in this transaction is €1,150 million and will be financed with internal resources.

The closing of the transaction is subject to regulatory approvals.

# CONSOLIDATED
## OPERATING RESULTS

### Consolidated gross revenues

(in Euro million)

| CONSOLIDATED GROSS REVENUES [a] | 2006 | 2005 | 2004 | Variation 2006/2005 |
|---|---|---|---|---|
| Life and Savings | 50,479 | 45,116 | 42,344 | 11.9% |
| *of which Gross written premiums* | *48,786* | *43,496* | *41,103* | *12.2%* |
| *of which Fees and revenues from investment contracts with no participating feature* | *608* | *509* | *417* | *19.5%* |
| Property & Casualty | 19,793 | 18,874 | 17,852 | 4.9% |
| International Insurance [b] | 3,716 | 3,813 | 3,363 | – 2.5% |
| Asset Management | 4,406 | 3,440 | 3,084 | 28.1% |
| Other Financial services (Net banking revenues) [c] | 381 | 428 | 387 | – 10.9% |
| Holding companies activities | – | – | – | – |
| *TOTAL* | *78,775* | *71,671* | *67,031* | *9.9%* |

*(a) Net of intercompany eliminations.*
*(b) Including AXA RE.*
*(c) Excluding net realized capital gains and change in fair value of assets under fair value option and derivatives, net banking revenues and total consolidated revenues would respectively amount to €393 million and €78,793 million for the period of December 31, 2006.*

**Consolidated gross revenues for full year 2006 reached €78,775 million, up 9.9% compared to previous period.**

Excluding the restatements to comparable basis, of which the impact of the appreciation of the Euro against other currencies (€423 million or 0.6 point, mainly from the Japanese Yen and US Dollar), and scopes differences, notably the restatement of AXA RE business (€234 million or 0.6 point), **gross consolidated revenues were up 11% on a comparable basis.**

**Total life New Business APE**[1] reached €6,234 million, up 13.9% compared to full year 2005. On a comparable basis, Group New Business APE increased by 14.8%. This growth was attributable to all significant countries except Belgium.

France new business APE increased by 14% to €1,231 million with Individual business up 12% and Group business up 21%. Individual business growth was largely driven by unit-linked Investment & Savings up 31% to represent 38% of Individual savings as well as by the 33% increase in individual Life and Health thanks to the successful launch of new products in proprietary channels (Héliade and Prêt-à-Protéger) and new Health offers targeting families and independent workers. Group new business benefited from some large non unit-linked single premiums.

The United States APE increased by 14% to €1,922 million mainly attributable to Variable Annuity (+17%) and Individual Life (+18% excluding COLI –Corporate Owned Life Insurance–). Excluding Fixed Annuities, COLI and mutual funds, APE was up 17% with a 51% increase in Variable Annuity distributed through the wholesale planner channel.

(1) Annual premium equivalent is New regular premiums, plus one tenth of Single premium, in line with Group EEV methodology. APE is Group Share.

Japan APE increased by 16% to €651 million following the growth in individual business (+18% to €627 million), driven by strong sales of Increasing Term products and SPA (saving product), partly offset by the continued declining momentum in LTPA sales. Group business decreased by 26% driven by lower Mutual Aid sales.

In the United Kingdom, new business APE was up 38% to €1,134 million driven by strong growth in Investment & Savings (+55%) largely due to sales of unit-linked investment bond, particularly offshore bonds in the fourth quarter of 2006, following enhancements to the offshore bond products during the year. Pension business also continued to demonstrate strong growth in the wake of A-day (+29%).

Germany APE increased by 6% to €287 million. Restated from the backlog effect in 1Q05 linked to a change in tax regulation in 2004, APE increased by 29% mainly driven by Investment & Savings unit-linked products (especially Twinstar) and Health business (notably following the launch of a new Medical Cost Insurance product).

Benelux new business APE declined by 9% due to Belgium APE down 11%, (or –8% excluding the impact of the termination of the distribution agreement with “La Poste” in the second quarter of 2005), mainly due to a decrease in non unit-linked product sales (notably Crest), as a new tax on premiums introduced in early 2006 triggered exceptionally high sales in December 2005 and a significant decrease of the whole market in 2006. Netherlands APE was up 6% notably driven by Group pension business.

Southern Europe new business APE was up 2% to €143 million, driven by the 20% growth in proprietary channels which more than offset the 28% decline in non-proprietary channels linked to the termination in May 2005 of a bancassurance agreement in Spain. Overall, while single premium products were down 15%, regular premium products benefited from new product launches in 2006.

Australia/New Zealand new business APE remained nearly stable as strong growth in the superannuation and investment fund inflows were offset to a large extent by a decrease in the more volatile international equity mandates into the JV with AllianceBernstein (which included two large mandate wins in 2005). Excluding AllianceBernstein mandates, APE was up 13%.

Hong Kong new business APE was up 28% on a comparable basis to €100 million benefiting from (i) the increase in Individual Life regular premiums, notably through the broker channel, (ii) strong growth in single premium unit linked products and (iii) new unit trust products sold through bank distribution agreements.

**Property & Casualty gross written premiums were up 4.9%, or +4.3% on a comparable basis to €19,793 million,** mainly driven by United Kingdom & Ireland (+7% to €4,721 million), France (+4% to €5,187 million), Southern Europe (+4% to €3,152 million), Turkey (+20.5% to €507 million), Morocco (+17% to €163 million) and Japan (+20% to €158 million).
Personal lines (62% of P&C premiums) were up 5% on a comparable basis, stemming from both Motor (+4%) and Non Motor (+5%).

Motor revenues grew 4%, mainly driven by Southern Europe up 6%, recording strong net inflows of 293,700 policies owing to the launch of new products, United Kingdom & Ireland up 16%, due to updated pricing strategies and new business growth, Germany up 4%, with net inflows of 157,000 policies, and France up 1% due to positive net inflows (+58,000 new contracts). Japan (+20%) and Turkey (+15%) also contributed to motor revenue growth while in Canada, Motor revenues were down 10% mainly impacted by the 18/24 months policies sold in 2005 leading to less renewals in 2006.

Non-motor revenues increased by 5% mainly driven by new products launches in UK household, positive net inflows in Household with and ongoing price increase in France, the introduction of natural catastrophe guarantees in Belgium, and growth in all lines in Southern Europe.

**Commercial lines (37% of P&C premiums) recorded a +4% growth on a comparable basis.**

Motor revenues were up 3% on a comparable basis, mainly as positive evolution in France (+3%, overall positive inflows), the Netherlands (+5%, mainly attributable to authorized agents), Southern Europe (+3%, growth of the existing fleets and the signature of new contracts), Belgium (+4%, as a result of portfolio and tariff increases), and the United Kingdom & Ireland (+2%).
Non-motor revenues were up 4% on a comparable basis, mainly driven with France up 6% driven by Construction and Liability, the United Kingdom including Ireland up 5%, driven by Property and Belgium up 7%, with positive growth in most lines of business. Germany was down 2%, experiencing increased competition in Industrial Property, and Southern Europe was down 5% following non renewals of some low profitability contracts.

**Other Lines[1] (1% of P&C premiums)** revenues increased by 7% on a comparable basis mainly due to AXA Art in Germany.

**International Insurance** revenues were down 2.5% or up 7% on a comparable basis to €3,716 million attributable to both AXA Corporate Solutions Assurance and AXA Assistance.

**AXA Corporate Solutions Assurance** revenues were up 5% or 7% on a comparable basis to €1,689 million, driven by portfolio development in Property and Construction. Such development was achieved through selective new business activity focused on risk managed accounts in targeted industry sectors and despite softening market conditions.

**AXA Assistance** revenues were up 13% or 11% on a comparable basis to €621 million reflecting increased business with car manufacturers (France), positive new inflows on travel insurance (mainly in Germany) and home service providing (France, United Kingdom) as well as the gain of some major contracts in the US.

**Other transnational activities** revenues (including the transfer of reinsurance activities formerly led by AXA RE to "Other Transnational") were down 15% to €1,351 million, mainly attributable to AXA RE (–16% to €1,217 million) principally due to a decrease in (i) current year gross attritional written premiums, and (ii) gross Major Losses reinstatement premiums all years mainly related to 2005 Major Losses (especially Katrina, Rita and Wilma hurricanes).

**Asset management** revenues increased by 28% or 29% on a comparable basis to €4,406 million, driven by higher average Assets under Management (+18.5% or 17% excluding Framlington) and strong net inflows (€+17 billion to €73 billion).

**AllianceBernstein** revenues were up 20% or 25% on a comparable basis to €2,961 million due to higher investment advisory fees driven by 18% higher average AUM, as a result of net new business inflows and strong market appreciation, and higher performance fees.

AUM increased by €54 billion to €544 billion driven by €38 billion net inflows across all client categories and €72 billion favorable market impact, partly offset by €57 billion unfavorable exchange rate impact.

**AXA Investment Managers** revenues including those earned from AXA insurance companies eliminated in consolidation, increased by €484 million, or +40% to €1,679 million. Excluding fees retroceded to distributors, AXA Framlington impact (€13 million in 2005 and €126 million in 2006), and exchange rate variation (€2 million), net revenues grew by 30%

(1) Please note that UK Health is no longer reported in other lines but is now allocated between personal non motor and commercial non motor lines.

on a comparable basis, driven by higher average AUM (+16% on a comparable basis), a positive client and product mix evolution, and higher performance fees.

AUM increased by €53 billion to €485 billion mainly driven by €35 billion positive net inflows, mainly from third-party institutional and retail clients, and €20 billion favorable market impact, partly offset by €–4 billion foreign exchange rate impact.

**Net banking revenues in Other Financial Services** were down **10.9% or –11% on a comparable basis to €381 million,** mainly attributable to AXA Bank Belgium (–12% to €293 million), as a result of the decrease of (i) realized capital gains, (ii) mark to market mainly due to derivatives (natural hedge on investment portfolio and credit spread portfolio) partly offset by an increase in loans and the money market and (iii) net interest and fee income.

# Consolidated underlying, adjusted earnings and net income

(in Euro million)

| UNDERLYING EARNINGS, ADJUSTED EARNINGS AND NET INCOME | 2006 | 2005 Restated [b] | 2005 Published | 2004 Restated [b] | 2004 Published |
|---|---|---|---|---|---|
| Gross written premiums | 72,099 | 65,995 | 65,995 | 62,152 | 62,152 |
| Fees and revenues from investment contracts with no participating feature | 608 | 509 | 509 | 417 | 417 |
| **Revenues from insurance activities** | **72,707** | **66,504** | **66,504** | **62,570** | **62,570** |
| Net revenues from banking activities | 393 | 408 | 408 | 402 | 402 |
| Revenues from other activities | 5,693 | 4,733 | 4,733 | 4,074 | 4,074 |
| ***TOTAL REVENUES*** | ***78,793*** | ***71,645*** | ***71,645*** | ***67,046*** | ***67,046*** |
| **Change in unearned premium reserves net of unearned revenues and fees** | **(498)** | **(502)** | **(502)** | **(97)** | **(104)** |
| **Net investment result excluding financing expenses [a]** | **30,774** | **30,928** | **30,928** | **25,279** | **25,279** |
| Technical charges relating to insurance activities [a] | (84,074) | (80,829) | (80,827) | (72,008) | (72,009) |
| Net result of reinsurance ceded | (1,455) | (141) | (141) | (1,063) | (1,063) |
| Bank operating expenses | (78) | (61) | (61) | (101) | (101) |
| Insurance Acquisition expenses | (7,162) | (6,508) | (6,509) | (5,936) | (5,928) |
| Amortization of value of purchased life business in force | (241) | (529) | (529) | (389) | (389) |
| Administrative expenses | (8,751) | (8,570) | (8,570) | (7,686) | (7,686) |
| Valuation allowances on tangibles assets | 18 | (3) | (3) | (11) | (11) |
| Other | (451) | (197) | (197) | (243) | (243) |
| **Other operating income and expenses** | **(102,193)** | **(96,839)** | **(96,838)** | **(87,438)** | **(87,430)** |
| ***INCOME FROM OPERATING ACTIVITIES, GROSS OF TAX EXPENSE*** | ***6,876*** | ***5,233*** | ***5,233*** | ***4,790*** | ***4,790*** |
| Net income from investments in affiliates and associates | 21 | 20 | 20 | 55 | 55 |
| Financing expenses | (474) | (481) | (602) | (439) | (583) |
| ***OPERATING INCOME GROSS OF TAX EXPENSE*** | ***6,423*** | ***4,772*** | ***4,651*** | ***4,406*** | ***4,262*** |
| **Income tax expense** | **(1,793)** | **(943)** | **(900)** | **(1,250)** | **(1,199)** |
| **Minority interests in income or loss** | **(620)** | **(492)** | **(492)** | **(426)** | **(426)** |
| ***UNDERLYING EARNINGS*** | ***4,010*** | ***3,337*** | ***3,258*** | ***2,730*** | ***2,637*** |
| Net realized capital gains attributable to shareholders | 1,130 | 944 | 850 | 679 | 705 |
| ***ADJUSTED EARNINGS*** | ***5,140*** | ***4,281*** | ***4,108*** | ***3,409*** | ***3,342*** |
| Profit or loss on financial assets (under fair value option) & derivatives | (226) | 122 | 149 | 416 | 428 |
| Exceptional operations (including discontinued operations) | 196 | (72) | (72) | 10 | 10 |
| Goodwill and other related intangibles impacts | (24) | (13) | (13) | (41) | (41) |
| ***NET INCOME*** | ***5,085*** | ***4,318*** | ***4,173*** | ***3,793*** | ***3,738*** |

*(a) For the periods ended December 31, 2006, December 31, 2005, and December, 2004, the change in fair value of assets backing contracts with financial risk borne by policyholders impacted the net investment result for respectively €15,370 million, €13,978 million and €10,543 million, and benefits and claims by the offsetting amounts respectively.*

*(b) Restated means: (i) transfer of the forex impact from adjusted earnings to net income, (ii) following clarification of IFRIC agenda committee following IASB decision, AXA has reclassified TSDI instruments (perpetual subordinated debts) into shareholders' equity for all periods presented in the 2006 financial statements with impact on net income, and (iii) in line with new accounting FRS27, the reclassification in the United Kingdom of some With-Profit technical reserves to allow for all future terminal bonuses payable to With-Profit policyholders within the allocated policyholder reserves, previously held in the unallocated policyholder bonus reserve, without any impact on earnings.*

(in Euro million)

| | 2004 Published | Transfer of foreign exchange impact from adjusted earnings to net income | TSDI reclassification impact | 2004 Restated [(b)] |
|---|---|---|---|---|
| ***UNDERLYING EARNINGS*** | ***2,637*** | ***–*** | ***93*** | ***2,730*** |
| Net realized capital gains [(a)] | 705 | (26) | – | 679 |
| ***ADJUSTED EARNINGS*** | ***3,342*** | ***(26)*** | ***93*** | ***3,409*** |
| Profit or loss on financial assets & derivatives and tax impact | 428 | 26 | (38) | 416 |
| Exceptional operations | 10 | – | – | 10 |
| Goodwill and related intangibles | (41) | – | – | (41) |
| ***NET INCOME*** | ***3,738*** | ***–*** | ***55*** | ***3,793*** |

*(a) €26 million includes €38 million related to foreign exchange impact on TSDI.*
*(b) Please note that FRS 27 impacts on the statement of income (underlying basis) are not detailed as they are not significant.*

(in Euro million)

| | 2005 Published | Transfer of foreign exchange impact from adjusted earnings to net income | TSDI reclassification impact | 2005 Restated [(b)] |
|---|---|---|---|---|
| ***UNDERLYING EARNINGS*** | ***3,258*** | ***–*** | ***79*** | ***3,337*** |
| Net realized capital gains [(a)] | 850 | 94 | – | 944 |
| ***ADJUSTED EARNINGS*** | ***4,108*** | ***94*** | ***79*** | ***4,281*** |
| Profit or loss on financial assets & derivatives and tax impact | 149 | (94) | 66 | 122 |
| Exceptional operations | (72) | – | – | (72) |
| Goodwill and related intangibles | (13) | – | – | (13) |
| ***NET INCOME*** | ***4,173*** | ***–*** | ***145*** | ***4,318*** |

*(a) €–94 million includes €–66 million related to foreign exchange impact on TSDI.*
*(b) Please note that FRS 27 impacts on the statement of income (underlying basis) are not detailed as they are not significant.*

(in Euro million)

| UNDERLYING EARNINGS, ADJUSTED EARNINGS AND NET INCOME | 2006 | 2005 Restated [(a)] | 2005 Published | 2004 Restated [(a)] | 2004 Published |
|---|---|---|---|---|---|
| Life & Savings | 2,325 | 1,931 | 1,931 | 1,563 | 1,563 |
| Property & Casualty | 1,453 | 1,346 | 1,346 | 1,102 | 1,102 |
| International Insurance | 131 | 68 | 68 | 138 | 138 |
| Asset Management | 508 | 396 | 396 | 300 | 300 |
| Other Financial Services | 51 | 67 | 67 | 23 | 23 |
| Holding companies | (457) | (471) | (549) | (396) | (489) |
| ***UNDERLYING EARNINGS*** | ***4,010*** | ***3,337*** | ***3,258*** | ***2,730*** | ***2,637*** |
| Net realized capital gains attributable to shareholders | 1,130 | 944 | 850 | 679 | 705 |
| ***ADJUSTED EARNINGS*** | ***5,140*** | ***4,281*** | ***4,108*** | ***3,409*** | ***3,342*** |
| Profit or loss on financial assets (under fair value option) & derivatives | (226) | 122 | 149 | 416 | 428 |
| Exceptional operations (including discontinued operations) | 196 | (72) | (72) | 10 | 10 |
| Goodwill and other related intangibles impacts | (24) | (13) | (13) | (41) | (41) |
| ***NET INCOME*** | ***5,085*** | ***4,318*** | ***4,173*** | ***3,793*** | ***3,738*** |

*(a) Restated means: (i) transfer of the forex impact from adjusted earnings to net income, and (ii) following clarification of IFRIC agenda committee following IASB decision, AXA has reclassified TSDI instruments (perpetual subordinated debts) into shareholders' equity for all periods presented in the 2006 financial statements with impact on net income.*

**Group underlying earnings** reached **€4,010 million, up 20% or €+673 million compared to 2005. On a constant exchange rate basis,** the growth was **€+690 million,** attributable to main operational segments.

**Life & Savings** underlying earnings were **up €+394 million or €+417 million on a constant exchange rate basis.** Excluding Japan 2005 non-recurring items (€67 million), **underlying earnings** were up +484 million on a constant exchange rate basis mainly attributable to **the United States** (€+143 million to €1,000 million, of which €+92 million favourable income tax settlement in 2006), **France** (€+76 million to €462 million), **Japan** (€+70 million to €256 million), **the United Kingdom** (€+70 million to €155 million) and **Germany** (€+39 million to €69 million).

Japan recorded €+67 million non-recurring items in the full year 2005 underlying earnings. These non-recurring items consisted in a significant DTA valuation allowance release of €225 million pre-Minority Interests (or €220 million net), following the improvement in the recovery of tax losses carry forward, partly offset by DAC and VBI one-off amortization for respectively €–27 million and €–219 million pre-tax & minority interests (or €–17 million and €–136 million net), following a change of future investment assumptions.

**Underlying earnings** (excluding Japan 2005 non recurring items) increased by €484 million on a constant exchange rate basis, mainly resulting from:

(i) An **improved investment margin** (€+137 million), primarily in the United States (€+58 million due to higher investment income), Germany (€+30 million mainly driven by higher fixed maturities income as well as lower policyholder participation), United Kingdom (€+16 million due to shareholder's participation in higher With Profit bonuses), and Australia and New Zealand (€+19 million due lower interest expense on inter-company loans and debts and strong investment market performance), partly compensated by France (€–48 million due to lower investment income partly offset by lower policyholder participation).

(ii) **Higher Fees and Revenues** (€+789 million) principally pulled up by the United States (€+243 million notably due to higher fees earned on separate account business), France (€+149 million due to higher sales and increased asset base), the United Kingdom (€+132 million due to an increase in loadings on Life and Pensions business premiums primarily due to a change to an Onshore Bond Product to incorporate insurance features), Japan (€+88 million mainly due to higher sales notably of increasing Term, Term and high margin Health products), and Australia / New Zealand (€+82 million attributable to strong inflows and higher funds under management and administration following strong market performance).

(iii) An **improved net technical margin** (€+117 million) mainly driven by the United Kingdom (€+65 million or €+34 million excluding the impact of the change in the allocation methodology with fees and revenues, principally due to higher mortality and morbidity profits and 2006 non recurring items), Australia / New Zealand (€+26 million due to more favorable claims termination experience in the health business and strong claims experience in group life), Hong Kong (€+23 million due to better claims experience together with successful National Life switching campaigns leading to an increase in the surrender margin), partly compensated by Japan (€–39 million driven by a €–52 million decrease in mortality margin).

(iv) A **lower level of VBI amortization** (€+66 million) mainly attributable to Japan (€+100 million), reflecting notably (i) the lower 2006 amortization due to a reduced VBI opening balance and (ii) the impact from actuarial assumption changes, mainly related to mortality (€+38 million).

This was partly offset by:

(v) **Higher expenses including Deferred Acquisition Costs** (€–372 million impact), mainly in the United States (€–168 million reflecting reactivity to higher margins in products which are DAC-reactive and lower favorable DAC unlocking for expected higher emerging margins on annuity and variable and interest sensitive life products), France (€–90 million due to increased commissions and higher general expenses mainly due to salaried sales force and IT costs), Australia / New Zealand (€–49 million due to higher commissions associated with increased fees and revenues) and Hong Kong (€–36 million mainly due to higher commissions).

(vi) **Tax and minority interests**[1] increased by €253 million mainly attributable to the United Kingdom (€+172 million due to increasing pre-tax earnings and non-recurring increases in deferred tax provisions of €102 million, primarily as result of a reassessment of the likelihood of a future distribution from the attributed Inherited Estate), and Japan (€+54 million in line with higher taxable earnings), partly offset by France (€–65 million as some dividends on equities were taxed at a reduced rate while previously taxed at full rate and reflecting the 0.5 point decrease in French short term tax rate), and the United States (€–18 million principally due to the impact of a €92 million favourable tax settlement in 2006 partly offset by higher taxes on higher pre-tax earnings).

**Property & Casualty** underlying earnings improved by €107 million to €1,453 million. This improvement was attributable to almost all countries in particular Canada (€+33 million), Southern Europe (€+23 million), Belgium (€+19 million) and France (€+20 million):

(i) **A higher net technical result** (€+507 million to €6,266 million), with **an accounting loss ratio improving by 0.9 point to 68.3%,** partly offset by:

(ii) **Higher expenses** (€–317 million to €–5,647 million), **the expense ratio deteriorated by 0.1 point to 28.6 %** driven by (i) a 1.1 point higher acquisition ratio notably in the United Kingdom ( mainly change in business mix), partly offset by (ii) a lower administrative expense ratio by 1.0 point, notably in Germany (helped by VAT impact).

As a consequence, **Group combined ratio improved by 0.8 point to 96.9%:**

(iii) **Higher investment income overall** (€+135 million to €1,586 million).

(iv) **Higher income tax expense** (€–226 million to €–719 million) in line with higher pre-tax earnings.

(v) **Income/Loss arising from investment in affiliates and associates-equity method** increased by €6 million due to the new consolidated business in Malaysia.

(vi) **Minority interest** decreased by €2 million, of which €–8 million in Germany following the purchase of some minority shares of AXA Konzern AG at the end of June 2006, partly offset by €5 million on Turkey, previously accounted for under the equity method.

**International Insurance** underlying earnings reached **€131 million, up €63 million** on a current exchange rate basis or €62 million on a constant exchange rate basis, mainly attributable to **Other transnational activities (€+52 million),** mainly as a result of (i) the contribution of AXA Re's run-off portfolio (€22 million driven by favorable claims experience on 2005 and prior years) and (ii) a €43 million higher result on the other non-Life run-off portfolios mainly due to the positive result generated by the commutation of some large portfolios, partly offset by (iii) a €–13 million lower result of the AXA RE US Life run-off portfolio fully explained by the cost of fully hedging on the remaining exposure of this portfolio.

(1) And earnings of entities for which no margin analysis is performed.

**Asset Management** underlying earnings increased by **€111 million on a current exchange rate basis, or €114 million on a constant exchange rate basis to €508 million,** attributable to both AllianceBernstein (€+64 million to €302 million) and AXA Investment Managers (€+50 million to €206 million), following:

(i) higher average Assets Under Management (+18% at AllianceBernstein and +16% at AXA Investment Managers on comparable basis) and increased performance fees,

(ii) positive client and product mix evolution.

**Other Financial Services** underlying earnings decreased by **€16 million to €51 million,** mainly attributable to AXA Bank Belgium (€–29 million to €21 million), due to lower fixed income capital gains, a lower interest margin, and the non recurrence of the reversal in 2005 of a provision for risks related to loan activities in France following a favorable court decision.

**Holdings underlying earnings** were up €14 million on a current exchange rate basis, or €13 million on a constant exchange rate basis, to €–457 million mainly attributable to:

(i) AXA France Assurance (€+19 million to €–13 million) due to the non recurrence of a €14 million settlement with Armenian policyholders in 2005.

(ii) German holdings (€+48 million to €29 million) mainly due to the tax refund following an industry wide change in tax legislation in 2006.

(iii) Belgium holdings (€+14 million to €–10 million) principally due to the non recurrence of the indemnity fee paid in 2005 following the early repayment of a loan to AXA Bank Belgium.

Partly offset by:

(iv) AXA Financial (€–27 million to €–135 million) as a result of higher net interest expense principally related to short-term borrowings from AXA and higher share based compensation expenses.

(v) AXA Asia Pacific Holding (€–22 million to €–24 million) notably due to the non-recurrence of a positive income received in 2005 on cross currency interest rate swaps, following the restructuring of the forward rate hedging in July 2005.

(vi) AXA SA (€–16 million to €–219 million, or €–54 million excluding a non recurring tax benefit of €39 million in 2006 compared to €70 million in 2005, and €69 million financial income in 2006 on proceeds from Winterthur financing [rights and TSS issues]) mainly due to (i) a €20 million higher financial charge mostly related to the financing of the FINAXA exchangeable bond buy-back and the dilution control program partly offset by positive volume effects due to increasing cash flows received from entities and (ii) €30 million some non recurring costs related to share based compensation plans.

**Group net capital gains attributable to shareholders** were up €186 million on a current exchange rate basis or €187 million on a constant exchange rate basis to €1,130 million, mainly as a result of:

– higher net realized capital gains by €298 million on a current exchange rate basis or €299 million on a constant exchange rate basis mainly coming from Belgium (€+264 million to €407 million, of which €170 million in Life and Savings entities, €89 million in Property and Casualty) mainly in equity investments, partly offset by,

– the non-repeat of €115 million release of valuation allowance on tax losses carried forward in Japan in 2005.

As a result of higher underlying earnings and higher net capital gains, **adjusted earnings were up €859 million or €877 million on a constant exchange rate basis to €5,140 million.**

**Net income** reached **€5,085 million, up €767 million or €784 million on a constant**

**exchange rate basis** (+18% in both current and constant exchange rate base).

This growth was the result of:

(i) **Higher adjusted earnings** (+20% or €+877 million to €5,140 million).

(ii) **Lower result on financial assets accounted for under Fair Value Option and derivatives including foreign exchange impact (€–350 million to €–226 million)** principally attributable to AXA SA (€–361 million to €–367 million) as a result of:
- a €–404 million change in the mark-to market of interest rate derivative instruments not considered as hedge accounting, mainly due to:
  (i) €–174 million related to interest swaps denominated in Euro covering the long term interest risk of long term debts due to the increase of Euro interest rate during 2006,
  (ii) €–69 million due to a decrease on CHF interest rates linked to long term CHF denominated swaps (CHF5 billion nominal value) used to finance Swiss assets of Winterthur,
  (iii) €–133 million related to a lower increase of U.S$ interest rates linked to currency swaps in 2006 compared to 2005,
- a €–43 million corresponding to foreign exchange operations of which €–52 million related to TSDI foreign exchange hedges no more eligible to natural hedge accounting linked to the reclassification in shareholder's equity of TSDI,
- partly offset by a €+85 million due to the change of the mark-to-market of foreign currency options hedging AXA Group underlying earnings denominated in foreign currencies.

(iii) **Slight increase of goodwill and other related intangible impacts (€–12 million to €–24 million).**

(iv) **Higher exceptional operation result** (€+269 million to €196 million).

**2006 Exceptional operations (€196 million)** are related to:
– €86 million dilution gains in AllianceBernstein and €4 million related to sale of Alliance Cash Management business.
– Tax refund related to the sale of DLJ (€43 million), release of contingency provision related to the sale of Advest (€3 million) and dilution gains (€9 million) in the US holdings.
– €66 million related to the gain on the sale of AXA RE's business.
– €22 million related to the first consolidation of Malaysia P&C (€13 million), the price supplement on the disposal of Health portfolio to Achmea in the Netherlands P&C (€7 million) and €2 million tax credit on 2005 Nationwide settlement in AXA France Assurance.

Offset by:
– €–38 million related to the repurchase by AXA of AXA Investment Managers shares in 2006 (€–17 million), real Estate Tax in AXA SA (€–10 million), the sale of DARAG in Germany (€–3 million), the integration costs on acquisition of MLC and Citadel (€–7 million) and the impairment of real estate companies in AXA Bank Belgium (€–1 million).

**2005 Exceptional operations (€–72 million)** related to:
– the realized capital gains on the sale of AXA Assistance participation in CAS (€23 million), of AllianceBernstein Cash Management business (€5 million), India and South Africa joint ventures (€3 million), and of BIA in AXA Bank Belgium (€2 million),
– more than offset by the realized loss on the sale of Advest in US Holdings (€–71 million), and €–28 million settlement for Nationwide litigation in holding companies (UK, Belgium, France, AXA SA and Germany Life).

# Creation of Shareholders' Equity

As at December 31, 2006, consolidated shareholders' equity totaled €47.2 billion. The movement in shareholders' equity since December 31, 2005 is presented in the table below:

(in Euro million)

| | Shareholders' Equity |
|---|---|
| **As at December 31, 2005** [(a)] | **36,525** |
| – Share capital | 507 |
| – Capital in excess of nominal value | 3,800 |
| – Equity-share based compensation | 106 |
| – Treasury shares sold or bought in open market | 137 |
| – Change in equity component of compound financial instruments | – |
| – Super subordinated debt and perpetual debt (including accrued interests) | 3,539 |
| – Fair value recorded in shareholders' equity | (368) |
| – Impact of currency fluctuations | (767) |
| – Cash dividend | (1,647) |
| – Other | 56 |
| – Net Income for the period | 5,085 |
| – Actuarial gains and losses on pension benefits | 252 |
| **As at December 31, 2006** [(a)] | **47,226** |

*(a) Following clarification of IFRIC agenda committee following IASB decision, AXA has reclassified TSDI instruments (perpetual subordinated debts) into shareholders' equity for all periods presented in the 2006 financial statements with impact on net income.*

# Creation of Shareholder Value

## Earnings per share ("EPS")

(in Euro million except ordinary shares in million)

| | 2006 | | 2005 Restated [a] | | 2005 Published | | 2004 Restated [a] | | 2004 Published | | Var. 2006 versus 2005 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Basic | Fully diluted | Basic | Fully diluted | Basic | Fully diluted | Basic | Fully diluted | Basic | Fully diluted | Basic | Fully diluted |
| **Weighted numbers of shares** | **1,947.8** | **2,031.7** | **1,917.5** | **1,991.0** | **1,880.9** | **1,954.4** | **1,838.8** | **1,968.6** | **1,803.7** | **1,933.5** | **–** | **–** |
| Net income | 5,085 | 5,199 | 4,318 | 4,428 | 4,173 | 4,283 | 3,793 | 3,899 | 3,738 | 3,844 | – | – |
| *Net income (Euro per Ordinary Share)* | *2.61* | *2.56* | *2.25* | *2.22* | *2.22* | *2.19* | *2.06* | *1.98* | *2.07* | *1.99* | *15.9%* | *15.1%* |
| Adjusted Earnings | 5,140 | 5,254 | 4,281 | 4,390 | 4,108 | 4,218 | 3,409 | 3,515 | 3,342 | 3,448 | – | – |
| *Adjusted Earnings (Euro per Ordinary Share)* | *2.64* | *2.59* | *2.23* | *2.21* | *2.18* | *2.16* | *1.85* | *1.79* | *1.85* | *1.78* | *18.2%* | *17.3%* |
| *Underlying Earnings (Euro per Ordinary Share)* | *2.06* | *2.03* | *1.74* | *1.73* | *1.73* | *1.72* | *1.48* | *1.44* | *1.46* | *1.42* | *18.3%* | *17.3%* |

*(a) Restated means:*

* *on earnings: (a) Forex impact out of adjusted earnings and in net income and (b) following clarification of IFRIC agenda committee following IASB decision, AXA has reclassified TSDI instruments (perpetual subordinated debts) into shareholders' equity for all periods presented in the 2006 financial statements with impact on net income.*

** *on weighted number of shares: following the capital increase related to Winterthur acquisition, the weighted average number of shares has been restated (IAS 33 § 26) by using an adjustment factor of 1,019.*

# LIFE & SAVINGS
## SEGMENT

The following tables present the consolidated gross revenues, adjusted earnings and net income attributable to AXA's Life & Savings segment for the periods indicated.

(in Euro million)

| LIFE & SAVINGS SEGMENT [a] | 2006 | 2005 Restated [c] | 2005 Published | 2004 Restated [c] | 2004 Published |
|---|---|---|---|---|---|
| Gross written premiums | 48,793 | 43,502 | 43,502 | 41,111 | 41,111 |
| Fees and revenues from investment contracts with no participating feature | 608 | 509 | 509 | 417 | 417 |
| *Revenues from insurance activities* | *49,401* | *44,011* | *44,011* | *41,529* | *41,529* |
| Revenues from other activities | 1,084 | 1,115 | 1,115 | 824 | 824 |
| ***TOTAL REVENUES*** | ***50,485*** | ***45,126*** | ***45,126*** | ***42,353*** | ***42,353*** |
| **Change in unearned premium reserves net of unearned revenues and fees** | **(271)** | **(197)** | **(197)** | **(124)** | **(131)** |
| **Net investment result excluding financing expenses [b]** | **28,656** | **28,946** | **28,946** | **23,472** | **23,472** |
| Technical charges relating to insurance activities [b] | (69,052) | (64,722) | (64,721) | (57,425) | (57,426) |
| Net result of reinsurance ceded | (28) | (7) | (7) | 13 | 13 |
| Bank operating expenses | – | – | – | – | – |
| Insurance Acquisition expenses | (3,073) | (2,826) | (2,827) | (2,577) | (2,569) |
| Amortization of value of purchased life business in force | (241) | (529) | (529) | (389) | (389) |
| Administrative expenses | (2,863) | (3,017) | (3,017) | (2,776) | (2,776) |
| Valuation allowances on tangibles assets | 7 | (4) | (4) | (3) | (3) |
| Other | (111) | (156) | (156) | (158) | (158) |
| **Other operating income and expenses** | **(75,361)** | **(71,263)** | **(71,262)** | **(63,316)** | **(63,308)** |
| ***INCOME FROM OPERATING ACTIVITIES, GROSS OF TAX EXPENSE*** | ***3,509*** | ***2,613*** | ***2,613*** | ***2,385*** | ***2,385*** |
| Net income from investments in affiliates and associates | 12 | 10 | 10 | 10 | 10 |
| Financing expenses | (76) | (119) | (119) | (100) | (100) |
| ***OPERATING INCOME GROSS OF TAX EXPENSE*** | ***3,445*** | ***2,504*** | ***2,504*** | ***2,295*** | ***2,295*** |
| **Income tax expense** | **(928)** | **(424)** | **(424)** | **(617)** | **(617)** |
| **Minority interests in income or loss** | **(193)** | **(149)** | **(149)** | **(115)** | **(115)** |
| ***UNDERLYING EARNINGS*** | ***2,325*** | ***1,931*** | ***1,931*** | ***1,563*** | ***1,563*** |
| Net realized capital gains attributable to shareholders | 597 | 464 | 432 | 297 | 344 |
| ***ADJUSTED EARNINGS*** | ***2,921*** | ***2,394*** | ***2,362*** | ***1,859*** | ***1,907*** |
| Profit or loss on financial assets (under fair value option) & derivatives | 49 | 18 | 50 | 124 | 77 |
| Exceptional operations (including discontinued operations) | (3) | – | – | (153) | (153) |
| Goodwill and other related intangibles impacts | (10) | (8) | (8) | (5) | (5) |
| ***NET INCOME*** | ***2,957*** | ***2,404*** | ***2,404*** | ***1,826*** | ***1,826*** |

*(a) Before intercompany transactions.*

*(b) For the periods ended December 31, 2006, December 31, 2005, and December, 2004, the change in fair value of assets backing contracts with financial risk borne by policyholders impacted the net investment result for respectively €15,370 million, €13,978 million and €10,543 million, and benefits and claims by the offsetting amounts respectively.*

*(c) Restated means: (i) transfer of the forex impact from adjusted earnings to net income, and (ii) in line with new accounting FRS27, the reclassification in the United Kingdom of some With-Profit technical reserves to allow for all future terminal bonuses payable to With-Profit policyholders within the allocated policyholder reserves, previously held in the unallocated policyholder bonus reserve, without any impact on earnings.*

(in Euro million)

| CONSOLIDATED GROSS REVENUES [a] | 2006 | 2005 | 2004 |
|---|---|---|---|
| France | 14,802 | 13,237 | 11,545 |
| United States | 15,390 | 13,940 | 12,847 |
| United Kingdom | 4,292 | 2,395 | 2,420 |
| Japan | 5,027 | 4,735 | 5,526 |
| Germany | 3,681 | 3,585 | 3,499 |
| Belgium | 2,512 | 2,734 | 2,188 |
| Southern Europe | 1,357 | 1,439 | 1,333 |
| Other countries | 3,424 | 3,060 | 2,995 |
| **Total** | **50,485** | **45,126** | **42,353** |
| Intercompany transactions | (7) | (10) | (9) |
| **Contribution to consolidated gross revenues** | **50,479** | **45,116** | **42,344** |

*(a) Gross written premiums including intercompany eliminations.*

(in Euro million)

| UNDERLYING, ADJUSTED EARNINGS AND NET INCOME | 2006 | 2005 Restated [a] | 2005 Published | 2004 Restated [a] | 2004 Published |
|---|---|---|---|---|---|
| France | 462 | 387 | 387 | 350 | 350 |
| United States | 1,000 | 866 | 866 | 664 | 664 |
| United Kingdom | 155 | 85 | 85 | 86 | 86 |
| Japan | 256 | 266 | 266 | 145 | 145 |
| Germany | 69 | 30 | 30 | 13 | 13 |
| Belgium | 65 | 56 | 56 | 74 | 74 |
| Southern Europe | 50 | 44 | 44 | 41 | 41 |
| Other countries | 268 | 198 | 198 | 188 | 188 |
| ***UNDERLYING EARNINGS*** | ***2,325*** | ***1,931*** | ***1,931*** | ***1,563*** | ***1,563*** |
| Net realized capital gains attributable to shareholders | 597 | 464 | 432 | 297 | 344 |
| ***ADJUSTED EARNINGS*** | ***2,921*** | ***2,394*** | ***2,362*** | ***1,859*** | ***1,907*** |
| Profit or loss on financial assets (under fair value option) & derivatives | 49 | 18 | 50 | 124 | 77 |
| Exceptional operations (including discontinued operations) | (3) | – | – | (153) | (153) |
| Goodwill and other related intangibles impacts | (10) | (8) | (8) | (5) | (5) |
| ***NET INCOME*** | ***2,957*** | ***2,404*** | ***2,404*** | ***1,826*** | ***1,826*** |

*(a) Restated means: transfer of the forex impact from adjusted earnings to net income.*

# *Life & Savings operations – France*

(in Euro million)

| | 2006 | 2005 Restated [(a)] | 2005 Published | 2004 Restated [(a)] | 2004 Published |
|---|---|---|---|---|---|
| Gross revenues | 14,802 | 13,237 | 13,237 | 11,545 | 11,545 |
| *APE (group share)* | *1,231* | *1,075* | *1,075* | *951* | *951* |
| Investment margin | 890 | 938 | 938 | 887 | 887 |
| Fees & revenues | 1,345 | 1,196 | 1,196 | 1,064 | 1,064 |
| Net technical margin | 88 | 70 | 70 | 63 | 63 |
| Expenses | (1,680) | (1,590) | (1,590) | (1,441) | (1,441) |
| Amortization of VBI | (68) | (48) | (48) | (55) | (55) |
| Underlying operating earnings before tax | 575 | 565 | 565 | 519 | 519 |
| Income tax expenses / benefits | (111) | (176) | (176) | (168) | (168) |
| Minority interests | (2) | (3) | (3) | (1) | (1) |
| Underlying earnings group share | 462 | 387 | 387 | 350 | 350 |
| Net capital gains attributable to shareholders net of income tax | 204 | 191 | 154 | 88 | 105 |
| Adjusted earnings group share | 666 | 578 | 540 | 438 | 455 |
| Profit or loss on financial assets (under fair value option) & derivatives | 110 | 52 | 90 | 96 | 79 |
| Exceptional operations (including discontinued operations) | – | – | – | – | – |
| Goodwill and other related intangibles impacts | – | – | – | – | – |
| Net income group share | 776 | 630 | 630 | 534 | 534 |

*(a) Restated means: transfer of the forex impact from adjusted earnings to net income.*

**Gross written premiums** increased by €1,565 million to €14,802 million. Net of intercompany transactions, gross written premiums increased by €1,573 million to €14,797 million mainly due to investment & savings premiums which increased by €1,331 million (+12%) to €10,238 million. Individual unit-linked premiums were up €606 million (+28%) to €2,771 million following successful commercial campaigns. Group retirement increased by €598 million (+62%) to €1,562 million, mainly due to new business inflows, while individual non unit-linked investments and savings were up 2 % to €5,905 million.

**APE** increased by €156 million (+14.5%) to €1,231 million, stemming mainly from strong growth of Investment & Savings APE up €114 million to €862 million driven by (i) a €62 million increase in individual unit-linked premiums to €738 million mainly in proprietary channels and (ii) a €52 million strong increase in Group retirement APE to €126 million resulting from some large non unit-linked single premiums. Life and Health APE increased by €42 million to €369 million notably driven by last year product launches in individual lines.

**Investment margin** decreased by €48 million to €890 million under the combined effect of lower investment income (€–71 million to €3,304 million) mainly due to lower real estate income, and lower policyholder participation (€+23 million to €–2,415 million) as a consequence of decreased investment income and a slight decrease in main flagship products distribution rate.

**Fees & revenues** were up €149 million to €1,345 million mainly resulting from higher sales on group life products (€+40 million) and higher revenues on unit-linked products (€+80 million), following both higher sales and increased asset base.

**Net technical margin** increased by €18 million to €88 million driven by (i) Investments and Savings (€+12 million) benefiting from boni partly offset by additional annuity reserves strengthening in savings following change in regulatory mortality tables and (ii) Life up

€7 million mainly due to the non repeat of the 2005 negative impact of the decrease in Group annuity reserves discount rates.

**Expenses** increased by €90 million to €–1,680 million mainly due to increased commissions (€+52 million to €–749 million), and €31 million higher general expenses mainly due to salaried sales force and IT costs.

**VBI amortization** increased by €19 million to €–68 million due to the full amortization of a segment of the UAP portfolio.

**Underlying cost income ratio** slightly increased from 76.2% to 76.4%.

**Income tax expenses** decreased by €65 million to €–111 million (i) as some dividends on equities were taxed at a reduced rate while previously taxed at full rate following a portfolio reallocation and (ii) reflecting the 0.5 point decrease in French short term tax rate.

**Underlying earnings** improved by €76 million to €462 million reflecting a structural lower average tax rate on the investment margin, which significantly improved on a net of tax basis.

**Adjusted earnings** were up €88 million to €666 million resulting from higher underlying earnings (€+76 million) and increased net capital gains (€+12 million to €204 million) mainly on equities.

**Net income** increased by €146 million to €776 million mainly resulting from (i) the adjusted earnings growth (€+88 million), and (ii) the positive impact of foreign exchange on currency macro hedge on equity investments (€+53 million to €15 million).

# *Life & Savings operations – United States*

(in Euro million)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Gross revenues** | **15,390** | **13,940** | **12,847** |
| *APE (group share)* | *1,922* | *1,700* | *1,482* |
| Investment margin | 858 | 807 | 713 |
| Fees & revenues | 1,632 | 1,404 | 1,092 |
| Net technical margin | 634 | 632 | 483 |
| Expenses | (1,725) | (1,572) | (1,329) |
| Amortization of VBI | (65) | (51) | (28) |
| **Underlying operating earnings before tax** | **1,333** | **1,220** | **931** |
| Income tax expenses / benefits | (334) | (354) | (266) |
| Minority interests | – | – | – |
| **Underlying earnings group share** | **1,000** | **866** | **664** |
| Net capital gains attributable to shareholders net of income tax | 30 | 5 | 49 |
| **Adjusted earnings group share** | **1,029** | **871** | **713** |
| Profit or loss on financial assets (under FV option) & derivatives | – | 9 | 14 |
| Exceptional operations (including discontinued operations) | – | – | (146) |
| Goodwill and other related intangibles impacts | (10) | (8) | (5) |
| **Net income group share** | **1,020** | **872** | **577** |
| *Average exchange rate: 1.00 € = $* | *1,2563* | *1,2453* | *1,2438* |

**Gross revenues** increased by 10% to €15,390 million on a current exchange rate basis, or 13% on a comparable basis (excluding Advest revenues) primarily driven by increases in First Year Variable Annuity premiums (up 24%) and First Year life premiums (up 13%) partially offset by a planned 68% decrease in Fixed Annuities. Other revenues were up 20% on a comparable basis due primarily to higher asset management fees.

**APE** increased by 13% to €1,922 million on a current exchange rate basis or 14% on a constant exchange rate basis, with strong growth in Variable Annuities and Life products. Excluding Fixed Annuities, COLI[1] business and mutual funds, APE was up 17% driven by the continued expansion of AXA Equitable's wholesale distribution networks, where Variable Annuity and Individual Life New business increased by 29% and 34%, respectively.

**Investment margin** increased by €50 million to €858 million, or by €58 million on a constant exchange rate basis. Investment income increased €50 million to €2,626 million, primarily due to higher yields on cash and short term investments, higher fixed maturity asset levels, improved real estate income and lower corporate interest expense, partially offset by lower fixed maturity yields. Interests and bonus credited decreased by €8 million to €1,769 million reflecting an increase in the reserve released on discontinued operations (windup annuities).

**Fees & revenues** increased by €229 million, or by €243 million on a constant exchange rate basis, to €1,632 million. This increase was mainly due to higher fees earned on separate account business (€219 million on a constant exchange rate basis), resulting from positive net cash flows and the impact of the market appreciation on separate account balances, and higher mutual fund fees.

**Net technical margin** increased by €2 million, or by €8 million on a constant exchange rate basis to €634 million. This increase was notably attributable to (i) €79 million higher "GMDB/IB" margins, and (ii) €26 million favorable benefits and reserves in the reinsurance assumed and individual health product lines, partially offset by (iii) lower life mortality margin (€–54 million),

(1) COLI = Corporate Owned Life Insurance.

(iv) a non recurring positive reinsurance settlement in 2005 (€–24 million), and (v) a non-recurring MONY group pension reserve adjustment in 2005 (€–14 million).

**Expenses** (including commissions and DAC) increased by €153 million or €168 million on a constant exchange rate basis:

- **Expenses net of capitalization** (including commissions and DAC capitalization) increased by €13 million, or by €22 million on a constant exchange rate basis principally due to an increase in commission expenses of €150 million, partially offset by higher DAC capitalization (€127 million) and a slight decrease in other expenses.
- **DAC amortization** increased by €140 million or €146 million on a constant exchange rate basis reflecting reactivity to higher margins in products which are DAC-reactive and lower favorable DAC unlocking for expected higher emerging margins on annuity and variable and interest sensitive life products.

**Amortization of VBI** increased by €15 million on both current and constant exchange rate base.

**Underlying cost income ratio** improved to 71.5% versus 74.2% in 2005 notably reflecting the strong improvement in fees and revenues.

**Income tax expense** decreased by €21 million, or by €18 million on a constant exchange rate basis. This decrease is principally due to the impact of a €92 million favorable tax settlement in 2006, partially offset by higher taxes on higher pre-tax earnings.

**Underlying earnings** increased by €134 million, or by €143 million on a constant exchange rate basis, to €1,000 million. This increase primarily reflected higher fees and revenues and higher investment margin and a favorable income tax settlement in 2006 (€92 million), partially offset by higher net commissions and higher DAC and VBI amortization.

**Adjusted earnings** increased by €158 million on a current exchange basis, or €167 million on a constant exchange rate basis, to €1,029 million primarily due to higher underlying earnings, and higher capital gains net of DAC/VBI reactivity.

**Net income** increased by €147 million, or by €156 million on a constant exchange rate basis, to €1,020 million, primarily due to the increase in adjusted earnings, partially offset by a decrease in mark to market adjustments on investments on fair value option.

# *Life & Savings operations – United Kingdom*

(in Euro million)

| | 2006 | 2005 Restated [(a)] | 2005 Published | 2004 Restated [(a)] | 2004 Published |
|---|---|---|---|---|---|
| **Gross revenues** | **4,292** | **2,395** | **2,395** | **2,420** | **2,420** |
| *APE (group share)* | *1,134* | *817* | *817* | *713* | *713* |
| Investment margin | 198 | 181 | 181 | 183 | 183 |
| Fees & revenues | 591 | 457 | 457 | 358 | 358 |
| Net technical margin | 160 | 94 | 94 | (1) | (1) |
| Expenses | (645) | (657) | (657) | (447) | (447) |
| Amortization of VBI | (7) | (22) | (22) | (54) | (54) |
| **Underlying operating earnings before tax** | **297** | **54** | **54** | **39** | **39** |
| Income tax expenses / benefits | (142) | 31 | 31 | 47 | 47 |
| Minority interest | – | – | – | – | – |
| **Underlying earnings group share** | **155** | **85** | **85** | **86** | **86** |
| Net capital gains attributable to shareholders net of income tax | 10 | 7 | 14 | (85) | (88) |
| **Adjusted earnings group share** | **165** | **92** | **98** | **1** | **(2)** |
| Profit or loss on financial assets (under fair value option) & derivatives | (27) | (48) | (54) | (28) | (26) |
| Exceptional operations (including discontinued operations) | – | – | – | – | – |
| Goodwill and other related intangibles impacts | – | – | – | – | – |
| **Net income group share** | **138** | **44** | **44** | **(27)** | **(27)** |
| *Average exchange rate: 1.00 € = £* | *0.6817* | *0.6840* | *0.6840* | *0.6784* | *0.6784* |

*(a) Restated means: transfer of the forex impact from adjusted earnings to net income.*

**Gross revenues** increased by €1,896 million on a current exchange rate basis or €1,882 million on a constant exchange rate basis to €4,292 million.

- Investment & Savings (84% of gross revenues) increased by 117% to €3,626 million as:
  - Insurance Premium (71% of gross revenues) increased by 152% to €3,081 million due to the beneficial impact of the reclassification of a bond product from an investment to an insurance contract following the launch of a new insurance feature, and growth in single premium pensions business following simplification of pensions legislation.
  - Margins on investment products (13% of gross revenues) increased by 21% to €545 million reflecting higher management fees following net new money growth and investment growth.
- Life Insurance Premium (16% of gross revenues) decreased by 9% to €666 million primarily due to lower volumes of creditor insurance single premium business.

**APE** increased by €317 million to €1,134 million or +38% on a constant exchange rate basis largely due to strong sales of unit-linked investment bonds and Pensions. Development of distribution relationships in respect of lower margin wholesale Offshore Bond products led to significant volume increases (+109%). Pension business also demonstrated strong growth (+29%) following changes to Pensions legislation.

**Investment margin** increased by €17 million on a current exchange rate basis or €16 million on a constant exchange rate basis to €198 million, primarily due to shareholder participation in higher With Profit bonuses.

**Fees & Revenues** increased by €134 million on a current exchange rate basis or €132 million on a constant exchange rate basis to €591 million.

- Loadings on Life and Pensions business premiums increased by €138 million primarily due to a change to an Onshore Bond Product to incorporate insurance features. In addition, 2006 benefited from significant growth in Offshore Bonds and increased Pension single premiums as policyholders switched to simplified products.

– Loadings on Account Balances decreased by €6 million. Management fees increased by €48 million resulting from the growth in the unit-linked inforce portfolio through positive net inflows and market appreciation and despite the change in revenue allocation methodology from fees to technical margin on unit linked investment products surrenders charges (€–32 million). This was more than offset by higher deferral of initial fees in respect of Offshore Bonds (€54 million).

**Net technical margin** increased by €65 million on current and constant exchange rate base to €160 million. Excluding the impact of the change in the allocation methodology with fees and revenues (€+32 million as mentioned above), the net technical margin increased by €34 million. This is due to higher mortality and morbidity profits and 2006 non recurring items (€88 million) which notably include (i) the reduction of possible endowment mis-selling provision and (ii) a favorable movement in unit linked reserves following the finalization of compensation amounts to policyholders, partly offset by €67 million of positive 2005 non recurring items.

**Expenses net of policyholder allocation**[1] decreased by €12 million on a current exchange rate basis or €14 million on a constant exchange rate basis to €–645 million, as lower commissions on Creditor Insurance business more than offset volume related expense increases from other products. Expense savings from ongoing cost reduction activities of €29 million have offset €16 million additional non-recurring project costs in 2006.

As a result of the above, the **underlying cost income ratio** improved from 109.1% to 91.4%.

**VBI amortization** decreased by €15 million on a current and constant exchange rate basis due to a change in amortization profiles taking into account increased future bonus rates.

**Income tax expenses** increased by €173 million on a current exchange rate basis or €172 million on a constant exchange rate basis to €–142 million, due to increasing pre-tax earnings and non-recurring increases in deferred tax provisions of €102 million, primarily as result of a reassessment of the likelihood of a future distribution from the attributed Inherited Estate.

**Underlying earnings** increased by €70 million on a current and constant exchange rate basis to €155 million largely due to higher fees & revenues and technical margin partly offset by higher tax expense.

**Adjusted earnings** increased by €73 million on a current exchange rate basis or €72 million on a constant exchange rate basis to €165 million, following improved underlying earnings and release of a provision for contingent payment in relation to the transfer of annuity business from With-Profit funds to Non-Profit funds.

**Net income** increased by €94 million on a current exchange rate basis or €93 million on a constant exchange rate basis to €138 million, due to the improvement in adjusted earnings combined with the reduction in undiscounted tax adjustment on unrealized gains attributable to policyholders in unit linked life funds[2] from €–55 million in 2005 to €–30 million in 2006.

(1) Part of these expenses are located in the With-Profit funds and therefore are borne by policyholders.
(2) Undiscounted deferred tax provided on unit linked assets while the unit liability reflects the expected timing of the payment of future tax therefore using a discounted basis.

# *Life & Savings operations – Japan*

(in Euro million)

| | 2006 | 2005 | 2004 Restated [a] | 2004 Published |
|---|---|---|---|---|
| Gross revenues | 5,027 | 4,735 | 5,526 | 5,526 |
| *APE (group share)* | *651* | *589* | *505* | *505* |
| Investment margin | – | – | 42 | 42 |
| Fees & revenues | 931 | 889 | 865 | 865 |
| Net technical margin | 130 | 175 | 89 | 89 |
| Expenses | (604) | (635) | (580) | (580) |
| Amortization of VBI | (31) | (351) | (158) | (158) |
| Underlying operating earnings before tax | 426 | 78 | 258 | 258 |
| Income tax expenses / benefits | (164) | 195 | (110) | (110) |
| Minority interests | (6) | (7) | (4) | (4) |
| Underlying earnings group share | 256 | 266 | 145 | 145 |
| Net capital gains attributable to shareholders net of income tax | 38 | 120 | 113 | 146 |
| Adjusted earnings group share | 293 | 385 | 258 | 292 |
| Profit or loss on financial assets (under FV option) & derivatives | (37 | 6 | 16 | (18) |
| Exceptional operations (including discontinued operations) | – | – | – | – |
| Goodwill and other related intangibles impacts | – | – | – | – |
| Net income group share | 256 | 392 | 274 | 274 |
| *Average exchange rate: 1.00 € = Yen* | *142.949* | *136.286* | *132.450* | *132.450* |

*(a) Restated means: transfer of the forex impact from adjusted earnings to net income.*

**Gross Revenues** increased by 6% or 11% on a constant exchange rate basis to €5,027 million. Excluding (i) group pension transfers (€314 million versus €22 million last year) and (ii) the conversion program started in January 2003 towards Life (€41 million versus €98 million last year) and Health (€73 million versus €165 million last year), premiums increased by 9% on a constant exchange rate basis driven by:

– *Investment & Savings* (31% of gross revenues excluding group pension transfers): Revenues increased by 3%, or 8% on a constant exchange rate basis (€+109 million), to €1,435 million due mainly to €391 million higher sales of SPA (single premium US dollar-denominated index-linked annuity product) and €83 million sales of the newly launched Accumulator product (single premium US dollar-denominated variable annuity product), partially offset by a reduction in Fixed Annuity contribution (€–352 million) as part of the planned transition towards variable type products.

– *Life* (46% of gross revenues excluding conversions): Revenues increased by 6% or 11% on a constant exchange rate basis (€+222 million) to €2,144 million driven by (i) strong sales of Increasing Term products (€+163 million), (ii) the LTPA (Long-Term Personal Accident) regular premium product (€+73 million) which benefited from a favorable sales environment up until April 2006, and (iii) stronger Term Rider revenue (€+81 million) coming predominantly from sales of the regular premium Term Rider 98 product. This was partially offset by lower Endowment, Whole Life and Variable Life regular premiums (€–81 million) and lower Group Life revenue (€–15 million) as a result of lower in force (these products are not actively promoted for new business).

– *Health* (23% of gross revenues excluding conversions): Revenues increased by 1%, or 6% on a constant exchange rate basis (€+63 million), to €1,039 million driven by good retention and strong sales in the last quarter.

**APE** increased by 11% or 16% on a constant exchange rate basis to €651 million.

Individual business grew by 13% or 18% on a constant exchange rate basis (€+101 million) to €626 million, notably:

- *Investments & Savings:* APE increased by 20% or 26% on a constant exchange rate basis (€+14 million) to €64 million driven by SPA sales (€+39 million) launched in November 2004 for Bancassurance and in October 2005 for the other distribution channels combined with sales of the Accumulator product (€+8 million), partially offset by lower Fixed Annuity sales (€–34 million).
- *Life:* APE increased by 7% or 12% on a constant exchange rate basis (€+47 million) to €401 million coming mainly from strong sales of Increasing Term products as part of the strategy developed during the first semester of the year 2006 to counter an anticipated second semester 2006 sales decline of LTPA, partially offset by lower sales of LTTP and Variable Life (following the discontinuance of this product midway through 2005).
- *Health:* APE grew by 26% or 32% on a constant exchange rate basis (€+41 million) to €160 million. Following flat sales in the first three quarters (influenced by the significant focus put on Increasing Term to compensate for the anticipated decline in LTPA), Medical products rebounded in the last quarter driven by a return of focus on this market leading to an improvement of the product mix.

Group APE decreased by 30%, or 26% on a constant exchange rate basis (€–9 million), to €24 million driven by lower New Mutual Aid sales following a strong experience in 2005.

**Investment margin,** at €0 million, remained stable stemming from:

- Higher investment income up €+110 million, or €+137 million on a constant exchange rate basis, to €553 million driven by higher return on the alternative portfolio due to the combined impact of strong performance in the second quarter of 2006 and higher volumes invested in these portfolios, and
- Higher interest credited by €110 million, or by €137 million on a constant exchange rate basis, to €553 million.

**Fees & Revenues** increased by €42 million, or €88 million on a constant exchange rate basis, to €931 million consistent with company growth including higher sales of Increasing Term, Term and high margin health products, the contribution from LTPA and a change in revenue allocation methodology from technical margin to fees on health products (€+12 million). This was partially offset by the continuing decline of Endowment and Fixed Annuity in-force.

**Net technical margin** decreased by €45 million, or €39 million on a constant exchange rate basis, to €130 million.

Mortality margin decreased by €–52 million to €92 million. Excluding the impact of the change in the allocation methodology with fees and revenues on health products (€–12 million as mentioned above), and of changes in assumptions (€–40 million) on the annuity portfolio, it would have been stable. The main changes in assumptions are related to (i) a change in proportion of policyholders assumed to elect Term Certain (rather than Lifetime) immediate annuities (€+43 million), and (ii) to a new regulatory post-annuitization mortality table (€–92 million).

Surrender Margin increased by €13 million to €37 million due mainly to higher Safety Plus surrenders, higher Whole Life & Term Rider surrender margin and improved retention on Medical Term, partially offset by lower B-policy conversions.

**Expenses** decreased by €31 million or €2 million on a constant exchange rate basis to €–604 million, driven mainly by:

- the combined result of a sales driven increase in DAC capitalization (€+19 million) and lower DAC amortization (€+30 million), mainly related to the impact (€+27 million) of the 2005 change in future investment assumptions;
- €47 million higher other expenses driven by (i) higher commission payments due to higher sales (€+25 million), (ii) higher project spend (€+4 million), (iii) higher rental costs and disposal expenses as a result of the move to the new headquarters (€+7 million), and (iv) increased contribution to industry protection levy as a consequence of AXA's increased market share (€+7 million).

**VBI amortization** decreased by €320 million, or €319 million on a constant exchange rate basis, to €–31 million as a result notably of the combined impact of (i) the non recurring 2005 amortization further to the change in future investment assumptions (€219 million), (ii) the lower 2006 amortization due to a reduced VBI opening balance and, (iii) to a lesser extent, to the impact in 2006 from actuarial assumption changes mainly related to mortality (€+38 million).

**Underlying cost income ratio** increased from 69.5% to 70.7% as higher expenses and lower technical margin more than offset higher fees and revenues.

**Income tax expense** increased by €359 million, or €367 million on a constant exchange rate basis, to €164 million due to:
– Higher income tax of €141 million in line with higher 2006 operational income;
– The non recurrence of the €225 million release of valuation allowance on tax losses carried forward net of goodwill reduction in 2005.

**Underlying earnings** decreased by €10 million, or increased by €3 million on a constant exchange rate basis, to €256 million. 2005 earnings included €67 million non recurring positive impacts.

**Adjusted earnings** decreased by €92 million, or €77 million on a constant exchange rate basis, to €293 million. Excluding the underlying earnings improvement of €3 million, the main impacts are:
– lower net capital gains (€–354 million to €112 million) as a consequence of the significant 2005 net capital gains (notably driven by the sale of headquarter and the shift from US/Euro bonds to JGB),
– lower interest credited funded by net capital gains (€+93 million to €–45 million),
– the non-recurring 2005 strengthening of insurance reserves (€+323 million),
– the non-recurring 2005 release of valuation allowance on tax loss carried forward (€–115 million) and,
– lower tax, DAC & VBI reactivity impacts (€–28 million).

**Net income** decreased by €135 million or by €123 million on a constant exchange rate basis to €256 million, driven by €77 million lower adjusted earnings coupled with:
– a lower change in fair value of the alternative portfolio (€–112 million);
– the foreign exchange impacts, net of related derivatives impacts (€–23 million);
– the ineffectiveness in hedge relationship using derivatives and involving notably the bonds under fair value option (€+25 million);
– the positive impact of freestanding derivatives, mainly Credit Default Swap (€+17 million);
– the related tax effect, DAC and VBI reactivity (€+46 million).

# Life & Savings operations – Germany

(in Euro million)

| | 2006 | 2005 | 2004 Restated [a] | 2004 Published |
|---|---|---|---|---|
| Gross revenues | 3,681 | 3,585 | 3,499 | 3,499 |
| *APE (group share)* | *287* | *270* | *387* | *387* |
| Investment margin | 96 | 66 | 76 | 76 |
| Fees & revenues | 127 | 88 | 89 | 89 |
| Net technical margin | 50 | 44 | 25 | 25 |
| Expenses | (92) | (82) | (73) | (73) |
| Amortization of VBI | (9) | (11) | (9) | (9) |
| Underlying operating earnings before tax | 171 | 105 | 108 | 108 |
| Income tax expenses / benefits | (99) | (72) | (93) | (93) |
| Minority interests | (3) | (3) | (1) | (1) |
| Underlying earnings group share | 69 | 30 | 13 | 13 |
| Net capital gains attributable to shareholders net of income tax | 6 | 2 | (11) | (10) |
| Adjusted earnings group share | 75 | 32 | 3 | 3 |
| Profit or loss on financial assets (under FV option) & derivatives | 6 | 4 | 4 | 4 |
| Exceptional operations (including discontinued operations) | – | – | (10) | (10) |
| Goodwill and other related intangibles impacts | – | – | – | – |
| Net income group share | 81 | 36 | (3) | (3) |

*(a) Restated means: transfer of the forex impact from adjusted earnings to net income.*

**Gross revenues** increased by 3% to €3,681 million mainly due to higher Investment & Savings unit-linked and Health premiums:

– *Investment & Savings* (25% of gross revenues) increased by 27% to €922 million, driven by unit-linked premiums, notably stemming from the new product “TwinStar” which experienced a promising launch especially in proprietary channels. The share of unit-linked premiums grew significantly to 41% (vs. 24% in 2005). Non-unit linked premiums decreased by 2% to €541 million.

– *Life* (44% of gross revenues) decreased by 5% to €1,623 million mainly caused by a shift from endowment business to investments and savings products and higher maturities on regular premiums compared to last year.

– *Health* (25% of gross revenues) increased by 3% to €929 million driven by the strong new business at the beginning of 2006 and improved lapse rates.

– *Other* (6% of gross revenues) decreased by 17% to €207 million due to further reduction of the share in medical council business at the beginning of the year and lower consortium business.

**APE** increased by 6% to €287 million. Restated from the backlog effect in the first quarter 2005 linked to a change in tax regulation, APE would have increased by 29%, mainly driven by Investment & Savings unit-linked (especially TwinStar €+36 million) and Health business (notably following the launch of a new Medical Cost Insurance product).

**Investment margin** increased by €30 million to €96 million mainly driven by higher income from fixed maturities as well as lower policyholder participation.

**Fees & revenues** were strongly up by €39 million to €127 million, mainly resulting from higher new business especially from unit-linked products.

**Net technical margin** increased by €5 million to €50 million mainly due to the improvement of surrender margin in Life & Savings combined with lower policyholder participation in Life, offset by a lower technical margin in Health.

**Expenses** increased by €10 million to €–92 million, primarily explained by the set-up expenses for the new product "Twinstar" and higher commissions in line with strong new business in Health.

As a result of the above, **underlying cost income ratio** improved by 1.5 point to 54.2%.

**Income tax expenses** increased by €27 million to €–99 million in line with higher pre-tax earnings.

**Underlying earnings** increased by €39 million to €69 million mainly driven by the improved investment margin and the increase of fees and revenues partly offset by higher expenses and taxes.

**Adjusted earnings** increased by €43 million to €75 million benefiting from the increase in underlying earnings.

**Net income** increased by €46 million to €81 million in line with adjusted earnings evolution.

# *Life & Savings operations – Belgium*

(in Euro million)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Gross revenues** | **2,512** | **2,734** | **2,188** |
| *APE (group share)* | *300* | *336* | *266* |
| Investment margin | 86 | 74 | 99 |
| Fees & revenues | 146 | 143 | 132 |
| Net technical margin | 56 | 49 | 41 |
| Expenses | (194) | (183) | (185) |
| Amortization of VBI | (7) | (2) | – |
| **Underlying operating earnings before tax** | **87** | **81** | **86** |
| Income tax expenses / benefits | (22) | (25) | (12) |
| Minority interests | – | – | – |
| **Underlying earnings group share** | **65** | **56** | **74** |
| Net capital gains attributable to shareholders net of income tax | 255 | 85 | 99 |
| **Adjusted earnings group share** | **320** | **141** | **173** |
| Profit or loss on financial assets (under FV option) & derivatives | (10) | (11) | 19 |
| Exceptional operations (including discontinued operations) | – | – | – |
| Goodwill and other related intangibles impacts | – | – | – |
| **Net income group share** | **310** | **131** | **191** |

**Gross Revenues** decreased by €222 million to €2,512 million due to the exceptionally high production level of December 2005 induced by the introduction of a new tax on premium in 2006 and by the end of the distribution agreement with "La Poste" in Q1'05.

– *Individual Life and Savings revenues (84% of revenues)* decreased by 10% to €2,122 million. The decrease was driven by the fall in both non unit-linked contracts (–8% to €1,567 million) and unit-linked contracts (–26% to €290 million), partly offset by the growth in Traditional life (+4% to €264 million). Excluding "La Poste", Individual life and savings revenues decreased by 7%.

– *Group Life and Savings revenues (16% of revenues)* increased by 1% to €390 million. Regular premiums were stable at €343 million and single premiums grew by 5% to €47 million.

**APE** decreased by 11% to €300 million, mainly driven by non unit-linked contracts as a result of the very high production in Crest in December 2005.

**Investment margin** was up €12 million to €86 million. The average underlying investment margin increased by 1bp to 0.55% as the average investment return decreased by 12bps while the average credited rate fell by 13bps. As a consequence of the increased share of lower guaranteed rate products (Crest 30 and Crest 40), the average guaranteed rate decreased by 36bps.

**Fees and revenues** were up €3 million to €146 million.

The **net technical margin** rose by €7 million to €56 million mainly due to a €5 million non recurring release of reserves on disability business and to a strong increase of the mortality margin (€4 million) driven by an exceptionally low level of paid claims partly offset by the non repeat of the recovery in 2005 on undue annuity paid to the social security body (€–3 million).

**Expenses** increased by €12 million to €–194 million mainly due to the rise in the commission expenses driven by commissions linked to account balances and the decrease of net movements in DAC/DOC. The overhead costs remained stable despite the regulatory salary indexation.

The **underlying cost income ratio** decreased from 77.0% to 73.8% as a consequence of higher underlying investment and technical margin.

**Income tax expenses** decreased by €3 million to €–22 million.

As a result of the above, **underlying earnings** increased by €9 million to €65 million.

**Adjusted earnings** increased significantly by €179 million to €320 million driven by higher gross realized capital gains (€+217 million to €360 million) mainly in equity investments partly offset by higher policyholder bonus on segregated funds (€–59 million to €–139 million).

**Net income** increased by €180 million to €310 million in line with higher adjusted earnings.

# Life & Savings operations – Southern Europe

(in Euro million)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Gross revenues | 1,357 | 1,439 | 1,333 |
| *APE (group share)* | *143* | *140* | *125* |
| Investment margin | 67 | 53 | 44 |
| Fees & revenues | 88 | 88 | 99 |
| Net technical margin | 23 | 33 | 34 |
| Expenses | (103) | (105) | (110) |
| Amortization of VBI | (5) | (6) | (6) |
| Underlying operating earnings before tax | 68 | 64 | 61 |
| Income tax expenses / benefits | (18) | (20) | (19) |
| Minority interests | (1) | – | – |
| Underlying earnings group share | 50 | 44 | 41 |
| Net capital gains attributable to shareholders net of income tax | 7 | 10 | 7 |
| Adjusted earnings group share | 57 | 54 | 48 |
| Profit or loss on financial assets (under FV option) & derivatives | – | 3 | 2 |
| Exceptional operations (including discontinued operations) | – | – | – |
| Goodwill and other related intangibles impacts | – | – | – |
| Net income group share | 57 | 57 | 50 |

**Gross revenues** decreased by 6% to €1,357 million. Investments and savings revenues decreased by 4% to €1,202 million mainly due to the lower amount of traditional contracts from institutional activity, as well as a lower unit-linked production through partnerships with banks partially offset by the launch of new products. Life premiums decreased by 17% to €155 million, mainly as a result of the termination in May 2005 of an important bank-insurance agreement in Traditional Life.

Thanks to new products launched and a better mix of regular premiums, new business APE increased by 2% to €143 million despite the lower revenues. The evolution by distribution channel is contrasted: Proprietary channels showed a 20% growth, whereas non-proprietary channels showed a 28% decrease, mainly due to the termination of the above mentioned agreement in traditional life line of business.

- *Investments & Savings* (€128 million or 89% of total APE) increased by 5%:
  - Non-unit-linked contracts (€102 million or 71% of total APE) increased by 9%, driven by a strong level of new business in the retail segment and the improvement of regular / single premium mix backed by the launch of new products during the second half of the year, partially offset by the lower institutional activity issued in Italy in 2006 (–51% or €–8 million of APE).
  - Unit-linked contracts (€26 million or 18% of total APE) decreased by 8% following strong bank-insurance activity in 2005.
- *Life* (11% of total APE, €15 million) decreased by 15% mainly as a result of the cancellation of the above-mentioned important bank-insurance agreement in May 2005.

**Underlying investment margin** rose by €13 million to €67 million, notably driven by higher investment income (€14 million to €334 million) as a result of increased average asset base, while policyholder bonus increased by €1 million mainly due to a change in product mix which resulted in a lower policyholder benefit rate (–1.8 point to 84%).

**Fees & revenues** were almost stable (€–1 million to €88 million). The reduction of fees linked to the termination of a distribution agreement on traditional life products was offset by the new business in investments and savings.

**Net technical margin** decreased by €10 million to €23 million, mainly driven by a lower surrender margin in line with market trend as well as the non recurring release of a technical policyholder bonus reserve in 2005 (€–3 million) following the termination of a distribution agreement.

**Expenses** (including VBI amortization) decreased by €2 million to €108 million as a result of the switch of new business towards products with lower commissions (€7 million), partly offset by higher DAC amortization. Non-commissions expenses (including VBI amortization) remained stable at €57 million.

As a result of improved investment margin and lower expenses, the **underlying cost income ratio** improved by 3.3 points to 62.4%.

**Income tax expenses** decreased by €2 million to €18 million despite the better pre-tax result, mainly due to the positive impact of tax reforms in Spain and in Portugal resulting in a decrease in tax rate.

As a result, **underlying earnings** were up €6 million to €50 million.

**Adjusted earnings** increased by €3 million to €57 million due to the increase in underlying earnings partly offset by lower capital gains on fixed maturities.

**Net income** decreased by €1 million to €57 million as the increase in adjusted earnings was more than offset by a lower fair value adjustment on derivatives instruments.

# Life & Savings Operations – Other Countries

The following tables present the operating results for the other Life & Savings operations of AXA:

(in Euro million)

| CONSOLIDATED GROSS REVENUES | 2006 | 2005 | 2004 |
|---|---|---|---|
| Australia / New Zealand | 1,254 | 1,225 | 1,156 |
| Hong Kong | 1,041 | 832 | 734 |
| The Netherlands [(a)] | 527 | 531 | 765 |
| Other countries | 603 | 472 | 340 |
| Singapore | 156 | 124 | 103 |
| Switzerland | 141 | 116 | 92 |
| Canada | 115 | 71 | 62 |
| Morocco | 49 | 55 | 56 |
| Luxembourg | 48 | 38 | 27 |
| Turkey [(b)] | 70 | 68 | – |
| South East Asia [(c)] | 24 | – | – |
| **Total** | **3,424** | **3,060** | **2,995** |
| Intercompany transactions | – | (1) | (2) |
| **Contribution to consolidated gross revenues** | **3,424** | **3,059** | **2,993** |

*(a) The disability portfolio which was previously reported under the Life segment is now reported under the Property & Casualty segment Since December 1st, 2004. The Health portfolio which was previously reported under the Life segment has been disposed of at December 1st, 2004.*
*(b) Change in consolidation method in Turkey (from equity method to full consolidation) as at January 1st, 2005.*
*(c) Includes Indonesia: P.T. Kotak Biru Konsultama and P.T. Indonesia Emas Perkasa (Former MLC Indonesia) and P.T. AXA Life Indonesia.*

(in Euro million)

| UNDERLYING, ADJUSTED EARNINGS AND NET INCOME | 2006 | 2005 Restated [(c)] | 2005 Published | 2004 Restated [(c)] | 2004 Published |
|---|---|---|---|---|---|
| Australia / New Zealand | 83 | 64 | 64 | 50 | 50 |
| Hong Kong | 111 | 84 | 84 | 60 | 60 |
| The Netherlands [(a)] | 55 | 44 | 44 | 66 | 66 |
| Other countries | 18 | 6 | 6 | 12 | 12 |
| Singapore | – | – | – | – | – |
| Switzerland | 3 | 2 | 2 | 1 | 1 |
| Canada | 4 | (3) | (3) | 3 | 3 |
| Morocco | 4 | 3 | 3 | 2 | 2 |
| Luxembourg | 5 | 2 | 2 | 3 | 3 |
| Turkey [(b)] | 2 | 3 | 3 | 2 | 2 |
| South East Asia [(d)] | – | – | – | – | – |
| ***UNDERLYING EARNINGS*** | ***268*** | ***198*** | ***198*** | ***188*** | ***188*** |
| Net realized capital gains attributable to shareholders | 47 | 42 | 42 | 37 | 36 |
| ***ADJUSTED EARNINGS*** | ***315*** | ***240*** | ***240*** | ***226*** | ***225*** |
| Profit or loss on financial assets (under fair value option) & derivatives | 7 | 2 | 3 | 1 | 2 |
| Exceptional operations (including discontinued operations) | (3) | – | – | 3 | 3 |
| Goodwill and other related intangibles impacts | – | – | – | – | – |
| ***NET INCOME*** | ***318*** | ***242*** | ***242*** | ***230*** | ***230*** |

*(a) The disability portfolio which was previously reported under the Life segment is now reported under the Property & Casualty segment since December 1st, 2004. The Health portfolio which was previously reported under the Life segment has been disposed of at December 1st 2004.*
*(b) Change in consolidation method in Turkey (from equity method to full consolidation) as at January 1st, 2005.*
*(c) Restated means: transfer of the forex impact from adjusted earnings to net income.*
*(d) Includes Indonesia, Thailand and Philippines businesses.*

### *Australia and New Zealand*[1,2]

**Gross revenues** were up 2% to €1,254 million on a comparable basis.

- *Gross written premiums* including fees from investment contracts without discretionary participating features were down 3% to €981 million. Group superannuation premiums decreased as there has been a continued trend away from traditional investment and savings products towards mutual funds business. This was partially offset by higher individual life sales.
- *Revenues* from mutual fund and advice businesses increased by 28% to €273 million on a comparable basis reflecting the growth in funds under management particularly in mezzanine funds, and improved investment market conditions.

**Mutual funds retail net flows**[3] were up +68% on a comparable basis to €1,859 million. Continuing strong inflows into the mezzanine global equity value fund and growth in Ipac, with a fund transfer of €132 million in June 2006 from one of Ipac's equity partners contributed to this performance. In addition, the Summit and Generations wrap platforms contributed to the increase.

**APE** of €420 million was stable as strong growth in the superannuation and investment fund inflows was offset to a large extent by a reduction in AllianceBernstein inflows compared to 2005 which included two large mandates. Excluding AllianceBernstein mandates, APE was up 13% to €256 million driven by higher inflows into mezzanine funds, as well as an increased in sales into Summit and Generations wrap platforms.

**Underlying earnings** were up €21 million to €83 million. On a 100% ownership basis, the evolution was as follows:

- the **investment margin** was up €19 million to €23 million, largely due to lower interest expense on inter-company loans and debts and strong investment market performance,
- **fees and revenues** were up €82 million to €621 million, reflecting strong inflows and higher funds under management and administration following strong market performance,
- the **net technical margin** was up €26 million to €23 million, due to more favorable claims termination experience in the health business and strong claims experience in group life,
- **expenses** (including VBI amortization) were up €–52 million to €–499 million, reflecting higher commissions associated with increased fees and revenues,
- the **tax expense** was up €34 million to €–9 million, reflecting growth in pre-tax earnings and the non-recurrence of some 2005 tax benefits including transitional tax relief which ended on July 1, 2005.

Overall, the **underlying cost income ratio** improved from 82.0% to 73.1%.

**Adjusted earnings** were up €31 million to €96 million, reflecting the increase in underlying earnings as well as higher net capital gains on equities (up €10 million to €13 million).

**Net income** was up €33 million to €100 million, reflecting the increase in adjusted earnings and a foreign exchange gain.

(1) All comparisons to prior year figures are on a constant exchange rate basis.
(2) AXA interest in AXA Asia Pacific Group is 52.7% broken down into 51.6% direct interest holding and an additional 1.1% owned by the AAPH Executive plan trust.
(3) Net mutual fund sales exclude the net inflows of AllianceBernstein JV, as they are included in AllianceBernstein inflows.

## Hong Kong[1,2]

*On May 8, 2006, AXA APH completed its acquisition of MLC Hong Kong. In the following commentaries, "on a comparable basis" means excluding the contribution from MLC Hong Kong in the second half of 2006. (Underlying earnings €6 million and Adjusted earnings €4 million Group share.)*

**Gross revenues** were up 25% to €1,041 million. On a comparable basis, gross revenues increased by 15%.

**APE** was up 32% to €100 million. On a comparable basis, new business APE was up 28% benefiting from the increase in Individual Life regular premiums, due to strong sales from agency brokers and AXA advisers, strong growth in single premium unit-linked products as well as from new unit trust products sold through bank distribution agreements.

**Underlying earnings** were up €28 million to €111 million. On a comparable basis, the underlying earnings were up €21 million mainly due to an increase in (i) fees and revenues (€11 million) reflecting increased sales and growing inforce portfolio, (ii) technical margin (€11 million) reflecting better claims experience together with successful National Life switching campaigns leading to an increase in the surrender margin and (iii) investment margin (€5 million) on a higher inforce portfolio partly offset by higher expenses (€–8 million) as a result of higher investments in strategic initiatives to support growth in Hong Kong.

As a consequence, the **underlying cost income ratio** decreased to 51.0% in 2006 from 52.5%. On a comparable basis, the underlying cost income ratio was 51.7% in 2006.

**Adjusted earnings** increased by €26 million to €119 million. On a comparable basis, adjusted earnings were up €22 million driven by higher underlying earnings.

**Net income** of €115 million was €23 million higher than last year. On a comparable basis, net income was up €18 million.

## The Netherlands

**Gross revenues** decreased by €4 million to €527 million. Higher single and regular premiums in Investments & Savings Unit-Linked (within mortgage and pension segments), were more than offset by lower Life Non Unit-Linked regular premiums (as traditional portfolio is in run-off).

**APE** increased by €3 million to €48 million, mainly due to higher new business within the mortgage and pension segments.

**Underlying earnings** improved by €11 million to €55 million, mainly attributable to improved investment result, mainly driven by (i) higher dividends received, and (ii) the release of an interest expense provision regarding tax review on prior liabilities due to finalizing several fiscal years; but also as a result of a better mortality experience.

**Adjusted earnings** improved by €5 million to €76 million, as the improved underlying earnings result was partly compensated by lower net realized capital gains (€–6 million).

**Net income** improved by €5 million to €77 million in line with adjusted earnings.

## Switzerland

**Gross revenues** were up 24% on a constant exchange rate basis to €141 million mainly due to Investment & Savings (+24%) as a result of new products and marketing initiatives.

**Underlying earnings** increased by €1 million to €3 million mainly due to higher fees & revenues as a result of new business in Investment & Savings regular premiums.

**Adjusted earnings** were up €3 million to €7 million mainly driven by higher capital gains on equity securities.

**Net income** rose by €3 million to €7 million in line with adjusted earnings.

(1) All comparisons to prior year figures are on a constant exchange rate basis.
(2) AXA interest in AXA Asia Pacific Group is 52.7% broken down into 51.6% direct interest holding and an additional 1.1% owned by the AAPH Executive plan trust.

### Canada

**Gross revenues** amounted to €115 million. On a constant exchange rate basis, revenues increased by €37 million mainly as a result of the acquisition of Citadel (€+30 million) and higher fees from mutual fund sales (€+2 million).

**Underlying earnings, adjusted earnings and net income** increased by €7 million to €4 million due to the acquisition of Citadel and the reduction of the deferred income tax rate.

### Morocco [1]

**Gross revenues** were down 11% on a constant exchange rate basis to €49 million mainly due to the termination of a bank insurance agreement.

**Underlying earnings, adjusted earnings and net income** rose by €1 million to €4 million.

### Turkey [2]

**Gross revenues** were up 12% on a constant exchange rate basis to €70 million driven by the development of traditional life business.

**Underlying earnings, adjusted earnings and net income** were stable, on a constant exchange rate basis at €2 million. Net income was stable at €3 million.

(1) AXA Assurance Maroc is 51% owned by AXA.
(2) AXA Oyak Hayat is 50% owned by AXA.

# PROPERTY & CASUALTY
## SEGMENT

The tables below present the gross premiums and net income attributable to AXA's Property & Casualty segment for the periods indicated.

(in Euro million)

| PROPERTY AND CASUALTY SEGMENT [a] [b] | 2006 | 2005 Restated [c] | 2005 Published | 2004 Restated [c] | 2004 Published |
|---|---|---|---|---|---|
| Gross written premiums | 19,830 | 18,913 | 18,913 | 17,903 | 17,903 |
| Fees and revenues from investment contracts with no participating feature | – | – | – | – | – |
| *Revenues from insurance activities* | *19,830* | *18,913* | *18,913* | *17,903* | *17,903* |
| Net revenues from banking activities | – | – | – | – | – |
| Revenues from other activities | 52 | 43 | 43 | 42 | 42 |
| **Total revenues** | **19,882** | **18,956** | **18,956** | **17,945** | **17,945** |
| **Change in unearned premium reserves net of unearned revenues and fees** | **(142)** | **(269)** | **(269)** | **(250)** | **(250)** |
| **Net investment result excluding financing expenses** | **1,594** | **1,461** | **1,461** | **1,320** | **1,320** |
| Technical charges relating to insurance activities | (12,841) | (12,347) | (12,347) | (11,959) | (11,959) |
| Net result of reinsurance ceded | (632) | (581) | (581) | (663) | (663) |
| Bank operating expenses | – | – | – | – | – |
| Insurance acquisition expenses | (3,787) | (3,382) | (3,382) | (3,089) | (3,089) |
| Amortization of value of purchased life business in force | – | – | – | – | – |
| Administrative expenses | (1,851) | (1,960) | (1,960) | (1,717) | (1,717) |
| Valuation allowances on tangibles assets | 11 | (1) | (1) | (7) | (7) |
| Other | (20) | 12 | 12 | (15) | (15) |
| **Other operating income and expenses** | **(19,120)** | **(18,259)** | **(18,259)** | **(17,450)** | **(17,450)** |
| ***INCOME FROM OPERATING ACTIVITIES, GROSS OF TAX EXPENSE*** | ***2,213*** | ***1,890*** | ***1,890*** | ***1,566*** | ***1,566*** |
| Net income from investments in affiliates and associates | 9 | 3 | 3 | 34 | 34 |
| Financing expenses | (8) | (11) | (11) | (22) | (22) |
| ***OPERATING INCOME GROSS OF TAX EXPENSE*** | ***2,214*** | ***1,882*** | ***1,882*** | ***1,577*** | ***1,577*** |
| **Income tax expense** | **(719)** | **(493)** | **(493)** | **(443)** | **(443)** |
| **Minority interests in income or loss** | **(42)** | **(44)** | **(44)** | **(32)** | **(32)** |
| ***UNDERLYING EARNINGS*** | ***1,453*** | ***1,346*** | ***1,346*** | ***1,102*** | ***1,102*** |
| Net realized capital gains attributable to shareholders | 441 | 341 | 307 | 288 | 272 |
| ***ADJUSTED EARNINGS*** | ***1,895*** | ***1,687*** | ***1,653*** | ***1,390*** | ***1,374*** |
| Profit or loss on financial assets (under fair value option) & derivatives | 71 | 51 | 85 | 67 | 83 |
| Exceptional operations (including discontinued operations) | 13 | – | – | 12 | 12 |
| Goodwill and other related intangibles impacts | (2) | (1) | (1) | (30) | (30) |
| ***NET INCOME*** | ***1,977*** | ***1,737*** | ***1,737*** | ***1,439*** | ***1,439*** |

*(a) Before intercompany transactions.*
*(b) Change in consolidation method in Turkey, Hong Kong and Singapore (from equity method to full consolidation) as at January 1st, 2005.*
*(c) Restated means: transfer of the forex impact from adjusted earnings to net income.*

(in Euro million)

| CONSOLIDATED GROSS REVENUES [a] | 2006 | 2005 | 2004 |
|---|---|---|---|
| France | 5,219 | 5,096 | 4,932 |
| United Kingdom & Ireland | 4,742 | 4,413 | 4,493 |
| Germany | 2,759 | 2,798 | 2,815 |
| Belgium | 1,520 | 1,462 | 1,443 |
| Southern Europe | 3,160 | 3,019 | 2,901 |
| Other countries [b] | 2,483 | 2,168 | 1,361 |
| **Total** | **19,882** | **18,956** | **17,945** |
| Intercompany transactions | (89) | (81) | (93) |
| **Contribution to consolidated gross revenues** | **19,793** | **18,874** | **17,852** |

*(a) Gross written premiums including intercompany eliminations.*
*(b) Change in consolidation method in Turkey, Hong Kong and Singapore (from equity method to full consolidation) as at January 1st, 2005.*

(in Euro million)

| UNDERLYING, ADJUSTED EARNINGS AND NET INCOME | 2006 | 2005 Restated [b] | 2005 Published | 2004 Restated [b] | 2004 Published |
|---|---|---|---|---|---|
| France | 382 | 363 | 363 | 304 | 304 |
| United Kingdom & Ireland | 386 | 399 | 399 | 302 | 302 |
| Germany | 181 | 178 | 178 | 120 | 120 |
| Belgium | 147 | 128 | 128 | 159 | 159 |
| Southern Europe | 148 | 125 | 125 | 114 | 114 |
| Other countries [a] | 208 | 153 | 153 | 102 | 102 |
| ***UNDERLYING EARNINGS*** | ***1,453*** | ***1,346*** | ***1,346*** | ***1,102*** | ***1,102*** |
| Net realized capital gains attributable to shareholders | 441 | 341 | 307 | 288 | 272 |
| ***ADJUSTED EARNINGS*** | ***1,895*** | ***1,687*** | ***1,653*** | ***1,390*** | ***1,374*** |
| Profit or loss on financial assets (under fair value option) & derivatives | 71 | 51 | 85 | 67 | 83 |
| Exceptional operations (including discontinued operations) | 13 | – | – | 12 | 12 |
| Goodwill and other related intangibles impacts | (2) | (1) | (1) | (30) | (30) |
| ***NET INCOME*** | ***1,977*** | ***1,737*** | ***1,737*** | ***1,439*** | ***1,439*** |

*(a) Change in consolidation method in Turkey, Hong Kong and Singapore (from equity method to full consolidation) as at January 1st, 2005.*
*(b) Restated means: transfer of the forex impact from adjusted earnings to net income.*

# Property & Casualty Operations – France

(in Euro million)

| | 2006 | 2005 Restated [(a)] | 2005 Published | 2004 Restated [(a)] | 2004 Published |
|---|---|---|---|---|---|
| Gross revenues | 5,219 | 5,096 | 5,096 | 4,932 | 4,932 |
| Current accident year loss ratio (net) | 74.6% | 74.0% | 74.0% | 74.3% | 74.3% |
| All accident year loss ratio (net) | 73.5% | 73.5% | 73.5% | 75.4% | 75.4% |
| Net technical result | 1,390 | 1,345 | 1,345 | 1,195 | 1,195 |
| Expense ratio | 24.1% | 24.4% | 24.4% | 23.3% | 23.3% |
| Net underlying investment result | 464 | 464 | 464 | 424 | 424 |
| Underlying operating earnings before tax | 592 | 569 | 569 | 482 | 482 |
| Income tax expenses / benefits | (210) | (206) | (206) | (177) | (177) |
| Net income from investment in affiliates and associates | – | – | – | – | – |
| Minority interests | – | – | – | – | – |
| Underlying earnings group share | 382 | 363 | 363 | 304 | 304 |
| Net capital gains attributable to shareholders net of income tax | 70 | 85 | 57 | 70 | 77 |
| Adjusted earnings group share | 452 | 448 | 419 | 374 | 381 |
| Profit or loss on financial assets (under fair value option) & derivatives | 64 | 17 | 45 | 33 | 26 |
| Exceptional operations (including discontinued operations) | – | – | – | – | – |
| Goodwill and other related intangibles impacts | – | – | – | – | – |
| Net income group share | 515 | 464 | 464 | 407 | 407 |

*(a) Restated means: transfer of the forex impact from adjusted earnings to net income.*

**Gross revenues** increased by 2% to €5,219 million or by 4%, net of intercompany transactions and on a comparable basis:

- *Personal lines* (61% of gross written premiums) increased by 2% to €3,166 million, mainly reflecting (i) positive net inflows in Motor (+58,000 new contracts) sustained by advertising campaigns in a very competitive market, and (ii) positive net inflows in Household (+23,000 new contracts) with an ongoing price increase.
- The 6% strong increase in *Commercial lines premiums* (39% of gross written premiums) to €2,022 million was driven by overall positive inflows, rate increases, notably in Liability and in Construction (including positive prior year premium adjustments).

**Net technical result** improved by €45 million or 3% to €1,390 million:

- The 0.7 point *current accident year net loss ratio* deterioration to 74.6%, was mainly driven by Property due to both large claims and a higher cost of reinsurance.
- The *prior accident year net technical result* improved by €38 million to €60 million, mainly fuelled by positive developments in Property, as in 2005, and in Motor (up €52 million to €16 million as 2005 was negatively impacted by a decrease in the annuity interest rate).

**Expense ratio** decreased by 0.3 point to 24.1% mainly driven by the improvement in the administrative expense ratio by 0.5 point to 8.9% following a non recurring charge related to agents benefits in 2005.

As a consequence, the **combined ratio** improved by 0.4 point to 97.5%.

**Net investment result** remained stable at €464 million as lower equity dividend income following internal restructuring of the holding scheme of some equity investments (sold to

AXA France Vie) was offset by higher income on fixed maturities.

**Income tax expense** increased by €4 million to €–210 million in line with increased taxable income partially compensated by the 0.5 point decrease of the short term rate.

**Underlying earnings** increased by €20 million to €382 million reflecting the improved combined ratio.

**Adjusted earnings** increased by €4 million to €452 million as the underlying earnings increase (€+20 million) was offset by lower net capital gains (€–15 million to €70 million).

**Net income** increased by €51 million to €515 million reflecting (i) the stability of adjusted earnings (€+4 million), (ii) a positive impact of foreign exchange on a currency macro hedge (€+56 million to €28 million), partly offset by (iii) less favorable change of fair value on assets under fair value option (€–9 million to €36 million).

# Property & Casualty Operations – United Kingdom & Ireland

(in Euro million)

| | 2006 | 2005 Restated [a] | 2005 Published | 2004 Restated [a] | 2004 Published |
|---|---|---|---|---|---|
| **Gross revenues** | **4,742** | **4,413** | **4,413** | **4,493** | **4,493** |
| Current accident year loss ratio (net) | 63.6% | 65.1% | 65.1% | 67.7% | 67.7% |
| All accident year loss ratio (net) | 61.8% | 63.1% | 63.1% | 66.4% | 66.4% |
| **Net technical result** | **1,790** | **1,610** | **1,610** | **1,502** | **1,502** |
| Expense ratio | 34.7% | 33.3% | 33.3% | 31.0% | 31.0% |
| Net underlying investment result | 338 | 283 | 283 | 283 | 283 |
| **Underlying operating earnings before tax** | **501** | **442** | **442** | **383** | **383** |
| Income tax expenses / benefits | (114) | (43) | (43) | (81) | (81) |
| Net income from investment in affiliates and associates | – | – | – | – | – |
| Minority interests | – | – | – | – | – |
| **Underlying earnings group share** | **386** | **399** | **399** | **302** | **302** |
| Net capital gains attributable to shareholders net of income tax | 75 | 62 | 64 | 62 | 57 |
| **Adjusted earnings group share** | **461** | **461** | **464** | **364** | **359** |
| Profit or loss on financial assets (under fair value option) & derivatives | (9) | 3 | – | (5) | – |
| Exceptional operations (including discontinued operations) | – | – | – | 12 | 12 |
| Goodwill and other related intangibles impacts | – | – | – | – | – |
| **Net income group share** | **451** | **464** | **464** | **372** | **372** |
| *Average exchange rate: 1.00 € = £* | *0.6817* | *0.6840* | *0.6840* | *0.6784* | *0.6784* |

*(a) Restated means: transfer of the forex impact from adjusted earnings to net income.*

**Gross Revenues** increased by 7% to €4,742 million on current and constant exchange rate base, reflecting significant growth on Personal Motor, Health and both Personal and Commercial Property.

- *Personal Lines* (51% of the P&C premiums) were up 10% on a constant exchange rate basis due to a strong performance in the Motor business resulting from updated pricing strategies and new business growth in the UK. Property growth of 15.7% on a constant exchange rate basis was mainly due to additional corporate partner deals incepted in 2005 and 2006 in the UK. The 7.0% growth in Health was driven by higher volumes in UK and International Individual business, together with higher average premiums.
- *Commercial Lines* (49% of the P&C premiums) were up 4.5% on a constant exchange rate basis reflecting growth in Commercial Property and Health. Growth of 9.5% in Property on a constant exchange rate basis is mainly attributable to delegated authority new business deals in the UK. Growth of 7.1% in Health is mainly due to UK and International SME business.

**Net Technical Result** increased by €180 million on a current exchange rate basis (€+175 million on a constant exchange rate basis) to €1,790 million:

- The *current accident year loss ratio* improved by 1.5 point to 63.6%, driven by favorable claims experience and benign weather in 2006, improved claims management and risk selection in Health, partially offset by higher claims frequency on the Ireland Motor account combined with a reduction in average earned premiums.
- The *all accident year loss ratio* improved by 1.3 point to 61.8%, broadly reflecting the favorable current accident year loss ratio.

**Expense ratio** deteriorated by 1.5 point to 34.7% largely as a result of the increase of the commission ratio by 1.6 point as a result of a change in business mix, higher profit commission and increased volumes on higher commission rated delegated authority business in the UK. The acquisition cost ratio excluding commissions increased by 0.3 point mainly due to Distribution and Customers Operations with increased activity arising from new Corporate Partners. This was slightly offset by 0.4 point improvement in administrative expense ratio primarily as a result of expenses incurred in prior year on the closure of a business transformation project for Health.

As a result, the **combined ratio** deteriorated by 0.2 point to 96.5%.

**Net underlying investment result** increased by €56 million on current exchange rate basis or €55 million on a constant exchange rate basis, as a result of a higher asset base and interest rates.

**Income tax expenses** increased by €72 million on a current exchange rate basis (€+71 million on a constant exchange rate basis) reflecting the improvement in the pre-tax result and 2005 included a €51 million tax benefit.

**Underlying earnings** decreased by €13 million to €386 million on a current exchange rate basis (€–14 million on a constant exchange rate basis), as the improvement in net technical result and favorable investment performance were more than offset by the increase in income tax expenses.

**Adjusted earnings** decreased by €–1 million on a current exchange rate basis and €–2 million on a constant exchange rate basis to €461 million as the decrease in underlying earnings was largely offset by €12 million higher net capital gains.

**Net Income** decreased by €13 million on a current exchange rate basis (€–14 million on a constant exchange rate basis) to €451 million due to the adverse foreign exchange movements.

# Property & Casualty Operations – Germany

(in Euro million)

| | 2006 | 2005 Restated [(a)] | 2005 Published | 2004 Restated [(a)] | 2004 Published |
|---|---|---|---|---|---|
| Gross revenues | 2,759 | 2,798 | 2,798 | 2,815 | 2,815 |
| Current accident year loss ratio (net) | 74.2% | 72.2% | 72.2% | 75.6% | 75.6% |
| All accident year loss ratio (net) | 67.8% | 65.8% | 65.8% | 69.6% | 69.6% |
| Net technical result | 889 | 958 | 958 | 859 | 859 |
| Expense ratio | 30.3% | 32.5% | 32.5% | 29.2% | 29.2% |
| Net underlying investment result | 239 | 218 | 218 | 171 | 171 |
| Underlying operating earnings before tax | 293 | 266 | 266 | 204 | 204 |
| Income tax expenses / benefits | (108) | (76) | (76) | (77) | (77) |
| Net income from investment in affiliates and associates | 4 | 3 | 3 | 3 | 3 |
| Minority interests | (7) | (15) | (15) | (10) | (10) |
| Underlying earnings group share | 181 | 178 | 178 | 120 | 120 |
| Net capital gains attributable to shareholders net of income tax | 77 | 87 | 80 | 23 | 4 |
| Adjusted earnings group share | 259 | 265 | 258 | 143 | 124 |
| Profit or loss on financial assets (under fair value option) & derivatives | 26 | 30 | 37 | 15 | 34 |
| Exceptional operations (including discontinued operations) | (3) | – | – | – | – |
| Goodwill and other related intangibles impacts | – | – | – | 5 | 5 |
| Net income group share | 282 | 295 | 295 | 163 | 163 |

*(a) Restated means: transfer of the forex impact from adjusted earnings to net income.*

**Please note that from 2006 on, the run-off portfolio of AXA Germany is reported under International Insurance Business. In 2005, AXA Germany P&C underlying earnings included €8 million corresponding to this portfolio.**

**Gross revenues** decreased by 1% to €2,759 million. On a comparable basis, gross revenues increased by 1% (excluding the sale of DARAG retroactive as at January 1, 2006 and excluding the run off portfolio).

- *Personal lines* (61% of total gross revenues) increased by 2% mainly driven by Motor lines up +4% due to strong positive net inflows (+157,000 contracts). Property and Liability both increased by 1% following the launch of new products for SMEs (e.g. Profischutz).
- *Commercial lines* (32% of total gross revenues) decreased by 1% mainly due to Property (–2%), driven by a decrease in average premium, and Accident (–3%), following a decline in net production, partly offset by motor (+1%) following the launch of a new motor fleet product.
- *Other lines* (7% of total gross revenues) increased by 7% mainly due to AXA Art.

**Net technical result** decreased by €70 million to €889 million, as:

- *Current accident year loss ratio* deteriorated by 2.0 points to 74.2% driven by higher large claims charge than the exceptionally benign 2005 experience, and the increase of claims handling costs provision to reflect higher unit costs.
- *All accident year loss ratio* increased by 2.0 points to 67.8% in line with the development of the current accident year loss ratio. The net technical result of previous years amounted to €177 million in 2006 (vs. €180 million in 2005) primarily driven by boni on personal motor and commercial liability.

**Expense ratio** improved by 2.3 points to 30.3% mainly driven by a lower administrative expense ratio (–2.4 points), mainly due to the release of some VAT provisions coupled with a VAT refund following the creation of a VAT group, as well as to the non-recurrence of several 2005 one-off expenses. Acquisition expense ratio marginally deteriorated (+0.1 point), as the non-recurrence of the 2005 amortization of some capitalized acquisition costs was offset by higher marketing expenses.

Overall, the **net combined ratio** improved by 0.2 point to 98.1%.

**Net underlying investment result** increased by €21 million to €239 million mainly driven by higher dividends from equities.

**Income tax expense** increased by €32 million to €–108 million due to higher taxable income coupled with a less favorable mix of taxable and non taxable elements.

As a result of the above, **underlying earnings** improved by €4 million to €181 million.

**Adjusted earnings** decreased by €6 million to €259 million as the improvement in underlying earnings was more than offset by lower capital gains mainly on equities.

**Net income** decreased by €13 million to €282 million resulting from lower adjusted earnings and unfavorable change in fair value on fixed maturities under fair value option, partly offset by gains on derivatives.

# Property & Casualty Operations – Belgium

(in Euro million)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Gross revenues | 1,520 | 1,462 | 1,443 |
| Current accident year loss ratio (net) | 78.1% | 81.4% | 82.6% |
| All accident year loss ratio (net) | 66.0% | 70.0% | 69.4% |
| Net technical result | 512 | 439 | 442 |
| Expense ratio | 29.3% | 28.7% | 28.0% |
| Net underlying investment result | 178 | 167 | 179 |
| Underlying operating earnings before tax | 245 | 183 | 215 |
| Income tax expenses / benefits | (98) | (55) | (56) |
| Net income from investment in affiliates and associates | – | – | – |
| Minority interests | – | – | – |
| Underlying earnings group share | 147 | 128 | 159 |
| Net capital gains attributable to shareholders net of income tax | 142 | 53 | 56 |
| Adjusted earnings group share | 290 | 181 | 215 |
| Profit or loss on financial assets (under FV option) & derivatives | (6) | 1 | 14 |
| Exceptional operations (including discontinued operations) | – | – | – |
| Goodwill and other related intangibles impacts | – | – | (1) |
| Net income group share | 283 | 183 | 228 |

**Gross written premiums** increased by 4% to €1,520 million driven by growth in both personal and commercial lines.

- *Personal Lines* (61% of the total gross written premiums): premiums increased by 3% mainly driven by household up 10% to €254 million as a result of the new Natural Disaster guarantee effective March 2006, and by motor (56% of personal lines written premiums) up 1% to €527 million driven by positive net inflows.
- *Commercial Lines* (38% of the total gross written premiums): premiums grew by 6% driven by increases in most lines as a result of portfolio and tariff increases.

**Net technical result** was up €73 million to €512 million as a result of:

- *The current year loss ratio* improved by 3.3 points to 78.1% due to an improved claims pattern in all Personal Lines (except Personal Accidents), Property, Health and Marine.
- *The all accident year loss ratio* improved by 4.0 points to 66.0% due to the better current year loss ratio and to higher prior years' results.

**Expense ratio** increased by 0.7 point to 29.3% driven by the increase in administrative expense ratio by 0,5 point to 8.7% mainly due to an IT project related to product offering segmentation (€4 million), and staff costs (regulatory salary indexation).

As a result, the **combined ratio** improved by 3.3 points to 95.4%.

**Net underlying investment result** increased by €11 million to €178 million, mainly driven by higher income on fixed maturities and equity investments.

**Income tax expense** increased by €43 million to €98 million, as a result of higher pre-tax underlying earnings.

**Underlying earnings** increased by €19 million to €147 million as a result of the improvement in combined ratio and higher net investment result, partially offset by higher tax expenses.

**Adjusted earnings** increased by €109 million to €290 million as a result of higher underlying earnings and higher realized gains on equities

(€+76 million) and real estate (due to non recurrence of a €13 million depreciation on one building in 2005).

**Net income** increased by €101 million to €283 million as a result of higher adjusted earnings and unfavorable change in fair value on corporate bond mutual funds under fair value option due to interest rate increases.

# Property & Casualty Operations – Southern Europe

(in Euro million)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Gross revenues | 3,160 | 3,019 | 2,901 |
| Current accident year loss ratio (net) | 77.0% | 78.3% | 78.5% |
| All accident year loss ratio (net) | 74.7% | 75.6% | 76.0% |
| Net technical result | 789 | 713 | 661 |
| Expense ratio | 23.6% | 23.5% | 23.4% |
| Net underlying investment result | 184 | 167 | 150 |
| Underlying operating earnings before tax | 238 | 194 | 168 |
| Income tax expenses / benefits | (90) | (68) | (53) |
| Net income from investment in affiliates and associates | – | – | – |
| Minority interests | – | – | – |
| Underlying earnings group share | 148 | 125 | 114 |
| Net capital gains attributable to shareholders net of income tax | 42 | 27 | 62 |
| Adjusted earnings group share | 190 | 152 | 177 |
| Profit or loss on financial assets (under FV option) & derivatives | (1) | 1 | 8 |
| Exceptional operations (including discontinued operations) | – | – | – |
| Goodwill and other related intangibles impacts | – | – | – |
| Net income group share | 189 | 153 | 185 |

**Gross written premiums** increased by 4% on a comparable basis to €3,160 million.

- *Personal lines* (78% of gross written premiums, €2,468 million) grew by 6%. In motor (€1,814 million or 58% of gross written premiums), the 6% increase was driven by positive net inflows (+293,700 policies) coming both from direct and traditional networks, following the launch of new tariffs and products in the three countries. Motor average premium was flat as compared to 2005 in a very competitive market, thanks to the increasing weight of comprehensive cover policies in the portfolio. Non-motor lines (€649 million or 21% of gross written premiums) were up 7%, driven by growth in all lines.
- *Commercial lines* (22% of business, €688 million) were down 3%. In motor (6% of business, €198 million) revenues were up 3%. Non-motor business (16% of business, €490 million) decreased by 5% mainly due to the non renewal of several corporate contracts.

Most of the growth was concentrated on proprietary distribution networks (72% of business, +6%) whereas non-proprietary networks were down 2%.

**Net technical result** increased by €76 million to €789 million as the loss ratio improved by 0.9 point to 74.7% mainly driven by strong monitoring of personal motor portfolio:

- *The current net technical result* increased by €86 million to €718 million resulting from the improvement of the current accident year loss ratio by 1.3 point to 77.0% mainly located in personal motor line of business, thanks to the favorable evolution of claims frequency and the continuous efforts to contain the average claims cost.
- *The prior year net technical result* decreased by €9 million to €70 million.

**Expense ratio** was almost stable at 23.6%. Administrative expense ratio excluding commissions improved by 0.3 point to 4.9% benefiting mainly from lower pre-retirement costs, especially in Portugal. Acquisition expense ratio excluding commissions ratio increased by 0.5 point to 5.0% primarily due to higher marketing costs (+0.4 point), aiming in particular to further develop direct distribution sales. Commission ratio decreased by 0.2 point to 13.6% partly driven by lower commission rate on the motor product launched in 2006.

As a result, the **combined ratio** improved by 0.8 point to 98.3%.

**Net underlying investment result** increased by €17 million to €184 million mainly driven by a larger average asset base combined with an improved return on the fixed maturity portfolio.

**Income tax expense** increased by €21 million to €90 million due to higher pre-tax earnings (€16 million impact), and a negative impact due to the evolution of tax regulations (€5 million), main impact in Italy.

Consequently, **underlying earnings** were up €23 million to €148 million.

**Adjusted earnings** were up €39 million to €190 million due to higher underlying earnings and higher capital gains on equity securities, thanks to good equity market conditions.

**Net income** increased by €36 million to €189 million reflecting the positive adjusted earnings evolution partly offset by the lower fair value adjustment on consolidated mutual funds under fair value option.

# Property & Casualty Operations – Other Countries

(in Euro million)

| CONSOLIDATED GROSS REVENUES | 2006 | 2005 | 2004 |
|---|---|---|---|
| Canada | 1,059 | 858 | 746 |
| The Netherlands [a] | 282 | 275 | 212 |
| Other countries | 1,142 | 1,035 | 403 |
| Turkey [c] | 508 | 453 | – |
| Morocco | 164 | 140 | 137 |
| Japan | 158 | 140 | 115 |
| Switzerland | 95 | 90 | 87 |
| Asia (Excluding Japan) [b] [c] | 149 | 144 | – |
| Luxembourg | 69 | 69 | 64 |
| Central and Eastern Europe | – | – | – |
| **Total** | **2,483** | **2,168** | **1,361** |
| Intercompany transactions | (5) | (5) | – |
| **Contribution to consolidated gross revenues** | **2,477** | **2,163** | **1,361** |

*(a) The disability portfolio which was previously reported under the Life segment is now reported under the Property & Casualty segment since December 1st, 2004. The Health portfolio which was previously reported under the Life segment has been disposed of at December 1st, 2004.*
*(b) Includes Hong Kong and Singapore.*
*(c) Change in consolidation method in Turkey, Hong Kong and Singapore (from equity method to full consolidation) as at January 1st, 2005. Hong Kong and Singapore businesses are now reported in Asia (Excluding Japan).*

(in Euro million)

| UNDERLYING, ADJUSTED EARNINGS AND NET INCOME | 2006 | 2005 Restated [c] | 2005 Published | 2004 Restated [c] | 2004 Published |
|---|---|---|---|---|---|
| Canada | 113 | 80 | 80 | 61 | 61 |
| The Netherlands [a] | 36 | 19 | 19 | (5) | (5) |
| Other countries | 59 | 54 | 54 | 46 | 46 |
| Turkey [b] | 11 | 8 | 8 | 8 | 8 |
| Morocco | 14 | 13 | 13 | 13 | 13 |
| Japan | 1 | 5 | 5 | 3 | 3 |
| Switzerland | 7 | 2 | 2 | 2 | 2 |
| Asia (Excluding Japan) [b] [d] | 23 | 18 | 18 | 15 | 15 |
| *Of which Malaysia* | *6* | – | – | – | – |
| Luxembourg | 9 | 8 | 8 | 6 | 6 |
| Central and Eastern Europe | (6) | – | – | – | – |
| ***UNDERLYING EARNINGS*** | ***208*** | ***153*** | ***153*** | ***102*** | ***102*** |
| Net realized capital gains attributable to shareholders | 35 | 28 | 26 | 15 | 16 |
| ***ADJUSTED EARNINGS*** | ***243*** | ***181*** | ***179*** | ***117*** | ***118*** |
| Profit or loss on financial assets (under fair value option) & derivatives | (1) | (2) | – | 1 | – |
| Exceptional operations (including discontinued operations) | 16 | – | – | – | – |
| Goodwill and other related intangibles impacts | (2) | (1) | (1) | (34) | (34) |
| ***NET INCOME*** | ***256*** | ***179*** | ***179*** | ***83*** | ***83*** |

*(a) The disability portfolio which was previously reported under the Life segment is now reported under the Property & Casualty segment since December 1st, 2004. The Health portfolio which was previously reported under the Life segment has been disposed of at December 1st, 2004.*
*(b) Change in consolidation method in Turkey, Hong Kong and Singapore (from equity method to full consolidation) as at January 1st, 2005. Hong Kong and Singapore businesses are now reported in Asia (Excluding Japan).*
*(c) Restated means: transfer of the forex impact from adjusted earnings to net income.*
*(d) Includes Malaysia (newly consolidated in 2006 in equity method), Hong Kong and Singapore.*

### Canada

**Gross revenues** were up €200 million to €1,059 million, or up €140 million on a constant exchange rate basis. Excluding Citadel contribution of €145 million in 2006, gross revenues slightly decreased by €5 million as the result of a sustained level of new business (growth of 3%) combined with the impact related to the successful launch of the 18/24 month policies in 2005 leading to no renewal of these policies in 2006.

**Underlying earnings** were up €33 million or €27 million on a constant exchange rate basis to €113 million mainly resulting from the acquisition of Citadel combined with the improvement of the net combined ratio from 91.8% (93.0% including Citadel) to 91.0% reflecting the excellent performance across the board.

**Adjusted earnings** increased by €25 million on a constant exchange rate basis to €126 million in line with underlying earnings.

**Net income** increased by €19 million on a constant exchange rate basis to €119 million, as a result of higher adjusted earnings partly offset by Citadel's integration costs of €4 million as well as €2 million amortization charge of the intangible assets related to Citadel.

### The Netherlands

**Gross revenues** increased by 3% to €282 million mainly driven by new business in Authorized agents and Individual Disability, partly offset by the effects of the exit of Group Disability business as a consequence of legal changes in the Netherlands.

**Underlying earnings** increased by €17 million to €36 million, driven by a 7.8 point improvement in combined ratio to 91.8% following positive experience in Fire lines, combined with positive prior year developments, partly offset by higher profit-sharing commissions.

**Adjusted earnings** increased by €12 million to €37 million driven by underlying earnings and lower realized capital gains of €5 million, mainly due to the sale of real estate in 2005.

**Net income** increased by €20 million to €45 million benefiting from €7 million additional contractual realized profit, related to the sale of the health portfolio to Achmea in 2004.

### Turkey [1]

**Gross revenues** increased by 21% on a constant exchange rate basis to €508 million driven by average motor premium increase and positive evolution of fire business.

**Underlying earnings** were up €3 million to €11 million, thanks to (i) the combined ratio improvement (–2.7 points to 98.4%) and (ii) investment income growth on fixed maturities.

**Adjusted earnings** were up €2 million to €11 million. Net income was up €2 million to €12 million.

### Morocco

**Gross revenues** were up 17% on a constant exchange rate basis to €164 million, driven by personal motor, workmen compensation and fire lines of business.

**Underlying earnings** were up €1 million to €14 million as the combined ratio improvement (–6.3 points to 94.3%) was partly offset by the decrease in investment income on equity securities (especially high in 2005).

**Adjusted earnings** and **net income** increased by €15 million to €29 million due to strong realization of capital gains on equities.

### Japan

**Gross written premiums** increased by 20% on a constant exchange rate basis to €158 million, mainly driven by motor business growth. Total

(1) AXA Oyak is 35% owned by AXA.

motor portfolio (455,000 contracts) continued to show a sharp increase (+104,000 contracts compared to December 2005) thanks to competitive rates, as well as the contribution from the new Motorcycle product.

**Underlying earnings** decreased by €4 million to €1 million as the slight improvement in the combined ratio (from 102.4% to 101.9%), following the decrease in the expense ratio (38.5% vs. 42.4% in 2005), despite the non-recurrence of boni recorded in 2005 was more than offset by a lower contribution from the release of the valuation allowance on deferred tax assets than last year.

**Adjusted earnings** decreased by €3 million to €1 million in line with underlying earnings.

**Net income** decreased by €5 million to €–1 million reflecting some unrealized losses on fixed maturity mutual funds under fair value option.

## *Asia (Excluding Japan)*

### Singapore

**Gross written premiums** (excl ACS business) increased by 3.3% to €85 million on a constant exchange rate basis, mainly driven by personal motor given our competitive pricing and improved renewal retention ratio.

**Underlying earnings, adjusted earnings** and **net income** were slightly below prior year at around €10 million with a combined ratio of 90.9% (vs. 88.0% in 2005) which has been impacted notably by an increase of claims incurred in the commercial property and casualty businesses.

### Hong Kong

**Gross written premium** (excl ACS business) remained stable at €64 million, compared to 2005 on a constant exchange rate basis. Excluding premium adjustments in workers compensation products (ECI construction), revenues increased by 1.6%.

**Underlying earnings** were stable at €8 million on a constant exchange rate basis, with a slight increase in the combined ratio from 94.3% to 95.2%.

**Adjusted earnings** decreased by €1 million to €10 million on a constant exchange rate basis mainly attributable to a reduction of realized capital gains by €1 million.

**Net income** increased by €1 million to €10 million on a constant exchange rate basis, mainly attributable to a reduction of exchange losses by €2 million.

## *Central and Eastern Europe*

### Poland

The activity of the Avanssur platform in Poland was launched in September 2006.

**Underlying earnings, adjusted earnings** and **net income** amounted to €–6 million mainly due to administrative expenses.

# INTERNATIONAL
## INSURANCE SEGMENT

The following tables present the gross premiums and net income for the International Insurance Segment for the periods indicated:

(in Euro million)

| CONSOLIDATED GROSS REVENUES [a] | 2006 | 2005 | 2004 |
|---|---|---|---|
| AXA RE | – | 1,460 | 1,069 |
| AXA Corporate Solutions Assurance | 1,697 | 1,614 | 1,517 |
| AXA Cessions | 57 | 60 | 94 |
| AXA Assistance | 702 | 621 | 554 |
| Other [b] | 1,355 | 147 | 239 |
| **Total** | **3,811** | **3,903** | **3,473** |
| Intercompany transactions | (95) | (90) | (109) |
| **Contribution to consolidated gross revenues** | **3,716** | **3,813** | **3,363** |

*(a) Gross written premiums including intercompany eliminations.*
*(b) Including AXA RE (in 2006 only), AXA RE Life and AXA Liabilities Managers.*

(in Euro million)

| UNDERLYING, ADJUSTED EARNINGS AND NET INCOME | 2006 | 2005 Restated [b] | 2005 Published | 2004 Restated [b] | 2004 Published |
|---|---|---|---|---|---|
| AXA RE | – | 11 | 11 | 96 | 96 |
| AXA Corporate Solutions Assurance | 84 | 72 | 72 | 50 | 50 |
| AXA Cessions | 15 | 9 | 9 | 17 | 17 |
| AXA Assistance | 21 | 17 | 17 | 17 | 17 |
| Other [a] | 11 | (41) | (41) | (41) | (41) |
| ***UNDERLYING EARNINGS*** | ***131*** | ***68*** | ***68*** | ***138*** | ***138*** |
| Net realized capital gains attributable to shareholders | 60 | 88 | 94 | 85 | 87 |
| ***ADJUSTED EARNINGS*** | ***191*** | ***156*** | ***162*** | ***224*** | ***226*** |
| Profit or loss on financial assets (under fair value option) & derivatives | (1) | 5 | (1) | 27 | 25 |
| Exceptional operations (including discontinued operations) | 66 | 23 | 23 | – | – |
| Goodwill and other related intangibles impacts | (12) | – | – | (7) | (7) |
| ***NET INCOME*** | ***244*** | ***184*** | ***184*** | ***244*** | ***244*** |

*(a) Including AXA RE (in 2006 only), AXA RE Life and AXA Liabilities Managers.*
*(b) Restated means: transfer of the forex impact from adjusted earnings to net income*

# AXA Corporate Solutions Assurance

(in Euro million)

| | 2006 | 2005 Restated [b] | 2005 Published | 2004 Published |
|---|---|---|---|---|
| Gross revenues | 1,697 | 1,614 | 1,614 | 1,517 |
| Current accident year loss ratio (net) [a] | 88.7% | 88.9% | 88.9% | 88.6% |
| All accident year loss ratio (net) | 87.3% | 87.9% | 87.9% | 87.2% |
| Net technical result | 207 | 189 | 189 | 195 |
| Expense ratio | 12.8% | 12.9% | 12.9% | 13.0% |
| Net underlying investment result [b] | 144 | 123 | 123 | 97 |
| Underlying operating earnings before tax | 144 | 110 | 110 | 81 |
| Income tax expenses / benefits | (59) | (37) | (37) | (30) |
| Net income from investment in affiliates and associates | – | – | – | – |
| Minority interests | (1) | (1) | (1) | (1) |
| Underlying earnings group share | 84 | 72 | 72 | 50 |
| Net capital gains attributable to shareholders net of income tax | 32 | 20 | 30 | 46 |
| Adjusted earnings group share | 116 | 92 | 102 | 96 |
| Profit or loss on financial assets (under FV option) & derivatives | 1 | 5 | (5) | 1 |
| Exceptional operations (including discontinued operations) | – | – | – | – |
| Goodwill and other related intangibles impacts | – | – | – | – |
| Net income group share | 117 | 97 | 97 | 97 |

*(a) Current accident year claim charges (including claims handling expenses) / Current accident year earned revenues (excluding premium adjustments on previous years).*
*(b) Restated means: transfer of the forex impact from adjusted earnings to net income.*

**Gross revenues** amounted to €1,697 million, up €83 million (+5%) driven by (i) a strong portfolio development in Property (€84 million) due to reinsurance program restructuring providing additional underwriting capacities, (ii) an increase in liability (€26 million) and in construction (€19 million), partly offset by (iii) a decline in Marine and Motor, as some risks were not renewed in a context of softening market (€–45 million).

**Net technical result** increased by €18 million to €207 million:
- *The current accident year net technical result* increased by €10 million to €177 million reflecting a positive volume impact combined with a lower net loss ratio in Property.
- *The prior accident year net technical result* increased by €8 million to €30 million, resulting from positive reserve developments in Property, Marine and Aviation.

**Expenses** increased by €5 million to €–208 million. The expense ratio improved by 0.1 point to 12.8% reflecting the growth in premiums.

**Combined ratio** improved by 0.8 point to 100.0%.

**Net investment result** increased by €21 million to €144 million driven by higher fixed maturity revenues notably reflecting a higher asset base.

**Income tax expenses** increased by €22 million to €–59 million, mainly as a result of higher taxable income.

As a result, **underlying earnings** increased by €12 million to €84 million.

**Adjusted earnings** increased by €24 million to €116 million, reflecting a €12 million improvement in underlying earnings and €12 million higher net realized gains, mainly on equities.

**Net income** increased by €21 million to €117 million, reflecting €24 million higher adjusted earnings combined with a €10 million positive impact on change in fair value of assets under fair value option partly offset by a €–13 million foreign exchange negative impact.

## AXA Cessions

**Underlying earnings** were up €6 million to €15 million mainly reflecting (i) a higher net technical result and (ii) a higher net investment income partly offset by (iii) an increase in general expenses.

**Adjusted earnings** and **net income** amounted respectively to €14 million and €13 million.

## AXA Assistance

**Underlying earnings** were up €4 million to €21 million, reflecting mainly an increased activity (+11% on a comparable basis) combined with a better technical result and contained expenses.

**Adjusted earnings** increased by €4 million to €21 million in line with higher underlying earnings.

**Net income** decreased by €21 million to €22 million as the increase in adjusted earnings was more than offset by the non recurrence of the €23 million net impact of the sale of CAS in 2005.

### *Other transnational activities*

*On December 21, 2006 the AXA RE's business was sold to Paris Re Holding Limited, with the risks and corresponding net income related to AXA RE's 2006 claims experience assuming to Paris Re Holdings Limited. As a result, AXA RE's contribution to AXA consolidated accounts corresponds mainly to the result of the run-off of the 2005 and prior years reserves of AXA RE. This contribution for Full Year 2006 is presented as part of the "Other Transnational Activities" segment.*

**Underlying earnings** increased by €52 million to €11 million mainly due to (i) the contribution of AXA Re's run-off portfolio (€22 million driven by favorable claims experience on 2005 and prior years), (ii) a €43 million higher result on the other non-Life run-off portfolios mainly due to the positive result generated by the commutation of some large portfolios, partly offset by (iii) a €–13 million lower result of the AXA RE US Life run-off portfolio fully explained by the cost of fully hedging the remaining exposure of this portfolio.

**Adjusted earnings** increased by €72 million to €39 million reflecting the €52 million improvement of underlying earnings and €20 million higher realized gains due to AXA RE (€34 million) partly offset by €–13 million on the other portfolios.

**Net income** increased by €123 million to €92 million, reflecting improvement in adjusted earnings combined with a €66 million gain after tax on the sale of AXA RE's business, partly offset a €12 million charge related to the impairment of the goodwill formerly allocated to the reinsurance business.

# ASSET MANAGEMENT
## SEGMENT

(in Euro million)

| CONSOLIDATED GROSS REVENUES | 2006 | 2005 | 2004 |
|---|---|---|---|
| AllianceBernstein | 3,102 | 2,581 | 2,434 |
| AXA Investment Managers | 1,679 | 1,195 | 944 |
| **Total** | **4,781** | **3,776** | **3,378** |
| Intercompany transactions | (375) | (343) | (293) |
| **Contribution to consolidated gross revenues** | **4,406** | **3,433** | **3,084** |

(in Euro million)

| UNDERLYING, ADJUSTED EARNINGS AND NET INCOME | 2006 | 2005 Restated [(a)] | 2005 Published | 2004 Published |
|---|---|---|---|---|
| AllianceBernstein | 302 | 240 | 240 | 204 |
| AXA Investment Managers | 206 | 156 | 156 | 95 |
| ***UNDERLYING EARNINGS*** | ***508*** | ***396*** | ***396*** | ***300*** |
| Net realized capital gains attributable to shareholders | 1 | 6 | 5 | 2 |
| ***ADJUSTED EARNINGS*** | ***509*** | ***402*** | ***402*** | ***302*** |
| Profit or loss on financial assets (under FV option) & derivatives | 10 | 10 | 11 | 2 |
| Exceptional operations (including discontinued operations) | 91 | 3 | 3 | – |
| Goodwill and other related intangibles impacts | – | (4) | (4) | – |
| ***NET INCOME*** | ***610*** | ***411*** | ***411*** | ***304*** |

*(a) Restated means: transfer of the forex impact from adjusted earnings to net income.*

# AllianceBernstein

(in Euro million)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Gross revenues | 3,102 | 2,581 | 2,434 |
| Net underlying investment result | 23 | (21) | (22) |
| Total revenues | 3,125 | 2,560 | 2,412 |
| General expenses | (2,204) | (1,852) | (1,823) |
| Underlying operating earnings before tax | 921 | 707 | 589 |
| Income tax expenses / benefits | (260) | (193) | (124) |
| Net income from investment in affiliates and associates | – | – | – |
| Minority interests | (359) | (274) | (261) |
| Underlying earnings group share | 302 | 240 | 204 |
| Net capital gains attributable to shareholders net of income tax | 1 | 6 | 2 |
| Adjusted earnings group share | 303 | 246 | 207 |
| Profit or loss on financial assets (under FV option) & derivatives | – | – | – |
| Exceptional operations (including discontinued operations) | 91 | 8 | – |
| Goodwill and other related intangibles impacts | – | – | – |
| Net income group share | 394 | 254 | 207 |
| *Average exchange rate: 1.00 € = $* | *1.2563* | *1.2453* | *1.2438* |

**Assets under Management** (“AUM”) increased by €54 billion to €544 billion, driven by strong market appreciation (€72 billion) and strong net inflows across all client categories (€38 billion, of which €22 billion from institutional clients, €10 billion from retail and €7 billion from private clients) partly offset by unfavorable exchange rate impact (€–57 billion).

**Fees, commissions and other revenues** increased by 25% on a comparable basis, due to higher investment advisory fees driven by 18% higher average AUM as a result of net new business inflows, market performance and higher performance fees.

**General expenses** increased by €352 million or up 20% on a constant exchange rate basis, mainly as a result of higher compensation expense (€+230 million) from increased earnings, increased occupancy from expansion of offices in New York and overseas (€+39 million).

The **underlying cost income ratio** improved by 1.5 point from 68.7% to 67.2% in 2006.

**Income tax expenses** increased by €67 million to €260 million, or by €69 million on a constant exchange rate basis due to higher pre tax-earnings.

As a consequence, **underlying earnings** increased by €62 million to €302 million, or by €64 million at constant exchange rate.

**Adjusted earnings** increased by €57 million to €303 million or by €59 million on a constant exchange rate basis driven by higher underlying earnings and lower net capital gains (€–5 million).

**Net income** increased by €139 million to €394 million or by €143 million on a constant exchange rate basis mainly due to higher adjusted earnings and dilution gains from the issuance of AllianceBernstein units (€36 million), reversal of deferred taxes liability from prior period (€50 million) and €4 million related to the sale of Alliance Cash Management business, compared to a gain on the sale of Alliance Cash management business (€5 million) and India and South Africa joint ventures (€3 million) in 2005.

# AXA Investment Managers ("AXA IM")

(in Euro million)

| | 2006 | 2005 Restated [a] | 2005 Published | 2004 Published |
|---|---|---|---|---|
| Gross revenues | 1,679 | 1,195 | 1,195 | 944 |
| Net underlying investment result | 30 | 27 | 27 | 15 |
| Total revenues | 1,709 | 1,222 | 1,222 | 959 |
| General expenses | (1,330) | (956) | (956) | (795) |
| Underlying operating earnings before tax | 379 | 267 | 267 | 163 |
| Income tax expenses / benefits | (132) | (78) | (78) | (51) |
| Net income from investment in affiliates and associates | – | – | – | – |
| Minority interests | (41) | (32) | (32) | (17) |
| Underlying earnings group share | 206 | 156 | 156 | 95 |
| Net capital gains attributable to shareholders net of income tax | – | – | (1) | – |
| Adjusted earnings group share | 206 | 156 | 156 | 95 |
| Profit or loss on financial assets (under FV option) & derivatives | 10 | 10 | 11 | 2 |
| Exceptional operations (including discontinued operations) | – | (5) | (5) | – |
| Goodwill and other related intangibles impacts | – | (4) | (4) | – |
| Net income group share | 216 | 156 | 156 | 97 |

*(a) Restated means: transfer of the forex impact from adjusted earnings to net income.*

**Assets Under Management ("AUM")** were €485 billion as at December 31, 2006 increasing by €53 billion compared to December 2005, driven by (i) €35 billion Net New Money inflow, mainly from third-party Institutional clients (€23 billion), and retail clients (€11 billion), (ii) €20 billion of favorable market impact, partly offset by (iii) €–4 billion unfavorable exchange rate.

**Fees, commissions and other revenues** including those earned from AXA insurance companies eliminated in consolidation, increased by €484 million, or +40% to €1,679 million. Excluding fees retroceded to distributors, AXA Framlington impact (€13 million in 2005 and €126 million in 2006), and exchange rate variation (€2 million), net revenues grew by 30% on a comparable basis, driven by higher average AUM (+16% on a comparable basis), a positive client and product mix evolution, and higher performance fees.

**General expenses** increased by €374 million to €1,330 million. Excluding €+115 million commissions paid to third-party agents and €+88 million AXA Framlington impacts, expenses increased, at a lower pace than revenues, by 28% to €782 million, notably given the increase of staff to support the business development, important investments in projects and higher staff incentives.

The **underlying cost income ratio** improved by 1.6 point from 69.9% in 2005[1] to 68.3% in 2006 (2.1 points improvement on a comparable basis).

**Underlying and adjusted earnings** both increased by €50 million to €206 million as a result of a business growth and an improvement in underlying cost income ratio. AXA Framlington (purchased on October 31, 2005) contribution to 2006 and 2005 underlying and adjusted earnings was respectively €15 million and €4 million.

**Net income** increased by €60 million to €216 million, driven by adjusted earnings growth and fair value increase in real estate fund.

(1) The Cost Income Ratio was restated for the year 2005 in order to be based on underlying earnings.

# OTHER FINANCIAL
## SERVICES SEGMENT

The tables below present the revenues and the net income for the Other Financial Services segment for the periods indicated:

(in Euro million)

| CONSOLIDATED GROSS REVENUES | 2006 | 2005 | 2004 |
|---|---|---|---|
| AXA Bank (Belgium) | 306 | 339 | 268 |
| AXA Banque (France) | 62 | 70 | 105 |
| AXA Bank (Germany) | 26 | 28 | 28 |
| Other [a] | 10 | 4 | 4 |
| **Total** | **404** | **441** | **404** |
| Intercompany transactions | (22) | (13) | (17) |
| **Contribution to consolidated gross revenues** | **381** | **428** | **387** |

*(a) Includes CFP, CDO's and Real Estate entities.*

(in Euro million)

| UNDERLYING, ADJUSTED EARNINGS AND NET INCOME | 2006 | 2005 | 2004 |
|---|---|---|---|
| AXA Bank (Belgium) | 21 | 50 | 26 |
| AXA Banque (France) | – | (8) | (10) |
| AXA Bank (Germany) | 3 | 3 | 2 |
| Other [a] | 27 | 23 | 6 |
| ***UNDERLYING EARNINGS*** | ***51*** | ***67*** | ***23*** |
| Net realized capital gains attributable to shareholders | 8 | 6 | – |
| ***ADJUSTED EARNINGS*** | ***59*** | ***72*** | ***23*** |
| Profit or loss on financial assets (under FV option) & derivatives | (15) | 8 | (11) |
| Exceptional operations (including discontinued operations) | (1) | 2 | – |
| Goodwill and other related intangibles impacts | – | – | – |
| ***NET INCOME*** | ***43*** | ***82*** | ***13*** |

*(a) Includes CFP, CDO's and Real Estate entities.*

## AXA Bank (Belgium)

**Net banking revenues** were down 10% to €306 million, as a result of the decrease of (i) realized capital gains (€–19 million) driven by investment portfolio, (ii) mark to market (€–12 million) mainly due to derivatives (natural hedge on investment portfolio and the credit spread portfolio) partly offset by an increase in loans (€+11 million), and the money market (€–10 million) and (iii) net interest and fee income remained stable.

**Underlying earnings** decreased by €29 million to €21 million mainly due to lower fixed income capital gains (€–6 million), a lower interest margin (€–9 million), and the non recurrence of the reversal in 2005 of a provision for risks related to loan activities in France following a favorable court decision (€16 million).

**Adjusted earnings** decreased by €26 million to €29 million notably driven by the decrease in underlying earnings (€–29 million) partly offset by an increase in capital gains on equities.

**Net income** decreased by €38 million to €31 million driven by the decrease in adjusted earnings as well as unfavorable change in fair value on bonds under fair value option and derivatives.

## AXA Banque (France)

**Net banking revenues** decreased by 10% on a comparable basis to €62 million. Excluding derivatives, banking revenues increased by 24% to €85 million due to higher interest revenues and higher commissions both reflecting a strong activity.

**Underlying** and **adjusted earnings** increased by €8 million to breakeven mainly reflecting higher underlying banking revenues.

**Net income** decreased by €6 million to €–17 million, negatively impacted by the change in fair value of derivatives (a €17 million loss versus a €3 million loss in 2005) as a consequence of the rise in interest rates on the portfolio of interest rate swaps used to hedge the overall balance sheet exposure.

## AXA Bank (Germany)

**Gross revenues** decreased slightly by €1 million to €26 million as a consequence of a reduced interest margin.

**Underlying earnings, adjusted earnings** and **net income** remained stable at €3 million.

## Other

### CFP

**Underlying earnings, adjusted earnings** and **net income** increased by €17 million to €35 million mainly due to favorable developments on doubtful receivables.

# HOLDING COMPANIES

The Holding companies consist of AXA's non-operating companies, including mainly AXA parent company, AXA France Assurance, AXA Financial, AXA Asia Pacific Holdings, AXA UK Holdings, German, Belgium and Netherlands holdings.

(in Euro million)

| UNDERLYING, ADJUSTED EARNINGS AND NET INCOME | 2006 | 2005 Restated (a) | 2005 Published | 2004 Restated (a) | 2004 Published |
|---|---|---|---|---|---|
| AXA | (219) | (203) | (282) | (170) | (263) |
| Other French holdings companies | 1 | (12) | (12) | (2) | (2) |
| Foreign holdings companies | (239) | (255) | (255) | (223) | (223) |
| *UNDERLYING EARNINGS* | *(457)* | *(471)* | *(549)* | *(396)* | *(489)* |
| Net realized capital gains attributable to shareholders | 23 | 39 | 6 | 7 | (1) |
| *ADJUSTED EARNINGS* | *(434)* | *(431)* | *(543)* | *(389)* | *(489)* |
| Profit or loss on financial assets (under fair value option) & derivatives | (341) | 30 | (4) | 206 | 251 |
| Exceptional operations (including discontinued operations) | 30 | (99) | (99) | 150 | 150 |
| Goodwill and other related intangibles impacts | – | – | – | – | – |
| *NET INCOME* | *(745)* | *(500)* | *(645)* | *(33)* | *(88)* |

*(a) Restated means: (i) transfer of the forex impact from adjusted earnings to net income, and (ii) following clarification of IFRIC agenda committee following IASB decision, AXA has reclassified TSDI instruments (perpetual subordinated debts) into shareholders' equity for all periods presented in the 2006 financial statements with impact on net income.*

## AXA[1]

**Underlying earnings** decreased by €16 million to €–219 million. Excluding a non recurring tax benefit of €39 million in 2006 compared to €70 million in 2005, and €69 million financial income in 2006 on proceeds from Winterthur financing (rights and TSS issues), **underlying earnings** decreased by €54 million mainly due to (i) a €20 million higher financial charge mostly related to the financing of the Finaxa exchangeable bond buy-back and the dilution control program partly offset by positive volume effects due to increasing cash flows received from entities and (ii) €30 million some non recurring costs related to share based compensation plans.

**Adjusted earnings** decreased by €16 million to €–189 million mainly driven by underlying earnings evolution.

(1) All the figures are after tax.

**Net income** decreased by €401 million to €–584 million mainly due to adjusted earnings evolution as well as:

– a €–404 million change in the mark-to market of interest rate derivative instruments not considered as hedge accounting, mainly due to:
  - (i) €–174 million related to interest swaps denominated in Euro covering the long term interest risk of long term debts due to the increase of Euro interest rate during 2006,
  - (ii) €–69 million due to a decrease on CHF interest rates linked to long term CHF denominated swaps (CHF5 billion nominal value) used to finance Swiss assets of Winterthur,
  - (iii) €–133 million related to a lower increase of U.S Dollar interest rates linked to currency swaps in 2006 compared to 2005,

– a €–43 million corresponding to foreign exchange operations of which €–52 million related to TSDI foreign exchange hedges no more eligible to natural hedge accounting linked to the reclassification in shareholder's equity of TSDI,
– partly offset by a €+85 million due to the change in the mark-to-market of foreign currency options hedging AXA Group underlying earnings denominated in foreign currencies.

## Other French holding companies

### AXA France Assurance

**Underlying earnings** increased by €19 million to €–13 million mainly due to the non recurrence of a €14 million settlement with Armenian policyholders in 2005.

**Adjusted earnings** increased by €22 million to €–11 million due to higher underlying earnings and higher realized gains on equities.

**Net income** increased by €33 million to €–8 million mainly due to a tax gain on the 2005 settlement with Nationwide.

### Other French Holdings

**Underlying earnings** decreased by €5 million to €15 million mainly due to AXA Tech holding which benefited notably last year from higher dividends.

**Adjusted earnings** increased by €1 million to €14 million, as the absence of impairment in 2006 more than offset the decrease of underlying earnings.

**Net income** decreased by €12 million mainly due to the change in fair value of derivatives (a €15 million profit versus a €28 million profit in December 2005).

## Foreign Holding Companies

### AXA Financial, Inc.

**Underlying earnings** decreased by €25 million on a current exchange rate basis, or by €27 million on a constant exchange rate basis, to €–135 million due to higher net interest expense principally related to short-term borrowings from AXA (€16 million) and higher share based compensation expenses (€11 million).

**Adjusted earnings** decreased by €27 million on a current exchange rate basis, or €28 million on a constant rate basis, to €–135 million.

**Net income** increased by €94 million on a current exchange rate basis, or by €93 million on a constant exchange rate basis, to €–76 million, reflecting a €43 million favorable income tax settlement in 2006 related to the gain on sale of DLJ in 2000 and the €–69 million non recurrence of the 2005 after-tax loss on the sale of Advest.

### AXA Asia Pacific Holdings [1,2]

**Underlying earnings** decreased by €22 million to €–24 million largely due to the non-recurrence of positive income received in 2005 on cross currency interest rate swaps, following the restructuring of the forward rate hedging in July 2005. Lower interest revenue on inter-company finance arrangements and additional costs associated with the expansion strategy in Asian region also impacted the results.

**Adjusted earnings** decreased by €23 million to €–25 million largely due to the reduction in Underlying earnings.

**Net income** decreased by €17 million to €–22 million largely reflecting lower underlying and adjusted earnings partly offset by positive foreign exchange impacts.

(1) All comparisons to prior year figures are on a constant exchange rate basis.
(2) AXA interest in AXA Asia Pacific Group is 52.7% broken down into 51.6% direct interest holding and an additional 1.1% owned by AAPH Executive plan trust.

### AXA UK Holdings

**Underlying earnings** increased by €7 million, both on current and constant exchange rate base to €–89 million resulting from lower financing costs and the reversal of a deferred tax asset valuation allowance. **Adjusted earnings** increased in line with underlying earnings evolution.

**Net income** increased by €18 million on a current exchange rate basis (€+19 million on a constant exchange rate basis) to €–86 million driven by adjusted earnings growth, foreign exchange gains and the non recurrence of the indemnity costs paid to Nationwide in 2005.

## Other foreign holding companies

### German Holding companies

**Underlying earnings** improved by €48 million to €29 million mainly due to a €31 million tax refund following an industry wide change in tax legislation in 2006, a €9 million higher impact of the use of prior year loss carry-forward to €20 million, as well as higher investment result (€+4 million) and lower interests expenses (€+4 million).

**Adjusted earnings** and **net income** increased by €20 million as the improvement of underlying earnings (€+48 million) was compensated by the non repeat of 2005 one-off gains related to the final settlement of Cologne Re JV sale (€18 million) and a €10 million impairment on a participation.

### Belgium Holding companies

**Underlying earnings** increased by €14 million to €–10 million mainly due to the non recurrence of the indemnity fee paid in 2005 following the early repayment of a loan to AXA Bank Belgium.

**Adjusted earnings** increased by €16 million to €–9 million.

**Net income** increased by €24 million to €–9 million due to the increase in adjusted earnings and the non recurrence of the settlement of an indemnity to Nationwide (€+8 million).

### Netherlands Holding companies

**Underlying earnings, adjusted earnings** and **net income** decreased by €4 million to €–6 million mainly driven by the €2 million payment of loan interest to AXA SA.

# OUTLOOK

2006 was another very strong year in terms of top-line performance and earnings growth, and AXA continued to be ahead of the expected Ambition 2012 pace.

In 2007, AXA's key operational challenge will be to successfully manage the integration of Winterthur while keeping the growth momentum. Management has increased the target synergies (pre-tax annual cost savings) from this integration by 25% to €350 million, to be fully phased by 2010.

Assuming the global economic environment remains favorable and barring any major catastrophic events or financial market incidents, we expect that:

– our Life & Savings operations should continue to grow on the back of favorable long-term trends, and our distribution and offer innovation initiatives, including the promising roll-out of Accumulator-type products across the Group,
– despite increasing competitive pressure in some European markets, our Property & Casualty operations should benefit from the strength of marketing and distribution, claims management initiatives and increasing diversification into higher growth markets,
– our Asset Management businesses should continue to perform well, primarily driven by very strong net inflows in 2006 and current favorable financial market conditions,
– our net capital gains target range is increased from €600/800 million to €800/1,000 million from 2007 onwards.

# GLOSSARY

*Preliminary note: Foreign exchange rate impacts are closer in nature to Profit and loss on financial assets accounted for under fair value option (excluding assets backing contract liabilities for which the financial risk is borne by the policyholder) and derivatives related to invested assets than to Net realized gains or losses attributable to shareholders. As a consequence, foreign exchange rates impacts have been reallocated from adjusted earnings to net income starting 2006 with retroactive restatement.*

## Comparable basis

On a comparable basis means that the data for the current year period were restated using the prevailing foreign currency exchange rate for the same period of prior year (**constant exchange rate** basis) and eliminated the results of acquisitions, disposals and business transfer (**constant structural** basis) and of changes in accounting principles (**constant methodological** basis), in one of the two periods being compared.

## Adjusted earnings

**Adjusted earnings** represent the net income (group share) before:

(i) The impact of exceptional operations (primarily change in scope, including integration costs related to a newly acquired company during the considered full year accounting period).

(ii) Goodwill and other related intangible impacts, and

(iii) Profit and loss on financial assets accounted for under fair value option (excluding assets backing contract liabilities for which the financial risk is borne by the policyholder) and derivatives related to invested assets (including all impacts of foreign exchange in particular the ones related to currency options in earnings hedging strategies, but excluding derivatives related to insurance contracts evaluated according to the "selective unlocking" accounting policy).

Adjusted earnings per share **(adjusted EPS)** represent AXA's consolidated adjusted earnings, divided by the weighted average number of outstanding ordinary shares.

Adjusted earnings per share diluted **(adjusted EPS diluted)** represent AXA's consolidated adjusted earnings, divided by the weighted average number of outstanding ordinary shares, on a diluted basis (that is to say including the potential impact of all outstanding dilutive stock options being exercised performance shares, and conversion of existing convertible debt into shares provided that their impact is not anti-dilutive).

## Underlying earnings

**Underlying earnings** correspond to adjusted earnings excluding net realized capital gains attributable to shareholders.

Net realized gains or losses attributable to shareholders include:

– i) realized gains and losses (on assets not designated under fair value option or trading assets) ii) change in impairment valuation allowance, net of tax,

– related impact on policyholder participation net of tax (Life business),
– DAC and VBI amortization or other reactivity to those elements if any (Life business).

**The Statement of Income referred here-after and presented page 17 of the current document is based on an underlying basis.**

## *Life & Savings Margin Analysis*

Life & Savings margin analysis is presented on an underlying basis.

Even though the presentation of Margin Analysis is not the same as the Statement of Income (underlying basis), it is based on the same GAAP measures as used to prepare the Statement on Income in accordance with IFRS. As a result, the operating income under Margin Analysis is equal to that reported in AXA's Statement of Income for the segment.

There are certain material differences between the detailed line-by-line presentation in the Statement of Income and the components of Margin Analysis as set out below.

**– For insurance contracts and investment contracts with DPF:**

(i) Gross premiums (net of deposits), fees and other revenues are allocated in the Margin Analysis based on the nature of the revenue between "Fees and Revenues" and "Net Technical Margin".

(ii) Policyholders' interest in participating contracts is reflected as a change in insurance benefits in the Statement of Income. In the Margin Analysis, it is allocated to the related margin, that is, primarily, the "Investment Margin" and the "Net Technical Margin".

(iii) The "Investment margin" represents the net investment result in the Statement of Income and is adjusted to take into account the related policyholders' participation (see above) as well as changes in specific reserves linked to invested assets returns and to exclude the fees on (or contractual charges included in) contracts with a financial risk borne by policyholders, which are included in "Fees and Revenues".

(iv) Change in URR (Unearned Revenue Reserve – capitalization net of amortization) is presented in the line "Change in unearned premiums net of unearned revenues and fees" in the underlying Statement of Income, whereas it is located in the line "Fees & Revenues" in the Margin analysis.

**– For investment contracts without DPF:**

(i) Deposit accounting is applied. As a consequence, fees and charges related to these contracts are presented in the underlying Statement of Income within Gross consolidated revenues on a separate line, and in Margin analysis in the lines "Fees & Revenues" and "Net Technical margin".

(ii) Change in UFR (Unearned Fees Reserve capitalization net of amortization) is presented in the line "Change in unearned premiums net of unearned revenues & fees" in the underlying Statement of Income, whereas it is located in the line "Fees & Revenues" in the Margin analysis.

**Underlying Investment margin** includes the following items:

(i) Net investment income.

(ii) Interests and bonuses credited to policyholders and unallocated policyholder bonuses (and the change in specific reserves purely linked to invested assets returns) related to the net investment income.

**Underlying Fees & Revenues** include:

(i) revenues derived from mutual fund sales (which are part of consolidated revenues),

(ii) loading charged to policyholders on premiums / deposits and fees on funds under management for separate accounts (unit-linked) business,

(iii) loading on (or contractual charges included in) premiums / deposits received on all non unit-linked product lines,

(iv) deferral income such as capitalization net of amortization of URR (Unearned Revenue Reserve) and UFR (Unearned Fees Reserve),

(v) other fee revenues, e.g., fees received on financial planning, sales of third party products.

**Underlying Net Technical result** includes the following components:

(i) Mortality/morbidity margin: The amount charged to the policyholder in respect of mortality/morbidity for the related period less benefits and claims. It is equal to the difference between income for assuming risk and the actual cost of benefits, including changes in valuation assumptions and additional reserves for mortality risk. This margin does not include the claims handling costs and change in claims handling cost reserves.
(ii) Surrender margin: The difference between the benefit reserve and the surrender value paid to the policyholder in the event of early contract termination.
(iii) Policyholder bonuses if the policyholder participates in the risk margin.
(iv) Other changes in insurance reserves and economic hedging strategy impacts related to insurance contracts valuated according to the "selective unlocking" accounting policy allowing liability adjustment so as to better reflect the current interest rates for these contracts.
(v) Ceded reinsurance result.

**Underlying Expenses** are:

(i) Acquisition expenses, including commissions and general expenses allocated to new business, related to insurance products as well as to other activities (e.g., mutual fund sales).
(ii) Capitalization of acquisition expenses linked to new business: Deferred Acquisition Costs (DAC) and net rights to future management fees only for investment contracts without DPF.
(iii) Amortization of acquisition expenses on current year and prior years new business, including the impact of interest capitalized: amortization charge for Deferred Acquisition Costs (DAC) and net rights to future management fees only for investment contracts without DPF.
(iv) Administrative expenses.
(v) Claims handling costs.
(vi) Policyholder bonuses if the policyholder participates in the expenses of the company.

**Underlying VBI amortization** includes VBI (Value of Purchased Life Business In-force) amortization related to underlying margins, as well as amortization of other intangibles related to the in-force business.

**Underlying Operating earnings before tax** correspond to the income derived from operations, before tax, minority interest, and goodwill and other related intangible impact.

## *Life & Savings cost income Ratio*

(i) **Underlying cost income ratio:** Expenses as defined above / "underlying" operating margin, where:
   – Expenses are total expenses, excluding expenses related to mutual fund business net of Participating Benefits, excluding deferral and amortization of Deferred Acquisition Costs (DAC) and net rights to future management fees and excluding amortization of Value of purchased Life Business In-force (VBI).
   – "Underlying" operating margin is the sum of (i) Underlying Investment margin; (ii) Underlying Fees and revenues excluding the change in deferral income, and (iii) Underlying Net technical Margin (all items defined above).

## *Property & Casualty (including AXA Corporate Solutions Assurance)*

**Underlying net investment result** includes the net investment income less the recurring interest credited to insurance annuity reserves.

**Underlying net technical result** is the sum of the following components:

(i) earned premiums, gross of reinsurance,
(ii) claims charges, gross of reinsurance,
(iii) change in claims reserves, including claims handling costs reserves, gross of reinsurance, less the recurring interest credited to insurance annuity reserves,
(iv) claims handling costs,
(v) net result of ceded reinsurance.

**Expense ratio** is the ratio of:
(i) expenses (excluding claims handling costs but including non recurring expenses), to
(ii) earned revenues, gross of reinsurance.

Expenses include two components: expenses (including commissions) related to acquisition of contracts (with the related **acquisition ratio**) and all other expenses (with the related **administrative expense ratio**).

**Current accident year loss ratio** (Property & Casualty) net of reinsurance is the ratio of:
(i) [current year claims charge gross of reinsurance + claims-handling costs + result of reinsurance ceded on current accident year excluding the recurring interest credited to the insurance annuity reserves], to
(ii) earned revenues, gross of reinsurance.

**All accidents year loss ratio** (Property & Casualty) net of reinsurance is the ratio of:
(i) [all accident years claims charge gross of reinsurance + claims-handling costs + result of reinsurance ceded on all accident years excluding the recurring interest credited to the insurance annuity reserves] to,
(ii) earned revenues, gross of reinsurance.

The **combined ratio** is the sum of (i) the expense ratio and (ii) the loss ratio (all accident years).

## AXA RE

**Covers** are specific reinsurance treaties, bought to protect all or a portion of the company's portfolio against **major losses.** If such losses do not occur over the insured period, a profit commission (or "no-claim bonus") is paid to the ceding company. In general, the **cost of a cover** is accrued (or by extension "earned") ratably over the treaty period.

**Major losses** are defined as any event whose ultimate cost, gross of reinsurance and reinstatement premiums, is greater than $30 million.

**Net technical margin** includes:
(i) earned premiums, net of reinsurance (cession / retrocession and covers),
(ii) claims charge all accident years, net of reinsurance, including major losses,
(iii) commissions (fixed commissions, sliding scale commissions as well as profit commissions), (a) paid to the ceding companies and (b) received from the reinsurance companies,
(iv) claims handling costs.

**Net attritional margin on current accident year** includes the following elements:
(i) earned premiums, net of cession / retrocession (reinsurance ceded excluding covers),
(ii) current year claims charge (excluding major losses), net of cession / retrocession,
(iii) commissions (fixed commissions, sliding scale commissions and profit commissions), (a) paid to the ceding companies and (b) received from the reinsurance companies, excluding commissions related to covers,
(iv) claims handling costs.

## Asset Management

**Net New Money:** Inflows of client money less outflows of client money. Net New Money measures the impact of sales efforts, product attractiveness (mainly dependent on performance and innovation), and the general market trend in investment allocation.

**Underlying Cost Income Ratio:** general expenses excluding distribution fees / total revenues excluding distribution fees.

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# CONSOLIDATED

## BALANCE SHEET

### Assets

(in Euro million)

| Notes | | December 31, 2006 | December 31, 2005 Restated | December 31, 2004 Restated |
|---|---|---|---|---|
| 5 | Goodwill | 16,070 | 13,559 | 12,204 |
| 6 | Value of purchased business in force [(a)] | 5,050 | 2,623 | 3,123 |
| 7 | Deferred acquisition costs and equivalent [(b)] [(i)] | 15,896 | 14,767 | 12,319 |
| 8 | Other intangible assets | 2,350 | 1,074 | 597 |
| | **Intangible assets** | **39,365** | **32,023** | **28,243** |
| | Investments in real estate property | 18,608 | 12,810 | 12,233 |
| | Invested financial assets [(c)] | 358,718 | 286,647 | 251,516 |
| | Loans [(d)] | 28,856 | 18,332 | 18,114 |
| | Assets backing contracts where the financial risk is borne by policyholders [(e)] | 176,562 | 141,410 | 112,387 |
| 9 | **Investments from insurance activities [(f)]** | **582,744** | **459,200** | **394,250** |
| 9 | **Investments from banking and other activities [(f)]** | **16,295** | **10,084** | **11,336** |
| 10 | **Investments in associates – Equity method** | **144** | **208** | **330** |
| 14 | **Reinsurer's share in insurance and investment contracts liabilities** | **12,038** | **9,087** | **7,898** |
| | Tangible assets | 1,733 | 1,247 | 1,290 |
| | Other long term assets [(g)] | 456 | 281 | 2,260 |
| | Deferred policyholder's participation asset | 460 | – | – |
| | Deferred tax asset | 3,118 | 3,757 | 3,731 |
| | **Other assets** | **5,767** | **5,285** | **7,281** |
| | Receivables arising from direct insurance and inward reinsurance operations | 11,873 | 9,713 | 8,167 |
| | Receivables arising from outward reinsurance operations | 805 | 888 | 2,134 |
| | Receivables arising from banking activities | 14,063 | 12,818 | 11,481 |
| | Receivables – current tax | 989 | 806 | 412 |
| | Other receivables [(h)] | 18,967 | 14,358 | 9,590 |
| 11 | **Receivables** | **46,696** | **38,585** | **31,784** |
| | **Assets held for sale and relating to discontinued operations [(j)]** | **3,337** | **102** | **62** |
| 12 | **Cash and cash equivalents** | **21,169** | **21,402** | **22,494** |
| | ***TOTAL ASSETS*** | ***727,555*** | ***575,974*** | ***503,678*** |

*(a) Amounts shown gross of tax.*
*(b) Amounts gross of unearned revenue reserves and unearned fee reserves.*
*(c) Financial assets excluding loans and assets backing contracts where the financial risk is borne by policyholders.*
*Includes fixed maturities, equities, controlled and non controlled investment funds.*
*(d) Includes policy loans.*
*(e) Includes assets backing contracts with Guaranteed Minimum features.*
*(f) Also includes trading financial assets and accrued interests.*
*All financial amounts are shown net of derivatives impact (please refer to note 19).*
*(g) Includes long term assets, i.e. when maturity is above 1 year.*
*(h) Includes short term assets, i.e. when maturity is below 1 year.*
*(i) As described in note 1.12.2, the adoption of FRS 27 in the United Kingdom has led to adjustments on all periods presented. The effect of these adjustments is set out in note 14.*
*(j) Including Winterthur, please refer to note 5.*

# Liabilities

(in Euro million)

| Notes | | December 31, 2006 | December 31, 2005 Restated | December 31, 2004 Restated |
|---|---|---|---|---|
| | Share capital and capital in excess of nominal value | 22,670 | 18,120 | 19,385 |
| | Reserves and translation reserve [j] | 19,471 | 14,087 | 8,393 |
| | Net income for the period [j] | 5,085 | 4,318 | 3,793 |
| | **Shareholders' equity - Group share** | **47,226** | **36,525** | **31,571** |
| | **Minority interests** | **2,943** | **2,763** | **2,311** |
| 13 | **Total minority interests and shareholders' equity** | **50,168** | **39,288** | **33,882** |
| | Liabilities arising from insurance contracts [h] | 323,232 | 247,717 | 229,452 |
| | Liabilities arising from insurance contracts where the financial risk is borne by policyholders [a] | 108,984 | 92,888 | 73,578 |
| | **Total liabilities arising from insurance contracts [b]** | **432,216** | **340,605** | **303,030** |
| | Liabilities arising from investment contracts with discretionary participating features [h] | 32,599 | 33,267 | 31,832 |
| | Liabilities arising from investment contracts with no discretionary participating features | 1,121 | 926 | 869 |
| | Liabilities arising from investment contracts where the financial risk is borne by policyholders [c] | 67,673 | 48,549 | 39,127 |
| | **Total liabilities arising from investment contracts [b]** | **101,393** | **82,742** | **71,828** |
| | Unearned revenues and unearned fees reserves [h] | 2,080 | 1,726 | 1,570 |
| | Liabilities arising from policyholder's participation [d] [h] | 24,918 | 23,284 | 17,544 |
| | Derivatives relating to insurance and investment contracts | (163) | (148) | (32) |
| 14 | **Liabilities arising from insurance and investment contracts** | **560,443** | **448,208** | **393,940** |
| 15 | **Provisions for risks and charges** | **8,984** | **8,761** | **7,729** |
| | Subordinated debt [j] | 5,563 | 5,073 | 5,041 |
| | Financing debt instruments issued | 3,688 | 2,817 | 2,903 |
| | Financing debt owed to credit institutions | 95 | 17 | 17 |
| 16 | **Financing debt [e]** | **9,347** | **7,906** | **7,961** |
| | **Deferred tax liability [h]** | **6,823** | **7,338** | **6,786** |
| | Minority interests of controlled investment funds and puttable instruments held by minority interests holders [f] | 7,224 | 5,115 | 3,717 |
| | Other debt instruments issued and bank overdrafts [g] [i] | 8,711 | 8,411 | 7,784 |
| | Payables arising from direct insurance and inward reinsurance operations | 7,947 | 4,680 | 3,863 |
| | Payables arising from outward reinsurance operations | 5,849 | 3,507 | 3,588 |
| | Payables arising from banking activities [g] [i] | 16,992 | 12,083 | 12,285 |
| | Payables – current tax | 2,059 | 1,382 | 954 |
| | Derivatives relating to other financial liabilities | 124 | 303 | 1 |
| | Other payables | 41,071 | 28,993 | 21,187 |
| 17 | **Payables** | **89,978** | **64,473** | **53,380** |
| | **Liabilities held for sale or relating to discontinued operations [k]** | **1,812** | – | – |
| | ***TOTAL LIABILITIES*** | ***727,555*** | ***575,974*** | ***503,678*** |

*(a) Also includes liabilities arising from contracts with Guaranteed Minimum features.*
*(b) Amounts shown gross of reinsurer's share in liabilities arising from contracts.*
*(c) Liabilities arising from investment contracts with discretionary participating features and investment contracts with no discretionary participating features where the financial risk is borne by policyholders.*
*(d) Also includes liabilities arising from deferred policyholder's participation.*
*(e) Financing debt amounts are shown net of effect of derivative instruments (please refer to note 19).*
*(f) Mainly comprises minority interests of controlled mutual funds puttable at fair value - also includes put options granted to minority shareholders.*
*(g) Includes effect of derivative instruments (please refer to note 19).*
*(h) As described in note 1.12.2, the adoption of FRS 27 in the United Kingdom has led to adjustments on all periods presented. The effect of these adjustments is set out in note 14.*
*(i) As at January 1, 2006, liabilities relating to securities sold under repository agreements in the Belgian banking business have been presented as payables resulting from banking operations instead of debt instruments in issue (other than financing debts) and bank overdrafts. The amount concerned at December 31, 2006 was €3,885 million.*
*(j) As described in note 1.11.2, perpetual subordinated notes have been reclassified under shareholders' equity for all periods presented. Details are provided in note 13.*
*(k) Including Winterthur, please refer to note 5.*

# Liabilities

(in Euro million)

| Notes | | December 31, 2006 | December 31, 2005 Restated | December 31, 2004 Restated |
|---|---|---|---|---|
| | Liabilities arising from insurance contracts with financial risk borne by the policyholders | 108,984 | 92,888 | 73,578 |
| | Liabilities arising from investment contracts with financial risk borne by the policyholders | 67,673 | 48,549 | 39,127 |
| | **Total Liabilities arising from contracts with financial risk borne by the policyholders** | **176,657** | **141,437** | **112,705** |
| | Liabilities arising from insurance contracts | 323,232 | 247,717 | 229,452 |
| | Liabilities arising from investment contracts with discretionary participating features | 32,599 | 33,267 | 31,832 |
| | Liabilities arising from investment contracts with no discretionary participating features | 1,121 | 926 | 869 |
| | **Total Liabilities arising from insurance and investment contracts** | **356,952** | **281,910** | **262,153** |

# CONSOLIDATED
## STATEMENT OF INCOME

## Consolidated statement of income

(in Euro million, except EPS in euros)

| Notes | | December 31, 2006 | December 31, 2005 Restated | December 31, 2004 Restated |
|---|---|---|---|---|
| | Gross written premiums | 72,099 | 65,995 | 62,152 |
| | Fees and charges relating to investment contracts with no participating features | 608 | 509 | 417 |
| | **Revenues from insurance activities** | **72,707** | **66,504** | **62,570** |
| | Net revenues from banking activities | 376 | 428 | 386 |
| | Revenues from other activities [a] | 5,693 | 4,739 | 4,074 |
| 20 | **Total revenues** | **78,775** | **71,671** | **67,030** |
| | **Change in unearned premiums net of unearned revenues and fees [k]** | **(476)** | **(483)** | **(104)** |
| | Net investment income [b] | 14,461 | 13,951 | 12,941 |
| | Net realized investment gains and losses [c] | 4,260 | 3,557 | 3,282 |
| | Change in fair value of financial instruments at fair value through profit and loss [j] | 14,550 | 16,110 | 12,530 |
| | Change in financial instruments impairment [d] | (194) | (210) | (444) |
| 21 | **Net investment result excluding financing expenses** | **33,077** | **33,408** | **28,309** |
| | Technical charges relating to insurance activities [e] [k] | (84,836) | (81,791) | (72,959) |
| 22 | Net result from outward reinsurance | (1,455) | (141) | (1,063) |
| | Bank operating expenses | (78) | (61) | (101) |
| 7 / 24 | Acquisition costs [f] [k] | (7,191) | (6,536) | (5,957) |
| | Amortization of the value of purchased business in force and of other intangible assets | (282) | (558) | (468) |
| 24 | Administrative expenses | (8,788) | (8,596) | (7,906) |
| | Change in tangible assets impairment | 18 | (3) | (10) |
| | Change in goodwill impairment [i] | (12) | (70) | (36) |
| | Other income and expenses [g] | (511) | (81) | (239) |
| | **Other operating income and expenses** | **(103,135)** | **(97,839)** | **(88,739)** |
| | **Income from operating activities before tax** | **8,241** | **6,757** | **6,495** |
| 10 | Income arising from investments in associates – Equity method | 34 | 21 | 55 |
| 23 | Financing debts expenses [h] [j] | (474) | (481) | (439) |
| | **Operating income before tax** | **7,801** | **6,296** | **6,111** |
| 18 | Income tax [j] [k] | (2,043) | (1,490) | (1,844) |
| | **Net operating result** | **5,758** | **4,806** | **4,266** |
| | **Result from discontinued operations net of tax** | **–** | **–** | **–** |
| | **Net consolidated income** | **5,758** | **4,806** | **4,266** |
| | Split between: | | | |
| | Net income Group share | 5,085 | 4,318 | 3,793 |
| | Minority interests share in net consolidated result | 673 | 488 | 473 |
| 26 | **Earnings per share** | **2,61** | **2,25** | **2,06** |
| | **Fully diluted earnings per share** | **2,56** | **2,22** | **1,98** |

*(a) Excludes insurance and banking activities.*
*(b) Net of investment management costs.*
*(c) Includes impairment releases on sold invested assets.*
*(d) Excludes impairment releases on sold invested assets.*
*(e) Includes changes in liabilities arising from insurance contracts and investment contracts (with or with no discretionary participating features) where the financial risk is borne by policyholders for an amount of €15,370 million as a balancing entry to the change in fair value of financial instruments at fair value through profit and loss (€13,978 million in 2005 and €10,543 million in 2004).*
*(f) Includes acquisition costs and change in deferred acquisition costs relating to insurance contracts and investment contracts with discretionary participating features as well as change in net rights to future management fees relating to investment contracts with no discretionary participating features.*
*(g) Notably includes financial charges in relation to other debt instruments issued and bank overdrafts.*
*(h) Includes net balance of income and expenses related to derivatives on financing debt (however excludes change in fair value of these derivatives).*
*(i) Includes change in goodwill impairment as well as negative goodwill.*
*(g) As described in note 1.11.2, perpetual subordinated notes have been reclassified under shareholders' equity for all periods presented. Details are provided in note 13.*
*(h) As described in note 1.12.2, the adoption of FRS 27 in the United Kingdom has led to adjustments on all periods presented. The effect of these adjustments is set out in note 14.*

# STATEMENT OF
## CONSOLIDATED CASH FLOWS

(in Euro million) [a]

| | December 31, 2006 | December 31, 2005 Restated | December 31, 2004 Restated |
|---|---|---|---|
| Operating income before tax [b] [c] | 7,801 | 6,296 | 6,111 |
| Net amortization expense [d] | 527 | 831 | 649 |
| Change in goodwill impairment | 12 | 70 | 36 |
| Net change in deferred acquisition costs and equivalent | (1,413) | (1,538) | (1,548) |
| Net increase / (write back) in impairment on investments, tangible and other intangible assets | 175 | 214 | 455 |
| Change in fair value of investments and financial instruments accounted for at fair value through profit & loss | (14,298) | (15,962) | (12,301) |
| Net change in liabilities arising from insurance and investment contracts [e] | 28,604 | 31,312 | 24,426 |
| Net increase / (write back) in other provisions [f] | 60 | (23) | (37) |
| Income arising from investments in associates – Equity method | (34) | (21) | (55) |
| Adjustment of non cash balances included in the operating income before tax | 13,633 | 14,883 | 11,625 |
| Net realized investment gains and losses | (4,778) | (3,921) | (3,668) |
| Financing debts expenses | 474 | 481 | 439 |
| Adjustment of balances included in operating income before tax for reclassification to investing or financing activities | (4,304) | (3,440) | (3,229) |
| Dividends recorded in profit & loss during the period | (2,030) | (1,781) | (1,344) |
| Interests paid & received recorded in profit & loss during the period | (13,481) | (12,975) | (10,786) |
| Adjustment of transactions from accrued to cash basis | (15,512) | (14,755) | (12,131) |
| Net cash impact of deposit accounting | 199 | 1 201 | 924 |
| Dividends and interim dividends collected | 1,994 | 1,801 | 1,386 |
| Interests collected | 14,432 | 13,184 | 10,697 |
| Change in operating receivables and payables [g] | 2,832 | (965) | 1,326 |
| Net cash provided by other assets and liabilities [h] | (1,718) | (808) | (2,285) |
| Tax expenses paid | (1,660) | (1,132) | (882) |
| Other operating cash impact and non cash adjustment [b] | 1,239 | 188 | (191) |
| Net cash impact of transactions with cash impact not included in the operating income before tax | 17,320 | 13,470 | 10,975 |
| *NET CASH PROVIDED BY OPERATING ACTIVITIES* | *18,938* | *16,453* | *13,351* |
| | | | |
| Purchase of subsidiaries and affiliated companies, net of cash acquired | (5,718) | (1,583) | (3,938) |
| Disposal of subsidiaries and affiliated companies, net of cash ceded | 117 | 891 | 856 |
| Purchase of shares of affiliated companies | – | – | (72) |
| Disposal of shares of affiliated companies | – | – | 352 |
| Net cash related to changes in scope of consolidation | (5,600) | (691) | (2,801) |
| Sales of fixed maturities [h] | 67,720 | 70,722 | 84,965 |
| Sales of equities and non controlled investment funds [h] [i] | 20,110 | 19,604 | 22,072 |
| Sales of investment properties held directly or not [h] | 2,104 | 962 | 1,620 |
| Sales and/or repayment of loans and other assets [h] [j] | 20,106 | 11,974 | 4,222 |
| Net cash related to sales and repayments of financial assets [h] [i] [j] | 110,040 | 103,262 | 112,878 |
| Purchases of fixed maturities [h] | (84,728) | (79,833) | (82,677) |
| Purchases of equity securities and non controlled investment funds [h] [i] | (20,978) | (19,685) | (34,416) |
| Purchases of investment properties held directly or not [h] | (1,575) | (991) | (1,043) |
| Purchases and/or issues of loans and other assets [h] [j] | (27,786) | (20,878) | (8,284) |
| Net cash related to purchases and issuance of financial assets [h] [i] [j] | (135,067) | (121,387) | (126,421) |
| Sales of tangible and intangible assets | 140 | 225 | 33 |
| Purchases of tangible and intangible assets | (296) | (214) | (221) |

(in Euro million) [a]

| | December 31, 2006 | December 31, 2005 Restated | December 31, 2004 Restated |
|---|---|---|---|
| **Net cash related to sales and purchases of tangible and intangible assets** | **(155)** | **11** | **(187)** |
| Increase in collateral payable / Decrease in collateral receivable | 9,714 | 7,720 | 7,051 |
| Decrease in collateral payable / Increase in collateral receivable | (3,355) | (1,666) | – |
| **Net cash impact of assets lending / borrowing collateral receivables and payables** | **6,359** | **6,054** | **7,051** |
| **Other investing cash impact and non cash adjustment** | **(34)** | **(401)** | **(413)** |
| ***NET CASH PROVIDED BY INVESTING ACTIVITIES*** | ***(24,457)*** | ***(13,153)*** | ***(9,894)*** |
| Issuance of equity instruments [b] [k] | 8,600 | 652 | 2,704 |
| Repayments of equity instruments [b] [k] | (34) | (517) | 58 |
| Transactions on treasury shares | (305) | (512) | – |
| Dividends payout | (2,124) | (1,308) | (924) |
| Interests on perpetual debts paid [b] | (166) | (157) | (132) |
| **Net cash related to transactions with shareholders** | **5,971** | **(1,842)** | **1,706** |
| Cash provided by financial debts issuance | 1,406 | 301 | 366 |
| Cash used for financial debts repayments | (359) | (2,557) | (2,048) |
| Interests on financing debt paid [b] [l] | (539) | (568) | (643) |
| **Net cash related to Group financing** | **509** | **(2,824)** | **(2,326)** |
| **Other financing cash impact and non cash adjustment** | **8** | **(32)** | **182** |
| ***NET CASH PROVIDED BY FINANCING ACTIVITIES*** | ***6,487*** | ***(4,699)*** | ***(439)*** |
| **Cash and cash equivalent as at January 1** | **20,640** | **21,830** | **18,858** |
| Net cash provided by operating activities | 18,938 | 16,453 | 13,351 |
| Net cash provided by investing activities | (24,457) | (13,153) | (9,894) |
| Net cash provided by financing activities | 6,487 | (4,699) | (439) |
| Impact of change in scope on cash and cash equivalent | (7) | 138 | 117 |
| Net impact of foreign exchange fluctuations and reclassification on cash and cash equivalents | 6,190 | 71 | (166) |
| **Cash and cash equivalent as at December 31** | **27,790** | **20,640** | **21,830** |

*(a) The "Cash and cash equivalents" balances shown in the statement of consolidated cash flows do not include cash balances of consolidated investment funds from the Satellite Investment Portfolio (see note 1.7.2). However, from December 31, 2006, cash backing contracts where the financial risk is borne by policyholders (unit-linked contracts) is regarded as a "Cash and cash equivalents" item instead of a financial asset item. The reclassification of this cash under "Cash and cash equivalents" is presented in "Effects of exchange rate variations and reclassifications on cash and cash equivalents" in an amount of €6.7 billion (corresponding to the reclassification of opening cash) and in "Purchase of shares in subsidiaries and affiliated companies, net of cash acquired" in an amount of €1 billion (corresponding to the integration of Winterthur).*

*(b) As described in note 1.11.2, perpetual subordinated notes have been transferred from the "subordinated debt" item to the "shareholders' equity" item, and so are treated similarly to deeply subordinated notes. The effect on the cash flow statement of this reclassification is as follows:*
*– a €58 million decrease in operating income before tax at December 31, 2004 and a €102 million increase at December 31, 2005;*
*– a €426 million increase in "issuance of equity instruments" in 2004 and a €515 million increase in "Repayments of equity instruments" in 2005;*
*– a €132 million decrease in interest paid on perpetual debts at December 31, 2004 and a €157 million decrease at December 31, 2005.*

*(c) As described in note 1.18, the statement of consolidated cash flows now starts from "Operating income before tax", whereas it used to start from "Income from operating activities, gross of tax expenses".*

*(d) Includes the capitalization of premiums/discounts and related amortization and amortization of investment and owner occupied properties (held directly).*

*(e) Includes the impact of reinsurance. This item also includes the change in liabilities arising from contracts where the financial risk is borne by policyholders.*

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

*(g) Also includes changes relating to repository transactions and equivalent for banking activities.*

*(h) Includes corresponding derivatives.*

*(i) Includes equities held directly or by consolidated and non controlled investment funds.*

*(j) Also includes purchases and sales of assets backing contracts where financial risk is borne by policyholders.*

*(k) Also includes issues and repayments of perpetual debts.*

*(l) Includes the net cash impact of interest margins relating to hedging derivatives on financing debts.*

(in Euro million)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|---|---|---|---|
| Cash and cash equivalents | 21,169 | 21,402 | 22,494 |
| Bank overdrafts [a] | (1,338) | (762) | (664) |
| Cash backing contracts where the financial risk is borne by policyholders [b] | 7,959 | – | – |
| **Cash and cash equivalent as at December 31** | **27,790** | **20,640** | **21,830** |

*(a) Included in "Other debt instruments issued and bank overdrafts".*

*(b) From December 31, 2006, the "Cash and cash equivalents" item in the statement of consolidated cash flows includes cash backing contracts where financial risk is borne by policyholders (unit-linked contracts), which was previously considered as a financial asset.*

# CONSOLIDATED
## STATEMENT OF SHAREHOLDERS' EQUITY

| | | | Share Capital | | | Attributable |
|---|---|---|---|---|---|---|
| | Number of shares (in thousands) | Nominal value (euros) | Share Capital | Capital in excess of nominal value | Treasury shares | |
| **Shareholders' equity opening January 1, 2006 [b]** | **1,871,605** | **2.29** | **4,286** | **14,492** | **(658)** | |
| Capital | 221,283 | 2.29 | 507 | | | |
| Capital in excess of nominal value | | | | 3,800 | | |
| Equity – share based compensation | | | | 106 | | |
| Change in scope of consolidation | | | | | | |
| Treasury shares | | | | | 137 | |
| Equity component of compound financial instruments | | | | | | |
| Super subordinated debt | | | | | | |
| Accrued interests – Super subordinated debt | | | | | | |
| Dividends paid AXA | | | | | | |
| **Impact of transactions with shareholders** | **221,283** | **2.29** | **507** | **3,906** | **137** | |
| Reserves relating to changes in fair value through shareholders' equity | | | | | | |
| Others | | | | | – | |
| Translation reserves | | | – | – | – | |
| Employee benefits actuarial gains and losses through OCI [c] | | | | | | |
| Income allocation | | | | | | |
| Net income of the period | | | | | | |
| **Total recognised income and expense for the period (SORIE)** | | | **–** | **–** | **–** | |
| **Shareholders' equity closing December 31, 2006** | **2,092,888** | **2.29** | **4,793** | **18,398** | **(521)** | |

*NB: amounts are presented net of impacts of shadow accounting and of its effects on policyholders' benefit, deferred acquisition costs, and value of business in force.*
*(a) Mainly equity components of compound financial instruments (e.g. convertible bonds).*
*(b) The 2006 opening balance was adjusted by €2,679 million following a change in presentation of perpetual deeply subordinated notes, as described in note 1.11.2 (accounting principles) and explained in note 13.*
*(c) Actuarial gains and losses accrued since opening January 1, 2006.*

(in Euro million, except for number of shares and nominal value)

| to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|
| Other reserves | | | | | | Shareholders' Equity Group share | Minority interests |
| Reserves relating to the change in FV of financial instruments available for sale | Reserves relating to the change in FV of hedge accounting derivatives (cash flow hedge) | Reserves relating to revaluation of tangible assets | Others [a] | Translation reserve | Undistributed profits and other reserves | | |
| 8,111 | 75 | 3 | 3,550 | 681 | 5,985 | 36,525 | 2,763 |
| | | | | | | 507 | |
| | | | | | | 3,800 | |
| | | | | | | 106 | |
| 7 | – | – | – | | – | 7 | 13 |
| | | | | | | 137 | |
| | | | – | | | – | |
| | | | 3,699 | | | 3,699 | |
| | | | (160) | | | (160) | |
| | | | | | (1,647) | (1,647) | – |
| 7 | – | – | 3,539 | – | (1,647) | 6,449 | 13 |
| (355) | (20) | – | | | – | (375) | |
| | | | – | (2) | 55 | 53 | (302) |
| – | – | – | – | (764) | – | (764) | (205) |
| | | | | | 252 | 252 | |
| | | | | | – | – | – |
| | | | | | 5,085 | 5,085 | 673 |
| (355) | (20) | – | – | (767) | 5,393 | 4,251 | 166 |
| 7,763 | 55 | 4 | 7,090 | (86) | 9,730 | 47,226 | 2,943 |

| | | | Share Capital | | | Attributable |
|---|---|---|---|---|---|---|
| | Number of shares (in thousands) | Nominal value (euros) | Share Capital | Capital in excess of nominal value | Treasury shares | |
| **Shareholders' equity opening January 1, 2005** | **1,908,444** | **2.29** | **4,370** | **15,401** | **(386)** | |
| Capital | (36,839) | 2.29 | (84) | | | |
| Capital in excess of nominal value | | | | (966) | | |
| Equity – share based compensation | | | | 57 | | |
| Change in scope of consolidation | | | | | | |
| Treasury shares | | | | | (272) | |
| Equity component of compound financial instruments | | | | | | |
| Super subordinated debt | | | | | | |
| Accrued interests – Super subordinated debt | | | | | | |
| Dividends paid AXA | | | | | | |
| **Impact of transactions with shareholders** | **(36,839)** | **2.29** | **(84)** | **(909)** | **(272)** | |
| Reserves relating to changes in fair value through shareholders' equity | | | | | | |
| Others | | | | | | |
| Translation reserves | | | | | | |
| Employee benefits actuarial gains and losses through OCI [(b)] | | | | | | |
| Income allocation | | | | | | |
| Net income of the period | | | | | | |
| **Total recognised income and expense for the period (SORIE)** | | | **–** | **–** | **–** | |
| **Shareholders' equity closing December 31, 2005** | **1,871,605** | **2.29** | **4,286** | **14,492** | **(658)** | |

*NB: The 2005 opening balance was adjusted by €3,048 million and the 2005 closing balance by €2,679 million following a change in presentation of perpetual deeply subordinated notes, as described in note 1.11.2 (accounting principles) and explained in note 13.*

*NB: Amounts are presented net of impacts of shadow accounting and of its effects on policyholders' benefit, deferred acquisition costs, and value of business in force.*

*(a) Mainly equity components of compound financial instruments (e.g. convertible bonds).*

*(b) Actuarial gains and losses accrued since opening January 1, 2005.*

(in Euro million, except for number of shares and nominal value)

| to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|
| Other reserves | | | | | | | |
| Reserves relating to the change in FV of financial instruments available for sale | Reserves relating to the change in FV of hedge accounting derivatives (cash flow hedge) | Reserves relating to revaluation of tangible assets | Others [a] | Translation reserve | Undistributed profits and other reserves | Shareholders' Equity Group share | Minority interests |
| **5,720** | **53** | **–** | **3,782** | **(686)** | **3,316** | **31,571** | **2,311** |
| | | | | | | (84) | |
| | | | | | | (966) | |
| | | | | | | 57 | |
| (2) | – | – | – | | – | (2) | 23 |
| | | | | | | (272) | |
| | | | – | | | – | |
| | | | (119) | | | (119) | |
| | | | (112) | | | (112) | |
| | | | | | (1,164) | (1,164) | – |
| **(2)** | **–** | **–** | **(231)** | **–** | **(1,164)** | **(2,663)** | **23** |
| 2,393 | 22 | 3 | | | – | 2,418 | |
| | | | (1) | 5 | (70) | (65) | (280) |
| – | – | – | – | 1,361 | – | 1,361 | 230 |
| | | | | | (415) | (415) | |
| | | | | | | | (9) |
| | | | | | 4,318 | 4,318 | 488 |
| **2,393** | **22** | **3** | **(1)** | **1,367** | **3,834** | **7,617** | **429** |
| **8,111** | **75** | **3** | **3,550** | **681** | **5,985** | **36,525** | **2,763** |

| | | | | | Attributable |
|---|---|---|---|---|---|
| | | | Share Capital | | |
| | Number of shares (in thousands) | Nominal value (euros) | Share Capital | Capital in excess of nominal value | Treasury shares |
| **Shareholders' equity opening January 1, 2004** | **1,778,103** | **2.29** | **4,072** | **14,008** | **(510)** |
| Capital | 130,341 | 2.29 | 298 | | |
| Capital in excess of nominal value | | | | 1,364 | |
| Equity – share based compensation | | | | 28 | |
| Change in scope of consolidation | | | | | |
| Treasury shares | | | | | 124 |
| Equity component of compound financial instruments | | | | | |
| Super subordinated debt | | | | | |
| Accrued interests – Super subordinated debt | | | | | |
| Dividends paid AXA | | | | | |
| **Impact of transactions with shareholders** | **130,341** | **2.29** | **298** | **1,392** | **124** |
| Reserves relating to changes in fair value through shareholders' equity | | | | | |
| Others | | | | | – |
| Translation reserves | | | – | – | – |
| Employee benefits actuarial gains and losses through OCI (b) | | | | | |
| Income allocation | | | | | |
| Net income of the period | | | | | |
| **Total recognised income and expense for the period (SORIE)** | | | **–** | **–** | **–** |
| **Shareholders' equity closing December 31, 2004** | **1,908,444** | **2.29** | **4,370** | **15,401** | **(386)** |

*NB: The 2004 opening balance was adjusted by €2,706 million and the 2004 closing balance by €3,048 million following a change in presentation of perpetual deeply subordinated notes, as described in note 1.11.2 (accounting principles) and explained in note 13.*
*NB: Amounts are presented net of impacts of shadow accounting and of its effects on policyholders' benefit, deferred acquisition costs, and value of business in force.*
*(a) Mainly equity components of compound financial instruments (e.g. convertible bonds).*
*(b) Actuarial gains and losses accrued since opening January 1, 2004.*

(in Euro million, except for number of shares and nominal value)

| to shareholders | | | | | | | Minority interests |
|---|---|---|---|---|---|---|---|
| Other reserves | | | | | | Shareholders' Equity Group share | |
| Reserves relating to the change in FV of financial instruments available for sale | Reserves relating to the change in FV of hedge accounting derivatives (cash flow hedge) | Reserves relating to revaluation of tangible assets | Others [a] | Translation reserve | Undistributed profits and other reserves | | |
| 4,213 | 45 | – | 2,889 | – | 458 | 25,175 | 2,322 |
| | | | | | | 298 | |
| | | | | | | 1,364 | |
| | | | | | | 28 | |
| – | – | – | 3 | – | – | 3 | (35) |
| | | | | | | 124 | |
| | | | – | | | – | |
| | | | 967 | | | 967 | |
| | | | (95) | | | (95) | |
| | | | | | (676) | (676) | – |
| – | – | – | 875 | – | (676) | 2,015 | (35) |
| | | | | | | | |
| 1,505 | 9 | – | – | – | – | 1,514 | |
| | | | 19 | – | 61 | 81 | (299) |
| – | – | – | – | (686) | – | (686) | (143) |
| | | | | | (319) | (319) | |
| | | | | | – | – | (7) |
| | | | | | 3,793 | 3,793 | 473 |
| | | | | | | | |
| 1,505 | 9 | – | 19 | (686) | 3,535 | 4,382 | 24 |
| 5,720 | 53 | – | 3,782 | (686) | 3,316 | 31,571 | 2,311 |

# NOTES
## TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1: Accounting principles

### 1.1. General information

AXA SA, a French "Société Anonyme" (the "Company" and, together with its consolidated subsidiaries, "AXA" or the "Group"), is the holding (parent) company for an international financial services group focused on financial protection. AXA operates principally in Europe, North America and Asia-Pacific. The list of main entities included in the scope of the AXA's consolidated financial statements is provided in Note 2 of the notes to the consolidated financial statements.

AXA operates in the following primary business segments:
– Life & Savings,
– Property & Casualty,
– International Insurance and,
– Asset Management and Other Financial Services.

AXA has its primary listing on the Paris stock exchange's Eurolist market and has been listed since June 25, 1996 on the New York Stock Exchange.

The consolidated financial statements were finalized by the Management Board on April 2, 2007 and examined by the Supervisory Board on April 4, 2007.

### 1.2. General accounting principles

#### 1.2.1. Basis for preparation

AXA's consolidated financial statements are prepared at December 31. Certain entities within AXA have a reporting year-end that does not coincide with December 31, in particular AXA Life Japan, which has a September 30 financial year-end.

The consolidated financial statements are prepared in accordance with IFRSs and IFRIC interpretations[1] that were definitive and effective at December 31, 2006, as adopted by the European Union before the balance sheet date. However, the Group does not use the "carve out" option not to apply all hedge accounting principles as defined by IAS 39.

*Information relating to previous periods and presented for comparison purposes has been prepared in accordance with IFRS 1.*

**Standards published and effective at January 1, 2006**[2]

The Group elected for early adoption in 2004 and 2005 of the amendment to *IAS 39 – Financial instruments: recognition and measurement* relating to the fair value option,

(1) International Financial Reporting Interpretations Committee.
(2) Not all of these standards have yet been adopted by the European Union.

and the amendment to *IAS 19 – Employee benefits* relating to actuarial gains and losses, group plans and disclosures. Early adoption was encouraged for these standards, which became effective for accounting periods starting on or after January 1, 2006. The impact on the Group's consolidated financial statements is set out in sections 1.15.2 Pensions and other post-retirement benefits and 1.7.2 Financial instruments.

However, the following standards, amendments and interpretations adopted by the Group at January 1, 2006 had no impact or no material impact on the consolidated financial statements:

- *Amendment to IAS 21 – Net Investment in a Foreign Operations*.
- *Amendment to IAS 39 – Cash flow hedge Accounting of Intercompany Transactions*.
- *Amendment to IAS 39 and IFRS 4 – Financial Guarantee Contracts.*
- *IFRIC 4 – Determining whether an arrangement contains a lease.*

Changes in accounting policies that did not result from the application of new standards published and effective in the period are set out in the notes relating to the topics concerned (1.11.2 and 1.12.2).

**Standards published but not yet effective**

*IFRS 7 – Financial instruments: Disclosures,* published in August 2005 and applicable from January 1, 2007 requires information on the following subjects to be disclosed in the notes:

- the importance of financial instruments with respect to the entity's financial position and performance; this includes a number of requirements previously contained in IAS 32;
- qualitative and quantitative information on exposure to Market risks, including specified minimum disclosures on credit risk, liquidity risk and market risk. Qualitative information shall describe management objectives, policies and procedures in managing these risks. Quantitative information relates to the extent of the entity's exposure to risk, based on information reported internally to the entity's key managers. These notes provide an overview of the entity's use of financial instruments and insurance contracts and the resulting risk exposures.

Amendment to *IAS 1 – Capital disclosures,* also published in August 2005 and applicable from January 1, 2007, requires disclosure of the entity's objectives, procedures and processes for managing capital and complying with external regulatory constraints.

These two standards require additional disclosures in the notes to the consolidated financial statements relating to the Group's financial instruments, insurance contracts and capital. They will have no impact on the Group's results or financial position.

*IFRS 8 – Operating segments,* published in November 2006 and applicable from January 1, 2009, replaces *IAS 14 – Segment reporting.* The new standard requires operating segments used in the disclosures to be based on the segmentation used in the entity's internal reporting, i.e. on the basis of which operational heads allocate capital and resources to the various segments and assess the segments' performance. The standard requires the entity to explain the basis on which segments are determined, and provide a reconciliation between consolidated balance sheet and income statement amounts. The analysis of the potential impact on Group segment reporting is currently underway.

*IFRIC 9 – Reassessment of Embedded Derivatives,* published in March 2006 and applicable to accounting periods starting on or after June 1, 2006, states that the identification and measurement of an embedded derivative may only take place after the implementation of the contract provided if the contract undergoes an alteration that leads to material changes in the cash flows of the contract, the embedded derivative or the whole. Since this interpretation is in line with the Group's existing accounting principles, it is unlikely to have any impact on its consolidated financial statements.

*IFRIC 10 – Interim Financial Reporting and Impairment,* published in July 2006 and applicable to accounting periods starting on or after November 1, 2006, states that impairment cannot be released when a company, in its interim financial statements, has recognized a loss of value on goodwill, an unlisted equity instrument or a financial asset accounted at cost. Since this interpretation is in line with the Group's existing accounting principles, it is unlikely to have any impact on its consolidated financial statements.

The Group has not opted for early application of the following interpretations, whose impact on the consolidated financial statements is not expected to be material:

- *IFRIC 7 – Restatement under Hyperinflation IAS 29.*
- *IFRIC 8 – Scope of IFRS 2.*
- *IFRIC 11 – IFRS 2: Group and Treasury Share Transactions.*

**Preparation of financial statements**

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions. It requires a degree of judgment in the application of Group accounting principles described below. The main balance sheet captions concerned are goodwill (in particular impairment tests described in section 1.6.1), the value of acquired business in force, deferred acquisition costs and equivalent, certain assets accounted at fair value, liabilities relating to the insurance business, pension benefit obligations and balances related to share-based compensation. The principles set out below specify the measurement methods used for these items. These methods, along with key assumptions where required, are discussed in greater depth in the notes relating to the asset and liability items concerned where meaningful and useful.

As recommended by IAS 1, assets and liabilities are generally classified globally on the balance sheet in increasing order of liquidity, which is more relevant for financial institutions than a classification between current and non-current items. As for most insurance companies, expenses are classified by destination in the income statement.

All amounts on the consolidated balance sheet, consolidated statement of income, statement of consolidated cash flows, consolidated statement of shareholders' equity and in the notes are expressed in million of Euros, and rounded up to the nearest whole unit, unless otherwise stated.

### 1.2.2. First-time adoption of IFRS

The AXA Group's transition date is January 1, 2004. The Group prepared its opening IFRS balance sheet at that date. The Group's IFRS adoption date is January 1, 2005.

The AXA's accounting policies have been consistently applied to all the periods presented in its financial statements, including policies relating to the classification and measurement of insurance contracts, investment contracts and other financial assets and liabilities including derivatives.

## 1.3. Consolidation

### 1.3.1. Scope and basis of consolidation

Companies in which AXA exercises control are known as subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to AXA. Control is presumed to exist when AXA directly or indirectly holds more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible have also been considered when assessing whether AXA controls another entity.

Entities that are controlled in substance even without any ownership interest are also consolidated. In particular this relates to special purpose entities, such as securitization vehicles, for example resulting from sales of receivables transferred by entities outside the Group and with the purpose of issuing Collateralized Debt Obligations (CDOs), whose redemption is backed by the proceeds from acquired receivables.

Companies over which AXA exercises a joint controlling influence alongside one or more third parties are consolidated proportionately. Companies in which AXA exercises significant long-term influence are accounted under the equity method. Significant influence is presumed when AXA directly or indirectly holds 20% or more of the voting rights or, for example, when significant influence is exercised through an agreement with other shareholders. AXA's share of equity associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is stated under "Other reserves".

Investment and real estate companies are either fully consolidated or proportionately consolidated or accounted for under the equity method, depending on which conditions listed above they satisfy. For fully consolidated investment companies, minority interests are recognized at fair value and shown as liabilities in the balance sheet if the companies' instruments can be redeemed at any time by the holder at fair value. Investment companies accounted for under the equity method are shown under the balance sheet caption "Invested financial assets".

### *1.3.2. Business combinations: purchase accounting and goodwill including minority interests buyout*

In accordance with the option made available by *IFRS 1 – First-time adoption of IFRS,* business combinations prior to 2004 have not been restated with respect to French accounting principles in force at the time. The principles described below apply to the business combinations that occurred after January 1, 2004.

**Valuation of assets acquired and liabilities assumed of newly acquired subsidiaries and contingent liabilities**

Upon first consolidation, all assets, liabilities and contingent liabilities of the acquired company are estimated at their fair value. However as permitted by IFRS 4, liabilities related to life insurance contracts or investment contracts with discretionary participating features are maintained at the carrying value prior to the acquisition date to the extent that this measurement basis is consistent with AXA's accounting principles. The fair value of acquired business in force relating to insurance contracts and investment contracts with discretionary participating features is recognized as an asset corresponding to the present value of estimated future profits emerging on acquired business in force at the date of acquisition (also referred to as value of acquired business in force or VBI). The present value of future profits takes into consideration the cost of capital and is estimated using actuarial assumptions based on projections made at purchase date but also using a discount rate that includes a risk premium.

Investment contracts with no discretionary participating features do not benefit from this exemption permitted by IFRS 4 in phase I of the IASB's insurance project, i.e. the fair value of acquired liabilities is booked through the recognition of an asset corresponding to the value of acquired business inforce. Liabilities relating to investment contracts with no discretionary participating features are measured directly at fair value. In accordance with IAS 39, the fair value of these contracts cannot be less than surrender value when they contain a demand feature.

Other intangible assets such as the value of customer relationships are recognized only if they can be measured reliably. The value of customer relationships intangible in this case represents the value of future cash flows expected from renewals and the cross-selling of new products to customers known and identified at the time of the acquisition. These projections include assumptions regarding claims, expenses and financial revenues, or they can be estimated on the basis of the new business value. In line with accounting practices in force before the adoption of IFRS, which may continue to be applied under IFRS 4, flexible premiums relating to acquired business are recognized in the “Value of purchased life business in force” item.

The value of expected future cash flows that can be measured separately and reliably can also be estimated by looking at the purchased marketing resources that will secure these flows.

The nature of the intangible assets recognized is consistent with the valuation methods used when purchasing the acquired entity.

In the context of a business combination, only restructuring costs that can be measured reliably and which correspond to an existing liability of the acquired company prior to the acquisition date are included in restructuring provisions recognized in the acquired company’s balance sheet at acquisition date.

The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at completion date, plus external fees directly attributable to the acquisition.

If the transaction is denominated in a foreign currency, the exchange rate used is that in force on the date of the transaction or on the starting date of the transaction (if it occurs over a period).

### Goodwill

Of the excess of the cost of acquisition over the net fair value of the assets, liabilities and contingent liabilities acquired represents goodwill. Goodwill arising from the acquisition of a foreign entity is recorded in the local currency of the acquired entity and is translated into Euros at the closing date.

If the cost of acquisition is less than the net fair value of the assets, liabilities and contingent liabilities acquired, the difference is directly booked in the consolidated statement of income.

Adjustments can be made to goodwill within twelve months of the acquisition date, if new information becomes available.

Goodwill is allocated across business segments (Life & Savings, Property & Casualty, International Insurance, Asset Management and Other Financial Services) to cash generating units corresponding (i) to the companies acquired or portfolios of business acquired according to their expected profitability, and (ii) to the entities already within the AXA Group that will benefit from the synergies of the combination with the activities acquired. This allocation of goodwill is used both for segment reporting and for impairment testing.

### Minority interests Buyouts

In the event of a minority interests buyout of a subsidiary, the new goodwill is recognized as the difference between the price paid for the additional shares and the shareholders’ equity acquired (including changes in fair value posted through equity).

### Put over minority interests

When control over a subsidiary is acquired, a put option may be granted to minority shareholders. However, the recognition of the puttable instruments as a liability depends on the contractual obligations.

Where the contract involves an unconditional commitment exercisable at anytime by the option holder, it is recognized as a liability. Since the balancing entry to this liability is not specified by current IFRSs, and since IFRIC’s Agenda Committee decided in 2006 not to take any position on the accounting treatment of these transactions, the Group’s method is (i) to reclassify minority interests from equity to liability, (ii) to re-measure this liability at the present value of the option price and (iii) to recognize the difference as an addition to goodwill. Similarly, subsequent changes in the liability will be recorded against goodwill.

**Intra-group transactions**

Intra-group transactions, including internal dividends, payables/receivables and gains/losses on intra-group transactions are eliminated:

– in full for wholly owned subsidiaries and;
– to the extent of AXA's interest for entities consolidated by equity method or proportionate consolidation.

The effect on net income of transactions between consolidated entities is always eliminated, except for permanent losses, which are maintained.

In the event of an internal sale of an asset that is not intended to be sold on the long term by the Group, deferred tax is recognized on the top of the current tax calculated on the realized gain or loss. The income statement impact of the potential policyholders' participation resulting from this transaction is also eliminated, and a deferred policyholders' participation asset or liability is posted to the balance sheet.

In addition, the transfer of consolidated shares, between two consolidated subsidiaries but held with different ownership percentages, should not impact the Group net income. The only exception would be any related tax and policyholders' participation recorded in connection to the transaction, which are maintained in the consolidated financial statements since the related consolidated shares are held on a long-term basis. These transfers also have an impact on Group shareholders' equity (with a balancing entry recorded in minority interests). This impact is identified in the "Internal restructuring" item of the consolidated statement of shareholders' equity.

## *1.4. Foreign currency translation of financial statements and transactions*

The consolidated financial statements are presented in million of Euros, the Euro being the Group's functional and presentation currency.

The results and financial position of all group entities that have a functional currency (i.e. the currency of the primary economic environment in which the entity operates) different from the Group presentation currency are translated as follows:

(i) assets and liabilities of entities in a functional currency different from Euro are translated at closing rate;
(ii) revenues and expenses are translated at the average exchange rates over the period;
(iii) all resulting foreign exchange differences are recognized as a separate component of equity (translation differences).

Foreign currency transactions are translated into Euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except where hedge accounting is applied as explained in section 1.9.

As mentioned in section 1.3.2, goodwill arising on the acquisition of a foreign entity is recorded in the local currency of the acquired entity and is translated into Euro at closing date.

Foreign exchange differences arising from the translation of a net investment in a foreign subsidiary, borrowings and other currency instruments qualifying for hedge accounting of such investment are recorded in shareholders' equity under translation differences and are reclycled in the income statement as part of the realized gain or loss on disposal of the net investment.

Foreign exchange differences arising from monetary financial assets available for sale are recognized as income or expense for the period in respect of the portion corresponding to amortized cost. The residual translation differences relating to fair value changes are recorded in shareholders' equity.

## 1.5. Segment reporting

The segmental analysis provided in AXA's Annual Report and Financial Statements reflects both business lines (primary business segment) and geographical zones; it is based on four business lines: Life & Savings, Property & Casualty, International Insurance and Financial Services (including Asset Management). An additional "Holdings" segment includes all non-operational activities.

## 1.6. Intangible assets

### 1.6.1. Goodwill and impairment of goodwill

Goodwill is considered to have an indefinite useful life and is therefore not amortized. Impairment tests are performed at least annually. Impairment of goodwill is not reversible.

AXA performs an annual impairment test of goodwill based on cash generating units, using a multi-criterion analysis with parameters such as the value of assets, future operating profits and market share, in order to determine any significant adverse changes. The analysis assumes a long-term holding, and excludes parameters affected by short-term market volatility. It also considers the interdependence of transactions within sub-groups. Within each cash generating unit, a comparison is made between net book value and the recoverable value (equal to the higher of market value and value in use). Value in use consists of the net assets and expected future earnings from existing and new business, taking into account the cash generating units' future cash flows. The value of future expected earnings is estimated on the basis of the insurance and investment contracts embedded value figures published by AXA or similar calculations for other activities. Market values are based on various valuation multiples.

### 1.6.2. Value of purchased life insurance business inforce (VBI)

The value of purchased insurance contracts and investment contracts with discretionary participating features recognized in a business combination (see section 1.3.2) is amortized as profits emerge over the life of the contracts portfolio. In conjunction with the liability adequacy test (see section 1.12.2), VBI is subject to annual recoverability testing based on actual experience and expected changes in the main assumptions.

### 1.6.3. Other intangible assets

Other intangible assets include softwares developed for internal use for which direct costs are capitalized and amortized on a straight-line basis over the assets' estimated useful lives.

They also include customer relationships intangibles recognized as a result of business combinations, provided that their fair value can be measured reliably and it is probable that future economic benefits attributable to the assets will benefit to the Group. If these assets have a finite useful life, they are amortized over their estimated life. In all cases, they are subject to impairment tests, at each closing for assets with a finite useful life and annually for other assets. In the event of a significant decline in value, an impairment is booked corresponding to the difference between the value on the balance sheet and the higher of value in use and market value.

#### *1.6.4. Deferred acquisition costs (DAC) relating to insurance contracts and investment contracts with discretionary participating features – Deferred origination costs (DOC) relating to investment contracts with no discretionary participating features*

The variable costs of writing insurance contracts and investment contracts with discretionary participating features, primarily related to the underwriting of new business, are deferred by recognizing an asset. This asset is amortized based on the estimated gross profits emerging over the life of the contracts. In conjunction to the liability adequacy test (see section 1.12.2) this asset is tested for recoverability: any amount above future estimated gross profits is not deemed recoverable and expensed.

For investment contracts with no discretionary participating features, a similar asset is recognized (DOC) but limited to costs directly attributable to the provision of investment management services. This asset is amortized by taking into account projections of fees collected over the life of the contracts. The amortization of DOC is reviewed at each closing date to reflect changes in assumptions and experience. This asset is also tested for recoverability.

DAC and DOC are reported gross of unearned revenues and fees reserves.

These unearned revenues and fees reserves are separately recognized as liabilities and are amortized over the contract term using the same amortization approach used for DAC and DOC.

## *1.7. Investments from insurance, banking and other activities*

Investments include investment in real estate properties and financial instruments including equities, fixed maturities and loans.

#### *1.7.1. Investment properties*

Investment properties (excluding investment properties totally or partially backing liabilities arising from contracts where the financial risk is borne by policyholders and from “With-Profit” contracts) are recognized at cost. The properties components are depreciated over their estimated useful lives, also considering their residual value if it may be reliably estimated.

Any impairment is recorded as soon as a permanent unrealized loss is identified. When the estimated market value is 15% lower than the net carrying value, the present value of the asset’s future estimated cash flows is calculated. If the calculated amount is lower than the net carrying value, an impairment is recorded, corresponding to the difference between (a) the net bookvalue and (b) the higher of the estimated market value and the discounted cash flow value.

If, in subsequent periods, the appraisal value rises to at least 15% more than the net carrying value, previously recorded impairment is reversed to the extent of the difference between a) the net carrying value and b) the lower of the appraisal value and the depreciated cost (before impairment).

Investment properties that totally or partially back liabilities arising from:
– contracts where the financial risk is borne by policyholders,

- "With-Profit" contracts where dividends are based on real estate assets, are recognized at fair value with changes in fair value taken to the statement of income.

### *1.7.2. Financial instruments*

**Classification**

Depending on the intention and ability to hold the invested assets, financial instruments are classified in the following categories:

- assets held to maturity, accounted for at amortized cost;
- loans and receivables (including unquoted debt instruments) accounted for at amortized cost;
- trading assets and assets designated at fair value with change in fair value recognized through income statement;
- available-for-sale assets accounted for at fair value with changes in fair value recognized through shareholders' equity.

The option to designate financial assets and liabilities at fair value with change in fair value recognized through income statement is mainly used by the Group in the following circumstances:

- financial assets when electing the fair value option allows the Group to solve accounting mismatch, and in particular:
  - assets backing liabilities arising from contracts where the financial risk is borne by policyholders;
  - assets included in hedging strategies set out by the Group for economical reasons but not eligible for hedge accounting as defined by IAS 39;
  - debts held by structured bond funds made up of CDOs (Collateralized Debt Obligations) and controlled by the Group;
- portfolios of managed financial assets whose profitability is valued on a fair value basis: mainly securities held by consolidated investment funds, managed according to the Group risk management policy ("Satellite Investment Portfolio", see definition below).

In practice, assets held through investment funds are classified:

- either as assets of the "Core Investment Portfolios" which include assets backing liabilities arising from insurance and investment contracts, managed according to AXA's ALM strategy;
- or as assets of the "Satellite Investment Portfolios", reflecting the strategic asset allocation based on a dynamic asset management aimed at maximizing returns.

Underlying financial instruments held in the "Core Investment Portfolios" are classified as available-for-sale unless involved in a qualifying hedge relationship or more broadly when electing the fair value option reduces accounting mismatch. The financial instruments held in the "Satellite Investment Portfolios" are accounted for at fair value with changes in fair value recognized through income statement.

Loans are accounted at amortized cost, net of amortized premiums and discounts and impairment.

**Impairment of financial assets**

AXA assesses at each balance sheet date whether a financial asset or a group of financial assets is permanently impaired.

For fixed maturities, an impairment is recorded through the income statement for a decline in value of a security if the amounts may not be fully recoverable due to a credit event relating to the fixed maturity issuer. If this credit risk is eliminated or improves, the impairment may be released. The amount of the reversal is also recognized in the income statement.

For equities classified as available-for-sale, a significant or prolonged decline in the fair value below its carrying value is considered as indication for potential impairment, such as equities showing unrealized losses over a 6 months period or more (prior to the closing date), or unrealized losses in excess of 20% of the net carrying value at the closing date. If such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment on that financial asset already booked in the income statement – is removed from shareholders' equity and an impairment is recognized through the income statement. Equity securities impairment recognized in the income statement can not be reversed through the income statement until the asset is sold or derecognized.

Loans impairments are based on the present value of expected future cash flows, discounted at the loan's effective interest rate (on the loan's observable market price), or on the fair value of the collateral.

For financial assets accounted for at amortized cost, including loans and assets classified as "held to maturity", the impairment test is first performed at the asset level. A more global test is then performed on groups of assets with similar risk profile.

Methods for calculating the net book value of assets sold (average cost, first-in first-out, etc.) depend on local ALM strategies as these strategies have been set up to take into account specific commitments to policyholders. These methods may differ provided that they are used consistently at each entity level.

## *1.8. Assets backing liabilities arising from contracts where the financial risk is borne by policyholders*

Liabilities arising from insurance or investment contracts where the financial risk is borne by policyholders are presented in a separate aggregate of the balance sheet so that they are shown in a symmetrical manner to the corresponding liabilities. This presentation is considered more relevant for the users and consistent with the liquidity order recommended by IAS 1 for financial institutions, since the risks are borne by policyholders, whatever the type of assets backing liabilities (investment properties, fixed maturities or equities, etc). Details of these assets are provided in the notes.

## *1.9. Derivative instruments*

Derivatives are initially recognized at fair value at purchase date and are subsequently re-measured at their fair value. Unrealized gains and losses are recognized in the statement of income unless they relate to a qualifying hedge relationship as described below. The Group designates certain derivatives as either: (i) hedging of the fair value of recognized assets or liabilities or of a firm commitment (fair value hedge); or (ii) hedging of highly probable expected future transactions (cash flow hedge); or (iii) hedging of net investments in foreign operations.

The Group documents, at inception, the hedge relationship, as well as its risk management hedging objectives and strategy. The Group also documents the hedge effectiveness, both at inception and on an ongoing basis, indicating the actual or expected efficiency level of the derivatives used in hedging transactions in offsetting changes in the fair values or cash flows of hedged underlying items.

**Fair value hedge**

Changes in the fair value of derivatives designated and qualifying as fair value hedge are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

**Cash flow hedge**
The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedge is recognized in shareholders' equity. The gain or loss relating to any ineffective portion is recognized in the income statement. Cumulative gain or loss in shareholders' equity are recycled in the income statement when the hedged underlying item impacts the profit or loss for the period (for example when the hedged future transaction is actually accounted). When a hedging instrument reaches its maturity date or is sold, or when a hedge no longer qualifies for hedge accounting, the cumulative gains or losses in shareholders' equity are held until the initially hedged future transaction ultimately impacts the income statement.

**Net investment hedge**
The accounting of net investments in foreign operations hedge is similar to the accounting of cash flow hedge. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in shareholders' equity; the gain or loss relating to the ineffective portion is recognized in the income statement. Cumulative gains and losses in shareholders' equity impact the income statement only on disposal of the foreign operations.

**Derivatives not qualifying for hedge accounting**
Changes in the fair value of all other derivative instruments that do not qualify for hedge accounting are recognized in the income statement.

The Group holds financial assets that include embedded derivatives. Such embedded derivatives are separately recorded and measured at fair value through profit or loss if the impact is deemed significant.

For balance sheet presentation, derivatives are presented alongside with the underlying assets or liabilities for which they are used, regardless of whether these derivatives meet the criteria for hedge accounting.

## *1.10. Assets held for sale and assets relating to discontinued operations*

These comprise assets, in particular real estate properties or operations intended to be sold or discontinued within the next twelve months. They are recognized at the lower of their net carrying value and their fair value net of costs to sell. They are disclosed in a dedicated aggregate of the balance sheet. Result from discontinued operations net of tax is presented in a separate aggregate of the income statement whether these discontinued operations correspond to a business segment, a main and separate geographical area, or a subsidiary acquired solely with a view to resell.

## *1.11. Share capital and shareholders' equity*

### *1.11.1. Share capital*
Ordinary shares are classified in shareholders' equity when there is no obligation to transfer cash or other assets to the holders.

Additional costs (net of tax) directly attributable to the issue of equity instruments are shown in shareholders' equity as a deduction to the proceeds.

### *1.11.2. Perpetual debts*
Perpetual debts and any related interest charges are classified either in shareholders' equity (in the "other reserves" aggregate) or as liabilities depending on contract clauses.

The Group previously only classified in shareholders' equity perpetual debts on which interest payments could be cancelled if no dividend is paid to shareholders nor any interest paid on similar debts. Perpetual debts on which interest payments could be deferred while remaining payable (cumulative interests) were recognized as liabilities under financing debts. These mainly consisted of perpetual subordinated notes issued by the Group.

Following the publication of the IFRIC Agenda Committee's IFRIC Update in November 2006, based on the IASB's intervention on the matter, the Group reconsidered its accounting treatment of perpetual subordinated notes. Although interests remain due at maturity, instruments classification must be performed on a going concern basis. Only contractual obligations should be taken into consideration and not the prospect of redemption under economic constraints, (e.g. step up clauses or pressure from shareholders to pay a dividend). Taking into account the recent clarification, the Group has reclassified these instruments, previously recognized as liabilities and interest charges recognized in the statement of income, in shareholders' equity. This change in accounting treatment has been applied retrospectively to all periods presented. Impacts are detailed in Notes 13 and 23.

### 1.11.3. Compound financial instruments

Any financial instrument issued by the Group with an equity component (for example an option granted to convert the debt instrument into an equity instrument of the company) and a liability component (a contractual obligation to deliver cash) are classified separately on the liability side of the balance sheet with the equity component reported in shareholders' equity (in the "other reserves" aggregate). Gains and losses relating to redemptions or refinancing of the equity component are recognized as changes to shareholders' equity.

### 1.11.4. Treasury shares

Treasury shares and any directly related costs are recorded as a deduction to consolidated shareholders' equity. Where treasury shares are subsequently sold or reissued, any consideration received is included in consolidated shareholders' equity, net of any directly related costs and tax effects.

However, treasury shares held by controlled investment funds backing contracts where the financial risk is borne by policyholders are not deducted as all risks and income resulting from holding these shares are attributable to policyholders.

## 1.12. Liabilities arising from insurance and investment contracts

### 1.12.1. Contracts classification

The Group issues contracts that transfer an insurance risk or a financial risk or both.

Insurance contracts, including assumed reinsurance contracts, are contracts that carry significant insurance risks. Such contracts may also transfer financial risk from the policyholders to the insurer. Investment contracts are contracts that carry financial risk with no significant insurance risk.

A number of insurance and investment contracts contain discretionary participating features. These features entitle the contract holder to receive additional benefits or bonuses on the top of these standard benefits :

- they are likely to represent a significant portion of the overall contractual benefits;
- their amount or timing is contractually at the discretion of the Group; and
- they are contractually based on the performance of a group of contracts, the investment returns of a financial asset portfolio or the company profits, a fund or another entity that issues the contract.

For some insurance or investment contracts, the financial risk is borne by policyholders. Such contracts are usually unit-linked contracts.

The Group classifies its insurance and investment contracts into six categories:
- liabilities arising from insurance contracts,
- liabilities arising from insurance contracts where the financial risk is borne by policyholders,
- liabilities arising from investment contracts with discretionary participating features,
- liabilities arising from investment contracts with no discretionary participating features,
- liabilities arising from investment contracts with discretionary participating features where the financial risk is borne by policyholders; these relate to unit-linked contracts or multi-funds contracts containing a non-unit-linked fund with discretionary participating features,
- liabilities arising from investment contracts with no discretionary participating features where the financial risk is borne by policyholders.

The two last categories are presented on a single line item in the balance sheet: "Liabilities arising from investment contracts where the financial risk is borne by policyholders".

### *1.12.2. Insurance contracts and investment contracts with discretionary participating features*

According to IFRS 4, recognition and derecognition are based on the AXA accounting policies existing prior to IFRS and are described below, except for the elimination of equalization provisions and selective changes as permitted by IFRS 4 (see paragraph below on guaranteed benefits).

**Unearned premium reserves** represent the prorated portion of written premiums that relates to unexpired risks at the balance sheet date.

**For traditional life insurance contracts** (that is, contracts with significant mortality risk), the future policy benefits reserves are calculated on a prospective basis according to each country regulation provided methods used are consistent with the Group's policies and using assumptions on investment yields, morbidity/mortality and expenses.

Additional reserves are booked if there are any adverse impact on reserves level caused by a change in mortality table.

Future policy benefits reserves relating to investment contracts with discretionary participation features (previously called "savings contracts" in AXA's accounting principles) that carry low mortality and morbidity risk are calculated using a prospective approach based on discount rates set at inception giving similar results to those obtained using a retrospective approach (earned savings valuation or "account balance").

The discount rates used by AXA are less or equal to the expected future investment yields (assessed on prudent basis).

Part of the policyholders participation reserve is included in future policy benefits reserves, according to contractual clauses.

The "Liabilities arising from policyholders participation" aggregate includes whole of the "Fund for Future Appropriation" (FFA) relating to UK With-Profit contracts. It mainly represents future terminal bonuses according to the terms of these contracts: the With-Profit contracts reserves as well as the FFA vary in line with the market value of the backing assets. Following the adoption of UK Financial Reporting Standard FRS27, reserves relating to with-profit contracts and the FFA were subject to a change in accounting policies applied retrospectively to the periods ended December 31, 2004, 2005 and 2006 (but not to the 2004 opening balance sheet), consistently with what other UK insurance companies applied. Reserves have been adjusted on a "realistic" basis, and related deferred acquisition costs and unearned revenues reserves have been cancelled. These adjustments had no impact on net income or shareholders' equity.

The presentational impact of applying this standard is detailed in Note 14. This change in accounting principles only applies to the Group's UK With-Profit contracts.

For insurance and investment contracts with discretionary participating features, if the contracts include a minimum guaranteed rate, any potential reserve deficiency caused by insufficient future investment return is immediately booked.

Except when these guarantees are covered by a risk management program using derivative instruments (see next paragraph), guaranteed benefits relating to contracts where the financial risk is borne by policyholders and classified as insurance contracts because they include such guarantees or classified as investment contracts with discretionary participating features, are booked gradually based on a prospective approach: the present value of future benefit obligations to be paid to policyholders in relation to these guarantees is estimated on the basis of reasonable scenarios. These scenarios are based on assumptions including investment returns and related volatility, surrender and mortality rates. This present value of future benefit obligations is reserved as fees emerge over the life of the contracts.

Some guaranteed benefits such as Guaranteed Minimum Death or Income Benefits (GMDB or GMIB), or certain guarantees on return proposed by reinsurance treaties, are covered by a risk management program using derivative instruments. In order to minimize the accounting mismatch between liabilities and hedging derivatives, AXA has chosen to use the option allowed under IFRS 4.24 to re-measure its provisions: this revaluation is carried out at each accounts closing based on guarantee level projections and takes into account interest rates and other market assumptions. The liabilities revaluation impact in the current period is recognized through income, symmetrically with the impact of the change in value of hedging derivatives. This change in accounting principles was adopted on the first time application of IFRS on January 1, 2004 for contracts portfolios covered by the risk management program at that date. Any additional contracts portfolios covered by the risk management program after this date are valued on the same terms as those that applied on the date the program was first applied.

**Claims reserves (non-life insurance)**
The purpose of claims reserves is to cover the ultimate cost of settling an insurance claim. Claims reserves are not discounted, except when relating to disability annuities.

Claims reserves include the claims incurred and reported, claims incurred but not reported (IBNR) as well as claim handling costs. Claims reserves are based on historical claim data, current trends, actual payment patterns for all insurance business lines as well as expected changes in inflation, regulatory environment or anything else that could impact amounts to be paid.

**Unearned revenues reserves**
Revenues received at contract inception to cover future services are deferred and recognized in the income statement using the same amortization pattern as the one used for deferred acquisition costs (see section 1.6.4).

**Shadow accounting and Deferred policyholders Participation Asset (DPA) or Liability (DPL)**
In compliance with IFRS 4 option, shadow accounting is applied to insurance and investment contracts with discretionary participating features. Shadow accounting is applied to technical liabilities, acquisition costs and value of business inforce to take into account unrealized gains or losses on insurance liabilities or assets in the same way as it is done for a realized gain or loss. When unrealized gains or losses are recognized, a deferred participating liability (DPL) or asset (DPA) is recorded. The DPL or DPA corresponds to the discretionary participation available to the policyholders and is determined by applying an estimated participation rate to unrealized gains and losses.

Deferred policyholders participation is fully classified as liabilities or assets. As a consequence, AXA does not need to ensure the liability recognized for the whole contract is not less than the amount that would result from applying IAS 39 to the guaranteed element.

When a net unrealized losses is accounted, a deferred participating asset (DPA) should be recognized only to the extent that its recoverability toward future policyholders participation, by entity, is highly probable. That could be the case if the DPA can be offset against future participation either directly through deduction of the DPL from future capital gains or indirectly through deduction of future fees on premiums or margins.

Unrealized gains and losses on assets classified as trading or designated as at fair value through profit or loss, along with any other entry impacting the income statement and generating a timing difference, are accounted in the statement of income with a corresponding shadow entry adjustment in the statement of income. The shadow accounting adjustments relating to unrealized gains and losses on assets available-for-sale (for which change in fair value is taken to shareholders' equity) are also booked through shareholders' equity.

**Liability adequacy test (LAT)**

At each balance sheet date, liability adequacy tests are performed in each consolidated entity in order to ensure the adequacy of the contract liabilities net of related DAC and VBI assets. To perform these tests, entities group contracts together according to how they have been acquired, are serviced and have their profitability measured. Entities also use current best estimates of all future contractual cash flows as well as claims handling and administration expenses, and they take into account embedded options and guarantees and investment yields relating to assets backing these contracts. Contract specific risks (insurance risk, asset return risk, inflation risk, persistency, adverse selection etc.) directly related to the contracts that might make the net liabilities inadequate, are also considered.

Any identified deficiency is charged to the income statement, initially by respectively writing off DAC or VBI, and subsequently by establishing a LAT provision for losses arising from the liability adequacy test for any amount in excess of DAC and VBI. For non-life insurance contracts, an unexpired risk provision is accounted for contracts on which the premiums are expected to be insufficient to cover expected future claims and claims expenses.

**Embedded derivatives in insurance and investment contracts with discretionary participating features**

Embedded derivatives that meet the definition of an insurance contract or correspond to options to surrender insurance contracts for a set amount (or based on a fixed amount and an interest rate) are not separately measured. All other embedded derivatives are bifurcated and booked at fair value when material if they are not considered as closely related to the host insurance contract or do not meet the definition of an insurance contract.

### *1.12.3. Investment contracts with no discretionary participating features*

In accordance with IAS 39, these contracts are accounted for using "deposit accounting", which mainly results in not recognizing the cash flows corresponding to premiums, benefits and claims in the statement of income (see "Revenue recognition" section below). These cash flows shall rather be recognized as deposits and withdrawals.

This category includes mainly unit-linked contracts that do not meet the definition of insurance or investment contracts with discretionary participating features. For unit-linked contracts, the liabilities recognized under existing accounting policies are valued according to the fair value of the financial assets backing those contracts at the balance sheet date.

**Unearned fees reserve**

Fees received at inception of an investment contract with no discretionary participating features to cover future services are recognized as liabilities and accounted in the income statement based on the same amortization pattern as the one used for deferred origination costs (see section 1.6.4).

## 1.13. Reinsurance: Ceded reinsurance

Transactions relating to reinsurance assumed and ceded are accounted in the balance sheet and income statement in a similar way to direct business transactions provided that these contracts meet the insurance contracts classification requirements and in agreement with contractual clauses.

## 1.14. Financing debts

Financing debts issued to finance the solvency requirements of an operational entity or to acquire a portfolio of contracts are isolated in a specific balance sheet aggregate.

## 1.15. Other liabilities

### 1.15.1. Income taxes

The current income tax expense (benefit) is recorded in the income statement on the basis of net amounts estimated to be payable (or recoverable) in relation to taxable operations recorded during the year and based on the local tax regulation.

Deferred tax assets and liabilities emerge from temporary differences between the accounting and fiscal values of assets and liabilities, and from tax loss carryforwards. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset the temporary differences. Therefore, deferred tax assets that are not expected to be recovered are written off.

A deferred tax liability is recognized for any taxable temporary difference relating to the value of shares in a consolidated company held, unless the Group controls at what date the temporary difference will reverse and it is probable that the temporary difference will not reverse in the foreseeable future. If a group company decides to sell its stake in another consolidated entity, the difference between the carrying value and the tax value of these shares for the company that holds them leads to the recognition of a deferred tax asset or liability (including as part of a business combination when the Group as the buyer intends to sell or carry out internal restructuring of the shares following the acquisition). The same approach applies to dividend payments that have been voted or deemed likely, to the extent that a tax on dividends will be due.

Following a business combination, a deferred tax liability or asset is also recognized on changes in the timing difference between the tax value and carrying value of a tax-deductible item of goodwill. This deferred tax is only released if the goodwill is impaired or if the corresponding consolidated shares are sold.

The measurement of deferred tax liabilities and deferred tax assets reflects the expected tax impact, at the balance sheet date.

### 1.15.2. Pensions and other post-retirement benefits

Pensions and other post-retirement benefits include the benefits payable to AXA Group employees after they retire (retirement compensation, additional pension benefit, health insurance). In order to meet those obligations, some regulatory framework have allowed or enforced the set up of dedicated funds (plan assets).

- **Defined contribution plans:** payments are made by the employer to a third party (e.g. pension trusts). These payments free the employer of any further commitment, and the obligation to pay acquired benefits to the employees is transferred. The contributions paid by the employer are recorded as an expense in the income statement and no liability needs to be recorded.

– **Defined benefit plans:** an actuarial assessment of the commitments based on each plan's internal rules is performed. The present value of the future benefits paid by the employer, known as the PBO (Projected Benefit Obligation), is calculated annually on the basis of long-term projections of rate of salary increase, inflation rate, mortality, staff turnover, pension indexation and remaining service lifetime. The amount recorded in the balance sheet for employee benefits is the difference between the Projected Benefit Obligation and the market value at the balance sheet date of the corresponding invested plan assets after adjustment for any unrecognized losses or gains. If the net result is negative, a provision is recorded in the balance sheet under the provision for risks and charges heading. If the net result is positive, a prepaid asset is recorded in the balance sheet.
**Actuarial gains and losses** arising from experience adjustments and changes in actuarial assumptions are recognized in shareholders' equity in full in the period in which they occur. Similarly, any adjustment arising from the asset ceiling is recognized in shareholders' equity. Past service costs are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

### 1.15.3. Share-based compensation plans

Group's share-based compensation plans are predominantly equity-settled plans.

**All equity-settled stock-option plans granted** after November 7, 2002 and not fully vested as at January 1, 2004 are accounted for at fair value at the date they were granted and the fair value is expensed over the vesting period.

**Cash-settled stock option plans** are recognized at fair value, which is remeasured at each balance sheet date with any change in fair value recognized in the statement of income.

**The AXA Shareplan** issued under specific French regulatory framework includes two options: traditional and leveraged option.
The cost of the traditional option Shareplan is valued according to the specific guidance issued in France by the CNC (Conseil National de la Comptabilité). The cost of the leveraged option plan is valued by taking into account the five-year lock-up period for the employees (as in the traditional plan) but adding the opportunity cost implicitly borne by AXA by enabling its employees to benefit from an institutional derivatives-based pricing instead of a retail pricing.

## 1.16. Provisions for risks, charges and contingent liabilities

### 1.16.1. Restructuring costs

Restructuring provisions other than those related to a business combination are recorded when the Group has a present obligation evidenced by a binding sale agreement or a formal detailed restructuration plan whose main features have been announced to those impacted.

### 1.16.2. Other provisions and contingencies

Provisions are recognized when the Group has a present obligation (legal or implicit) as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation, and when the provision can be reliably estimated.

Provisions are not recognized for future operating losses or future losses associated with the ongoing activities of the company.

The same applies to contingent liabilities, except if identified at the time of a business combination (see section 1.3.2).

Provisions are measured at management's best estimate, at the balance sheet date, of the expenditure required to settle the obligation, discounted at the market risk-free rate of return for long term provisions.

## 1.17. Revenue recognition

### 1.17.1. Gross written premiums

Gross written premiums correspond to the amount of **premiums written** by insurance and reinsurance companies on business incepted in the year with respect to both insurance contracts and investment contracts with discretionary participating features, net of cancellations and gross of reinsurance ceded. For reinsurance, premiums are recorded on the basis of declarations made by the ceding company, and may include estimates of gross written premiums.

### 1.17.2. Fees and revenues from investment contracts with no discretionary participating features

Amounts collected as premiums from investment contracts with no discretionary participating features are reported as deposits net of any loadings and policy fees. Revenues from these contracts consist of loadings and policy fees relating to underwriting, investment management, administration and surrender of the contract during the period. Front-end fees collected corresponding to fees for future services are recognized over the estimated life of the contract (see "Unearned fees reserves" section 1.12.3).

### 1.17.3. Deposit accounting

Investment contracts with no discretionary participating features fall within the scope of IAS 39. Deposit accounting applies to these contracts, which involves the following:

– the Group recognizes the consideration received as a deposit financial liability rather than as revenues,
– claims paid are recognized as withdrawals.

### 1.17.4. Unbundling

The Group unbundles the deposit component of contracts when required by IFRS 4, i.e. when both the following conditions are met :

– the Group can measure separately the "deposit" component (including any embedded surrender option, i.e. without taking into account the "insurance" component);
– the Group accounting methods do not otherwise require to recognize all obligations and rights arising from the "deposit" component.

No such situation currently exists within the Group. In accordance with IFRS 4, the Group continues to use the accounting principles previously applied by AXA to insurance contracts and investment contracts with discretionary participating features. According to these principles, there are no situations in which all rights and obligations related to contracts are not recognized.

### 1.17.5. Change in unearned premiums reserves net of unearned revenues and fees

Changes in unearned premiums reserves net of unearned revenues and fees include the change in the unearned premium reserve reported as a liability (see "Unearned premium reserves" in section 1.12.2) along with the change in unearned revenues and fees. Unearned revenues and fees correspond to upfront charges for future services recognized over the estimated life of insurance and investment contracts with discretionary participating features (see "Provisions for unearned revenues" in section 1.12.2) and investment contracts with no discretionary participating features (see section 1.12.3 “Provisions for unearned fees”).

### 1.17.6. Net revenues from banking activities

Net revenues from banking activities include all revenues and expenses from banking operating activities, including interests and banking fees.

They exclude bank operating expenses and change in bad debts provisions, doubtful receivables or loans, which are recorded in the item “Bank operating expenses”.

### 1.17.7. Revenues from other activities

Revenues from other activities mainly include:

– insurance companies revenues from non insurance activities, notably commissions received on sales or distribution of financial products,
– commissions received and fees for services relating to asset management activities,
– rental income received by real estate management companies, and,
– sales proceeds received on buildings constructed or renovated and subsequently sold by real estate businesses.

### 1.17.8. Net investment result excluding financing expenses

The net investment result in respect of insurance activities includes:

– investment income from investments from non banking activities, net of impairment expense on real estate investments (impairment expense relating to owner occupied properties is included in “administrative expenses” aggregate); this item includes interest received calculated using the effective interest method for debt instruments and dividends received on equity instruments,
– investment management expenses (excludes financing debt expenses),
– realized investment gains and losses net of releases of impairment following sales,
– the change in unrealized gains and losses on invested assets measured at fair value through profit or loss,
– the change in financial assets impairment (excluding releases of impairment following sales).

In respect of banking activities, interest income and financial charges including interest expenses are included in the “Net revenue from banking activities” item (see section 1.17.6).

Any gain or loss arising from a change in AXA’s ownership interest in a subsidiary not wholly owned, following an issuance or redemption of equity instruments, is recorded in the net investment result. The gain or loss would correspond to the change in AXA’s share of the subsidiary’s shareholders’ equity before and after the operation.

## 1.18. Presentation of financial statements

As part of its continuing review aimed at improving the presentation of its financial statements and to ensure that its accounting principles are consistent with those applied by its peers, the Group has amended some presentational aspects of its financial statements.

**Consolidated income statement**

The “Change in goodwill impairment” aggregate is now presented under the “Other operating income and expenses” aggregate and is therefore included in “Income from operating activities before tax”. It was previously presented after “Operating income before tax”.

The Group no longer reports “Net income Group share” (obtained by deducting minority interests from “Consolidated net income”). Net income is now broken down into “Minority interests share in net consolidated result” and “Net income

Group share". These two items are presented at the bottom of the income statement as an allocation of net income.

**Statement of consolidated cash flows**

Following the change in the consolidated income statement format regarding the "Change in goodwill impairment" item, and in order to make the presentation more consistent with that adopted by its peers, the Group has also changed the starting point of the statement of consolidated cash flows. The statement of consolidated cash flows now starts with "Net operating result before tax", whereas it used to be with "Income from operating activities, gross of tax expenses". As a result, the following income statement items are now included in the starting point of the statement of consolidated cash flows: "Change in goodwill impairment", "Income arising from investments in associates – Equity method" and "Financing debt expenses".

# Note 2: Scope of consolidation

## 2.1. Consolidated Companies

### 2.1.1. Main fully consolidated companies

| Parent and Holding Companies | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| **France** | | | | | |
| AXA | | Parent Company | | Parent Company | |
| AXA China | | 100.00 | 76.82 | 100.00 | 76.28 |
| AXA France Assurance | | 100.00 | 100.00 | 100.00 | 100.00 |
| Colisée Excellence | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Participations II | | 100.00 | 100.00 | 100.00 | 100.00 |
| Mofipar | | 100.00 | 100.00 | 100.00 | 100.00 |
| Oudinot Participation | | 100.00 | 100.00 | 100.00 | 100.00 |
| Société Beaujon | | 99.99 | 99.99 | 99.99 | 99.99 |
| AXA Technology Services | | 100.00 | 99.99 | 99.99 | 99.99 |
| **United States** | | | | | |
| AXA Financial. Inc. | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA America Holding Inc. | | 100.00 | 100.00 | 100.00 | 100.00 |
| **United Kingdom** | | | | | |
| Guardian Royal Exchange Plc | | 100.00 | 99.99 | 100.00 | 99.99 |
| AXA UK Plc | | 100.00 | 99.99 | 100.00 | 99.99 |
| AXA Equity & Law Plc | | 99.96 | 99.96 | 99.96 | 99.96 |
| **Ireland** | | | | | |
| AXA Life Europe | Acquisition | 100.00 | 100.00 | – | – |
| **Asia/Pacific (excluding Japan)** | | | | | |
| National Mutual International Pty Ltd | | 100.00 | 52.69 | 100.00 | 52.95 |
| AXA Life Singapore Holding | | 100.00 | 52.69 | 100.00 | 52.95 |
| AXA Asia Pacific Holdings Ltd | | 53.71 | 52.69 | 52.95 | 52.95 |
| **Japan** | | | | | |
| AXA Japan Holding | | 97.69 | 97.69 | 97.59 | 97.59 |
| **Germany** | | | | | |
| Kölnische Verwaltungs AG für Versicherungswerte | | 99.56 | 98.76 | 99.56 | 97.77 |
| AXA Konzern AG | | 96.84 | 96.52 | 92.76 | 92.19 |
| **Belgium** | | | | | |
| AXA Holdings Belgium | | 100.00 | 99.92 | 100.00 | 99.92 |
| Royale Belge Investissement | | 100.00 | 99.92 | 100.00 | 99.92 |
| **Luxembourg** | | | | | |
| AXA Luxembourg SA | | 100.00 | 99.92 | 100.00 | 99.92 |
| **The Netherlands** | | | | | |
| AXA Verzekeringen | | 100.00 | 99.92 | 100.00 | 99.92 |
| AXA Nederland BV | | 100.00 | 99.92 | 100.00 | 99.92 |
| Vinci BV | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Spain** | | | | | |
| AXA Aurora S.A. | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Italy** | | | | | |
| AXA Italia SpA | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Morocco** | | | | | |
| AXA Ona | | 51.00 | 51.00 | 51.00 | 51.00 |
| **Turkey** | | | | | |
| AXA Oyak Holding AS | | 50.00 | 50.00 | 50.00 | 50.00 |

| Life & Savings and Property & Casualty | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| **France** | | | | | |
| AXA France Iard | | 99.92 | 99.92 | 99.92 | 99.92 |
| Avanssur (formerly Direct Assurances Iard) | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA France Vie | | 99.77 | 99.77 | 99.77 | 99.77 |
| AXA Protection Juridique | | 98.51 | 98.51 | 98.51 | 98.51 |
| **United States** | | | | | |
| AXA Financial (sub-group) | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Canada** | | | | | |
| AXA Canada Inc. (sub-group including Citadel) | | 100.00 | 100.00 | 100.00 | 100.00 |
| **United Kingdom** | | | | | |
| AXA Insurance Plc | | 100.00 | 99.99 | 100.00 | 99.99 |
| AXA Sun Life Plc | | 100.00 | 99.99 | 100.00 | 99.99 |
| GREA Insurance | | 100.00 | 99.99 | 100.00 | 99.99 |
| PPP Group Plc | | 100.00 | 99.99 | 100.00 | 99.99 |
| PPP Healthcare Ltd | | 100.00 | 99.99 | 100.00 | 99.99 |
| **Ireland** | | | | | |
| AXA Insurance Limited | | 100.00 | 99.99 | 100.00 | 99.99 |
| **Asia/Pacific (excluding Japan)** | | | | | |
| AXA Life Insurance Singapore | | 100.00 | 52.69 | 100.00 | 52.95 |
| AXA Australia New Zealand | | 100.00 | 52.69 | 100.00 | 52.95 |
| AXA China Region Limited (including MLC Hong Kong) | Acquisition of MLC | 100.00 | 52.69 | 100.00 | 52.95 |
| AXA General Insurance Hong Kong Ltd | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Insurance Singapore | | 100.00 | 100.00 | 100.00 | 100.00 |
| PT AXA Life Indonesia | | 80.00 | 42.15 | – | – |
| MLC Indonesia | Acquisition | 100.00 | 52.69 | – | – |
| **Japan** | | | | | |
| AXA Group Life Insurance | Merger with AXA Life Insurance Japan | – | – | 100.00 | 97.59 |
| AXA Life Insurance | | 100.00 | 97.69 | 100.00 | 97.59 |
| AXA Non Life Insurance Co Ltd | | 100.00 | 97.69 | 100.00 | 97.59 |
| **Germany** | | | | | |
| AXA Versicherung AG | Minority interest buyout | 100.00 | 96.52 | 100.00 | 92.19 |
| AXA Art | Minority interest buyout | 100.00 | 96.52 | 100.00 | 92.19 |
| AXA Leben Versicherung AG | Minority interest buyout | 100.00 | 96.52 | 100.00 | 92.19 |
| Pro Bav Pensionskasse | Minority interest buyout | 100.00 | 96.52 | 100.00 | 92.19 |
| Deutsche Aerzteversicherung | Minority interest buyout | 97.87 | 94.47 | 97.87 | 90.23 |
| AXA Kranken Versicherung AG | Minority interest buyout | 99.69 | 96.23 | 99.69 | 91.91 |
| **Belgium** | | | | | |
| Ardenne Prévoyante | | 100.00 | 99.92 | 100.00 | 99.92 |
| AXA Belgium SA | | 100.00 | 99.92 | 100.00 | 99.92 |
| Servis (formerly Assurance de la Poste) | | 100.00 | 99.92 | 100.00 | 99.92 |
| Assurances de la Poste Vie | | 100.00 | 99.92 | 100.00 | 99.92 |
| **Luxembourg** | | | | | |
| AXA Assurances Luxembourg | | 100.00 | 99.92 | 100.00 | 99.92 |
| AXA Assurances Vie Luxembourg | | 100.00 | 99.92 | 100.00 | 99.92 |
| **The Netherlands** | | | | | |
| AXA Leven N.V. | | 100.00 | 99.92 | 100.00 | 99.92 |
| AXA Schade N.V. | | 100.00 | 99.92 | 100.00 | 99.92 |

| Life & Savings and Property & Casualty | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| **Spain** | | | | | |
| Hilo Direct SA de Seguros y Reaseguros | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Aurora SA Iberica de Seguros y Reaseguros | | 99.70 | 99.70 | 99.70 | 99.70 |
| AXA Aurora SA Vida de Seguros y Reaseguros | | 99.70 | 99.70 | 99.70 | 99.70 |
| AXA Aurora SA Vida | | 99.96 | 99.67 | 99.96 | 99.67 |
| **Italy** | | | | | |
| AXA Interlife | | 100.00 | 100.00 | 100.00 | 100.00 |
| UAP Vita | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Assicurazioni e Investimenti | | 100.00 | 99.99 | 100.00 | 99.99 |
| **Portugal** | | | | | |
| AXA Portugal Companhia de Seguros SA | | 99.61 | 99.37 | 99.70 | 99.51 |
| AXA Portugal Companhia de Seguros de Vida SA | | 95.09 | 94.89 | 95.09 | 94.89 |
| Seguro Directo | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Morocco** | | | | | |
| AXA Assurance Maroc | | 100.00 | 51.00 | 100.00 | 51.00 |
| **Turkey** | | | | | |
| AXA Oyak Hayat Sigorta AS | | 100.00 | 50.00 | 100.00 | 50.00 |
| AXA Oyak Sigorta AS | | 70.96 | 35.48 | 70.96 | 35.48 |
| **Switzerland** | | | | | |
| AXA Compagnie d'Assurances sur la Vie | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Compagnie d'Assurances | | 100.00 | 100.00 | 100.00 | 100.00 |

| International Insurance (entities having worldwide activities) | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| AXA RE (sub-group) | Sale of AXA RE business | – | – | 100.00 | 100.00 |
| AXA Corporate Solutions Assurance (sub-group) | | 98.75 | 98.75 | 98.75 | 98.75 |
| AXA Cessions | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Assistance SA (sub-group) | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Global Risks UK | | 100.00 | 100.00 | 100.00 | 100.00 |
| Saint-Georges Ré | | 100.00 | 100.00 | 100.00 | 100.00 |

| Asset Management (entities having worldwide activities) | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| AXA Investment Managers (sub-group) [a] | | 94.82 | 94.58 | 95.11 | 94.58 |
| AllianceBernstein (sub-group) | | 60.28 | 60.28 | 61.08 | 61.08 |

*(a) Incluant Framlington.*

| Other Financial Services | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| **France** | | | | | |
| AXA Banque | | 100.00 | 99.92 | 100.00 | 99.91 |
| AXA Banque Financement | | 65.00 | 64.95 | 65.00 | 64.94 |
| Compagnie Financière de Paris | | 100.00 | 100.00 | 100.00 | 100.00 |
| Sofinad | | 100.00 | 99.99 | 100.00 | 100.00 |
| **Germany** | | | | | |
| AXA Bank AG | | 100.00 | 96.52 | 100.00 | 92.19 |
| **Belgium** | | | | | |
| AXA Bank Belgium | | 100.00 | 99.92 | 100.00 | 99.92 |

On December 22, 2006, AXA completed its acquisition of Winterthur after receiving all regulatory authorizations.

| Holdings Companies | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| **The Netherlands** | | | | | |
| DBV Holding N.V. | Acquisition | 100.00 | 96.69 | – | – |
| Winterthur Verzekeringen Holding B.V. | Acquisition | 100.00 | 100.00 | – | – |
| **Germany** | | | | | |
| DBV-Winterthur Holding AG | Acquisition | 96.69 | 96.69 | – | – |
| WinCom Versicherungs-Holding AG | Acquisition | 100.00 | 100.00 | – | – |
| Winterthur Beteiligungs-Gesellschaft mbH | Acquisition | 100.00 | 100.00 | – | – |
| **Spain** | | | | | |
| Hispanowin. S.A. | Acquisition | 100.00 | 100.00 | – | – |
| **Switzerland** | | | | | |
| Finance Solutions SARL | Acquisition | 100.00 | 100.00 | – | – |
| **United Kingdom** | | | | | |
| Winterthur (UK) Holdings Ltd | Acquisition | 100.00 | 100.00 | – | – |

| Life & Savings and Property & Casualty | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| **Eastern Europe** | | | | | |
| Winterthur Czech Republic Pension Funds | Acquisition | 79.97 | 79.97 | – | – |
| Winterthur Czech Republic Insurance | Acquisition | 65.01 | 65.01 | – | – |
| Winterthur Hungary | Acquisition | 65.00 | 65.00 | – | – |
| Winterthur Poland | Acquisition | 65.00 | 65.00 | – | – |
| Winterthur Poland Pension Funds | Acquisition | 70.00 | 70.00 | – | – |
| Winterthur Slovakia | Acquisition | 88.21 | 88.21 | – | – |
| **The Netherlands** | | | | | |
| Winterthur Leven NV | Acquisition | 100.00 | 100.00 | – | – |
| DBV Leven N.V. | Acquisition | 100.00 | 96.69 | – | – |
| DBV Schade | Acquisition | 100.00 | 96.69 | – | – |
| DBV Finance BV | Acquisition | 100.00 | 96.69 | – | – |
| Winterthur Schade N.V. | Acquisition | 100.00 | 100.00 | – | – |
| **Germany** | | | | | |
| DBV-Winterthur Krankenversicherung AG | Acquisition | 100.00 | 96.69 | – | – |
| DBV-Winterthur Lebensversicherung AG | Acquisition | 99.74 | 96.44 | – | – |
| Winsecura Pensionskasse AG | Acquisition | 100.00 | 96.44 | – | – |
| Rheinisch-Westfälische Sterbekasse Lebensversicherung AG | Acquisition | 100.00 | 96.69 | – | – |
| DBV Deutsche Beamten-Versicherung AG | Acquisition | 100.00 | 96.69 | – | – |
| DBV-Winterthur Versicherung AG (DWS) | Acquisition | 100.00 | 96.69 | – | – |
| DBV-WinSelect Versicherung AG | Acquisition | 100.00 | 96.69 | – | – |
| **Spain** | | | | | |
| Winterthur Vida y Pensiones | Acquisition | 100.00 | 100.00 | – | – |
| Winterthur Seguros Generales. S.A. de Seguros y Reaseguros | Acquisition | 100.00 | 100.00 | – | – |
| Winterthur Salud (SA de Seguros) | Acquisition | 100.00 | 100.00 | – | – |
| **Asia/Pacific (excluding Japan)** | | | | | |
| Winterthur Life (Hong Kong) Ltd | Acquisition | 100.00 | 100.00 | – | – |
| **Switzerland** | | | | | |
| Winterthur Life | Acquisition | 100.00 | 100.00 | – | – |
| Winterthur-ARAG Legal Assistance | Acquisition | 66.67 | 66.67 | – | – |
| Winterthur Swiss Insurance Company Holding | Acquisition | 100.00 | 100.00 | – | – |
| Winterthur Swiss Insurance P&C | Acquisition | 100.00 | 100.00 | – | – |

| Life & Savings and Property & Casualty | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| **United Kingdom** | | | | | |
| Winterthur (UK) Finance | Acquisition | 100.00 | 100.00 | – | – |
| **Japan** | | | | | |
| Winterthur Swiss Life Insurance Co. Ltd | Acquisition | 100.00 | 100.00 | – | – |
| **Belgium** | | | | | |
| Winterthur Europe Assurance Vie | Acquisition | 99.81 | 99.81 | – | – |
| Winterthur Europe Assurances - Non Vie | Acquisition | 99.81 | 99.81 | – | – |
| Les Assurés Réunis | Acquisition | 99.93 | 99.74 | – | – |
| Touring Assurances SA | Acquisition | 100.00 | 99.81 | – | – |

| International Insurance (entities having worldwide activities) | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| **Switzerland** | | | | | |
| AXA LM Switzerland | Acquisition | 100.00 | 100.00 | – | – |
| Winplan | Acquisition | 100.00 | 100.00 | – | – |
| **United States** | | | | | |
| Harrington | Acquisition | 100.00 | 100.00 | – | – |

| Asset Management (entities having worldwide activities) | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| **Switzerland** | | | | | |
| Winterthur Investment Management AG | Acquisition | 100.00 | 100.00 | – | – |

| Other Financial Services | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| **The Netherlands** | | | | | |
| Holland Homes I | Acquisition | 100.00 | 100.00 | – | – |
| Holland Homes II | Acquisition | 100.00 | 100.00 | – | – |
| Holland Homes III | Acquisition | 100.00 | 100.00 | – | – |
| Holland Homes IV | Acquisition | 100.00 | 100.00 | – | – |

Aside from Winterthur, the main entries into the scope of consolidation in 2006 were **Citadel** (Canada), **MLC Hong-Kong** and **MLC Indonesia.** In 2005, the **UK's Framlington Group Limited** was acquired by AXA Investment Managers and **Seguro Directo** was acquired in Portugal.
The main removals from the scope in 2006 arose from the sale of **Parfimmo** in Belgium and **AXA RE's activities** to Paris Ré Holding on December 21, 2006. In 2005, **Advest,** a subsidiary of AXA Financial Group (US life business) left the scope.

### Investment funds and other investments

Funds and other investments consolidated by AXA are as follows:

Consolidated mutual funds represented total investments of €84,899 million at end-2006 (€67,549 million at December 31, 2005 and €55,434 million at December 31, 2004). This amount relates to 279 funds, mainly in France, the UK, Germany, Australia and Japan. The funds are mainly in the Life & Savings business segment.

The 70 consolidated real estate companies represented total investments of €22,898 million at end-2005 (€18,795 million at December 31, 2005 and €6,110 million at December 31, 2004), mainly in France, the UK, Germany and Japan. The 8 consolidated CDOs represented total investments of €1,410 million at end-2005 (€1,806 million at December 31, 2005 and €1,871 million at December 31, 2004).

In most investment funds (particularly open-ended mutual funds), minority interests do not meet the definition of shareholders' equity. They are therefore presented as liabilities under "Minorities in controlled funds and other commitments to buy out minority interests". At December 31, 2006, minorities in controlled funds amounted to €6,099 million (€4,326 million at December 31, 2005 and €3,223 million at December 31, 2004).

## 2.1.2. Proportionately consolidated companies

| Life & Savings and Property & Casualty | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| France | | | | | |
| Natio Assurances | | 50.00 | 49.96 | 50.00 | 49.96 |
| NSM Vie | | 39.98 | 39.98 | 39.98 | 39.98 |
| Fonds Immobiliers Paris Office Funds | | 50.00 | 49.91 | 50.00 | 49.91 |

## 2.1.3. Investments in equity-accounted companies

**Equity-accounted companies excluding mutual funds and real estate entities**

| Life & Savings and Property & Casualty | Change in scope | December 31, 2006 Voting rights | December 31, 2006 Ownership interest | December 31, 2005 Voting rights | December 31, 2005 Ownership interest |
|---|---|---|---|---|---|
| France | | | | | |
| Compagnie Financière de Paris Crédit | Merger with Compagnie Financière de Paris | – | – | 100.00 | 100.00 |
| Argovie | | 95.23 | 95.01 | 94.47 | 94.25 |
| Banque de Marchés et d'Arbitrages | | 27.71 | 27.70 | 27.71 | 27.70 |
| Asia/Pacific | | | | | |
| AXA Insurance Investment Holding | Liquidation | – | – | 100.00 | 100.00 |
| AXA Affin General Insurance Berhad | Scope entry | 50.48 | 50.48 | – | – |
| PT AXA Mandiri Financial Services | Scope entry | 51.00 | 26.87 | – | – |
| Philippine AXA Life Insurance Corporation | Scope entry | 44.98 | 23.70 | – | – |
| Krungthai AXA Life Insurance Company Ltd | Scope entry | 50.00 | 26.34 | – | – |
| Belgium | | | | | |
| Parfimmo | Liquidation | – | – | 33.33 | 33.31 |

**Equity-accounted mutual funds and real estate entities**

At December 31, 2006, equity-accounted real estate companies represented total assets of €693 million (€234 million at end-2005), including €298 million relating to real estate companies arising from the Winterthur acquisition. Equity-accounted mutual funds represented total assets of €1,376 million, mainly in France, the United States and Switzerland (€1,346 million at end-2005).

## 2.2. Other comments on the scope of consolidation

AXA's consolidated financial statements are prepared at December 31 based on individual company financial statements at the same date, with the exception of companies in the Japanese life insurance business (AXA Japan excluding Winterthur Swiss Life Insurance), which have a September 30 financial year-end.

## 2.3. Consolidated entities relating to specific operations

**Securitisation of mortgages loans in the life portfolio of DBV in the Netherlands**
The Holland Homes mortgage securitization structures previously set up by Winterthur Group are consolidated within DBV's operations in the Netherlands. Mortgage loans are issued to sell life insurance products. Surplus loans issued are securitized through special purpose entities.

The following operations, described in the 2005 financial statements, continued in 2006:

**Acacia**
The Acacia SPV is consolidated within the operations of AXA France Vie. The main impact of this is a €220 million increase in the AXA Group's other liabilities, and a parallel increase in receivables resulting from insurance operations.

**Securitization of the French motor insurance portfolio**
On December 9, 2005, AXA announced the closing of the €200 million securitization of its French motor insurance portfolio. This operation, launched on November 3, 2005, was the first ever securitization of a low claim severity, high claim frequency insurance portfolio. Through securitization, AXA has transferred to the financial markets the deviation of the cost of claims on the securitized insurance portfolio above a certain threshold for four consecutive and independent annual periods. The transaction was oversubscribed and had an average margin per tranche of 28bp over Euribor 3 month rates, in line with similarly rated synthetic bank securitizations. Since the threshold for transferring risk to the financial markets was not reached, the recognition of this operation in AXA's consolidated financial statements mainly involves the consolidation of the vehicle carrying the portion subscribed by AXA, and the recognition on the balance sheet under other liabilities of a €200 million deposit received from reinsurers.

**AXA Japan**
In 2002, AXA Japan sold 102 buildings with net book value of JPY 40 billion to a fund owned by a third party and AXA Japan for JPY 43 billion, with a view to selling the buildings to other parties.

Due to AXA Japan's continuing involvement in managing these buildings, the Group is considered to retain almost all of the risks and benefits relating to ownership of the transferred assets, and so the assets have been kept on the balance sheet. The assets relating to this transaction kept on the balance sheet at December 31, 2006 totaled JPY 12 billion (€80 million).

**Matignon Finances**
AXA has set up an intra-group financing and cash management company. This company entered the scope of consolidation in 2005.

# Note 3 : Segmental information (Balance sheet and Statement of income)

AXA has five operating business segments: Life & Savings, Property & Casualty, International Insurance, Asset Management and Other Financial Services. An additional "Holding companies" segment includes all non-operational activities. The financial information relating to AXA's business segments and holding company activities is consistent with the presentation provided in the consolidated financial statements.

**Life & Savings:** AXA offers a broad range of Life & Savings products including individual and group savings retirement products, life and health products. They comprise traditional term and whole life insurance, immediate annuities and investment products (including endowments, savings-related products, such as variable life and variable annuity products).

**Property & Casualty:** This business segment includes a broad range of products including mainly motor, household, property and general liability insurance for both personal and commercial customers (commercial customers being mainly small to medium-sized companies). In some countries, this segment includes health products.

**International Insurance:** This segment's operations include insurance products that specifically relate to AXA Corporate Solutions Assurance. These products provide coverage to large national and international corporations mainly relating to property damage, third party liability, marine, aviation and transport, construction, financial risk, and directors and officers liability. The segment also includes assistance activities and the group's run-off management activities, managed by AXA LM, including risks underwritten by AXA RE relating to the 2005 underwriting year and before. Reinsurance operations (AXA RE) principally focus on: property damage, marine and aviation property, and third party liability. Years prior to 2005 are covered by a treaty ceding 100% of reinsurance to Paris Ré.

The **Asset Management Segment's** products and services include diversified asset management (including mutual fund management) and related services, which are provided to a variety of institutional clients and individuals, including AXA's insurance companies.

The **Other Financial Services Segment's** products and services mainly include banking activities conducted primarily in France and Belgium and financial vehicles including certain Special-Purpose Entities (CDOs and mortgage securitization vehicles).

In this document, "Insurance" covers the three insurance segments: Life & Savings, Property & Casualty and International Insurance. The term "Financial Services" includes both the Asset Management segment and the Other Financial Services segment.

# 3.1. Segmental balance sheet

## 3.1.1. Assets

(in Euro million)

| SEGMENTAL ASSETS | December 31, 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life & Savings | Property & Casualty | International Insurance | Asset Management | Other financial services | Holding companies | Inter-segment eliminations | TOTAL |
| Intangible assets | 27,789 | 6,242 | 66 | 4,834 | 71 | 364 | – | 39,365 |
| Investments | 525,298 | 54,993 | 9,770 | 665 | 10,985 | 10,091 | (12,621) | 599,182 |
| Reinsurer's share in insurance and investment contracts liabilities | 5,055 | 2,269 | 4,985 | – | – | – | (272) | 12,038 |
| Other assets & receivables [(a)] | 18,017 | 694 | 4,916 | 4,468 | 15,316 | 41,094 | (10,872) | 73,633 |
| Assets held for sale and from discontinued operations | 235 | 3,102 | – | – | – | – | – | 3,337 |
| ***TOTAL ASSETS*** | ***576,395*** | ***67,300*** | ***19,737*** | ***9,967*** | ***26,372*** | ***51,549*** | ***(23,764)*** | ***727,555*** |
| *Of which:* | | | | | | | | |
| France | 136,092 | 16,924 | – | – | – | – | – | 153,016 |
| United States | 120,215 | – | – | – | – | – | – | 120,215 |
| United Kingdom | 107,125 | 10,135 | – | – | – | – | – | 117,259 |
| Japan | 39,403 | – | – | – | – | – | – | 39,403 |
| Germany | 57,860 | 10,123 | – | – | – | – | – | 67,983 |
| Belgium | 24,969 | 10,669 | – | – | – | – | – | 35,638 |
| Switzerland | 41,347 | 5,225 | – | – | – | – | – | 46,572 |
| Other countries and other transnational activities | 49,383 | 14,224 | 19,737 | 9,967 | 26,372 | 51,549 | (23,764) | 147,468 |
| ***TOTAL ASSETS*** | ***576,395*** | ***67,300*** | ***19,737*** | ***9,967*** | ***26,372*** | ***51,549*** | ***(23,764)*** | ***727,555*** |

*(a) Including cash and cash equivalents, deposits and guarantees, various debtors and assets covering employee benefit liabilities.*

(in Euro million)

| OF WHICH WINTERTHUR | December 31, 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life & Savings | Property & Casualty | International Insurance | Asset Management | Other financial services | Holding companies | Inter-segment eliminations | TOTAL |
| Goodwill | 1,436 | 1,326 | – | – | – | – | – | 2,762 |
| Other intangible assets | 2,645 | 1,152 | – | – | – | – | – | 3,796 |
| Other assets | 92,789 | 17,812 | 1,412 | 4 | 2,885 | 1,454 | (3,763) | 112,592 |
| ***TOTAL ASSETS*** | ***96,870*** | ***20,290*** | ***1,412*** | ***4*** | ***2,885*** | ***1,454*** | ***(3,763)*** | ***119,151*** |

(in Euro million)

| SEGMENTAL ASSETS | December 31, 2005 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life & Savings (b) | Property & Casualty | International Insurance | Asset Management | Other financial services | Holding companies | Inter-segment eliminations | TOTAL (b) |
| Intangible assets (b) | 22,977 | 3,470 | 169 | 4,972 | 70 | 363 | – | 32,023 |
| Investments | 414,933 | 41,054 | 9,870 | 421 | 8,642 | 5,446 | (10,874) | 469,492 |
| Reinsurer's share in insurance and investment contracts liabilities | 4,356 | 2,014 | 3,015 | – | – | – | (298) | 9,087 |
| Other assets & receivables (a) | 15,157 | 5,125 | 3,119 | 3,842 | 12,600 | 31,774 | (6,346) | 65,271 |
| Assets held for sale and from discontinued operations | 100 | 2 | – | – | – | – | – | 102 |
| ***TOTAL ASSETS*** | ***457,523*** | ***51,665*** | ***16,173*** | ***9,235*** | ***21,312*** | ***37,584*** | ***(17,517)*** | ***575,974*** |
| *Of which:* | – | – | – | – | – | – | – | – |
| France | 124,756 | 15,758 | – | – | – | – | – | 140,514 |
| United States | 123,290 | – | – | – | – | – | – | 123,290 |
| United Kingdom (b) | 83,748 | 9,629 | – | – | – | – | – | 93,377 |
| Japan | 34,405 | – | – | – | – | – | – | 34,405 |
| Germany | 34,103 | 8,383 | – | – | – | – | – | 42,486 |
| Belgium | 19,454 | 7,493 | – | – | – | – | – | 26,947 |
| Other countries and other transnational activities | 37,767 | 10,403 | 16,173 | 9,235 | 21,312 | 37,584 | (17,517) | 114,956 |
| ***TOTAL ASSETS*** | ***457,523*** | ***51,665*** | ***16,173*** | ***9,235*** | ***21,312*** | ***37,584*** | ***(17,517)*** | ***575,974*** |

*(a) Including cash and cash equivalents, deposits and guarantees, various debtors and assets covering employee benefit liabilities.*
*(b) As described in note 1.12.2, the adoption of FRS 27 in the UK has led to adjustments on all periods presented. The effect of these adjustments is set out in note 14.*

(in Euro million)

| SEGMENTAL ASSETS | December 31, 2004 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life & Savings (b) | Property & Casualty | International Insurance | Asset Management | Other financial services | Holding companies | Inter-segment eliminations | TOTAL (b) |
| Intangible assets (b) | 20,838 | 3,318 | 162 | 3,831 | 73 | 21 | – | 28,243 |
| Investments | 357,634 | 35,594 | 7,701 | 223 | 9,983 | 5,351 | (10,570) | 405,916 |
| Reinsurer's share in insurance and investment contracts liabilities | 4,025 | 1,835 | 2,474 | – | – | – | (436) | 7,898 |
| Other assets & receivables (a) | 11,964 | 4,679 | 3,702 | 2,641 | 11,545 | 31,034 | (4,007) | 61,558 |
| Assets held for sale and from discontinued operations | 62 | – | – | – | – | – | – | 62 |
| ***TOTAL ASSETS*** | ***394,523*** | ***45,426*** | ***14,038*** | ***6,695*** | ***21,601*** | ***36,406*** | ***(15,013)*** | ***503,678*** |
| *Of which:* | | | | | | | | |
| France | 112,296 | 13,846 | – | – | – | – | – | 126,142 |
| United States | 100,793 | – | – | – | – | – | – | 100,793 |
| United Kingdom (b) | 70,650 | 8,390 | – | – | – | – | – | 79,040 |
| Japan | 29,036 | – | – | – | – | – | – | 29,036 |
| Germany | 32,068 | 8,029 | – | – | – | – | – | 40,097 |
| Belgium | 16,286 | 7,109 | – | – | – | – | – | 23,395 |
| Other countries and other transnational activities | 33,393 | 8,053 | 14,038 | 6,695 | 21,601 | 36,406 | (15,013) | 105,175 |
| ***TOTAL ASSETS*** | ***394,523*** | ***45,426*** | ***14,038*** | ***6,695*** | ***21,601*** | ***36,406*** | ***(15,013)*** | ***503,678*** |

*(a) Including cash and cash equivalents, deposits and guarantees, various debtors and assets covering employee benefit liabilities.*
*(b) As described in note 1.12.2, the adoption of FRS 27 in the UK has led to adjustments on all periods presented. The effect of these adjustments is set out in note 14.*

### 3.1.2. Liabilities

(in Euro million)

| SEGMENTAL LIABILITIES EXCLUDING SHAREHOLDERS' EQUITY | December 31, 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life & Savings | Property & Casualty | International Insurance | Asset Management | Other financial services | Holding companies | Inter-segment eliminations | TOTAL |
| Liabilities arising from insurance contracts [a] | 374,485 | 46,167 | 11,888 | – | – | – | (323) | 432,216 |
| Liabilities arising from investment contracts [a] | 100,849 | – | 543 | – | – | – | – | 101,393 |
| Unearned revenues and unearned fees reserves | 2,080 | – | – | – | – | – | – | 2,080 |
| Liabilities arising from policyholder's participation | 24,742 | 184 | – | – | – | – | (8) | 24,918 |
| Derivatives relating to insurance and investment contracts | (130) | – | (33) | – | – | – | – | (163) |
| Provisions for risks and charges | 4,929 | 2,843 | 307 | 165 | 261 | 478 | – | 8,984 |
| Financing debt | 2,512 | 36 | 454 | 644 | 531 | 13,514 | (8,344) | 9,347 |
| Deferred tax liability | 4,924 | 1,541 | 193 | 102 | – | 62 | – | 6,823 |
| Payables | 44,655 | 11,111 | 6,159 | 6,597 | 25,476 | 10,842 | (14,861) | 89,978 |
| Liabilities from held for sale or discontinued operations | – | 1,812 | – | – | – | – | – | 1,812 |
| *TOTAL LIABILITIES EXCLUDING CONSOLIDATED SHAREHOLDERS' EQUITY* | *559,045* | *63,694* | *19,512* | *7,508* | *26,268* | *24,896* | *(23,536)* | *677,387* |
| *OF WHICH WINTERTHUR TOTAL LIABILITIES EXCLUDING CONSOLIDATED SHAREHOLDERS' EQUITY* | *93,669* | *14,787* | *1,612* | *4* | *2,885* | *2,018* | *(3,763)* | *111,212* |

(a) Also includes changes in liabiities arising from insurance contracts and investment contracts where the financial risk is borne by policyholders.

(in Euro million)

| SEGMENTAL LIABILITIES EXCLUDING SHAREHOLDERS' EQUITY | December 31, 2005 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life & Savings [b] | Property & Casualty | International Insurance | Asset Management | Other financial services | Holding companies | Inter-segment eliminations | TOTAL [b] |
| Liabilities arising from insurance contracts [a] [c] | 292,796 | 36,151 | 12,014 | – | – | – | (355) | 340,605 |
| Liabilities arising from investment contracts [a] [c] | 82,742 | – | – | – | – | – | – | 82,742 |
| Unearned revenues and unearned fees reserves [c] | 1,726 | – | – | – | – | – | – | 1,726 |
| Liabilities arising from policyholder's participation [c] | 23,278 | 19 | – | – | – | – | (13) | 23,284 |
| Derivatives relating to insurance and investment contracts | (147) | – | (1) | – | – | – | – | (148) |
| Provisions for risks and charges | 5,221 | 2,699 | 93 | 99 | 272 | 377 | – | 8,761 |
| Financing debt [b] | 3,011 | 130 | 738 | 783 | 490 | 12,607 | (9,853) | 7,906 |
| Deferred tax liability [c] | 5,057 | 1,270 | 239 | 233 | 31 | 507 | – | 7,338 |
| Payables | 30,252 | 6,686 | 2,545 | 5,836 | 20,290 | 6,160 | (7,296) | 64,473 |
| Liabilities from held for sale or discontinued operations | – | – | – | – | – | – | – | – |
| *TOTAL LIABILITIES EXCLUDING CONSOLIDATED SHAREHOLDERS' EQUITY* | *443,936* | *46,954* | *15,628* | *6,951* | *21,084* | *19,651* | *(17,517)* | *536,686* |

(a) Also includes changes in liabiities arising from insurance contracts and investment contracts where the financial risk is borne by policyholders.
(b) As described in note 1.11.2, perpetual subordinated notes have been reclassified under shareholders' equity for all periods presented. Details are provided in note 13.
(c) As described in note 1.12.2, the adoption of FRS 27 in the UK has led to adjustments on all periods presented. The effect of these adjustments is set out in note 14.

(in Euro million)

| SEGMENTAL LIABILITIES EXCLUDING SHAREHOLDERS' EQUITY | December 31, 2004 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life & Savings (b) | Property & Casualty | International Insurance | Asset Management | Other financial services | Holding companies | Inter-segment eliminations | TOTAL (b) |
| Liabilities arising from insurance contracts (a) (c) | 259,182 | 33,668 | 10,626 | – | – | – | (446) | 303,030 |
| Liabilities arising from investment contracts (a) (c) | 71,828 | – | – | – | – | – | – | 71,828 |
| Unearned revenues and unearned fees reserves (c) | 1,570 | – | – | – | – | – | – | 1,570 |
| Liabilities arising from policyholder's participation (c) | 17,520 | 26 | – | – | – | – | (2) | 17,544 |
| Derivatives relating to insurance and investment contracts | (22) | – | (10) | – | – | – | – | (32) |
| Provisions for risks and charges | 4,663 | 2,305 | 99 | 78 | 270 | 313 | – | 7,729 |
| Financing debt (b) | 3,001 | 217 | 566 | 426 | 435 | 12,463 | (9,147) | 7,961 |
| Deferred tax liability (c) | 5,274 | 1,085 | 197 | (45) | 45 | 229 | – | 6,786 |
| Payables | 21,981 | 5,369 | 2,303 | 4,243 | 20,598 | 4,303 | (5,418) | 53,380 |
| Liabilities from held for sale or discontinued operations | – | – | – | – | – | – | – | – |
| ***TOTAL LIABILITIES EXCLUDING CONSOLIDATED SHAREHOLDERS' EQUITY*** | ***384,998*** | ***42,671*** | ***13,781*** | ***4,703*** | ***21,348*** | ***17,307*** | ***(15,013)*** | ***469,796*** |

*(a) Also includes changes in liabiities arising from insurance contracts and investment contracts where the financial risk is borne by policyholders.*
*(b) As described in note 1.11.2, perpetual subordinated notes have been reclassified under shareholders' equity for all periods presented. Details are provided in note 13.*
*(c) As described in note 1.12.2, the adoption of FRS 27 in the UK has led to adjustments on all periods presented. The effect of these adjustments is set out in note 14.*

# 3.2. Segmental consolidated statement of income

(in Euro million)

| | December 31, 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life & Savings | Property & Casualty | International Insurance | Asset Management | Other financial services | Holding companies | Inter-segment eliminations | TOTAL |
| Gross written premiums | 48,793 | 19,830 | 3,625 | – | – | – | (149) | 72,099 |
| Fees and charges relating to investment contracts with no participating features | 608 | – | – | – | – | – | – | 608 |
| **Revenues from insurance activities** | **49,401** | **19,830** | **3,625** | **–** | **–** | **–** | **(149)** | **72,707** |
| Net revenues from banking activities | – | – | – | – | 398 | – | (22) | 376 |
| Revenues from other activities | 1,084 | 52 | 186 | 4,781 | 6 | – | (417) | 5,693 |
| **Total revenues** | **50,485** | **19,882** | **3,811** | **4,781** | **404** | **–** | **(588)** | **78,775** |
| **Change in unearned premiums net of unearned revenues and fees** | **(249)** | **(142)** | **(84)** | **–** | **–** | **–** | **–** | **(476)** |
| Net investment income | 12,372 | 1,592 | 300 | 85 | 126 | 416 | (429) | 14,461 |
| Net realized investment gains and losses | 3,475 | 596 | 132 | 50 | (17) | 23 | – | 4,260 |
| Change in fair value of financial instruments at fair value through profit & loss | 14,898 | 52 | 35 | 47 | 31 | (512) | – | 14,550 |
| Change in financial instruments impairment | (135) | (47) | (2) | – | 4 | (14) | – | (194) |
| **Net investment result excluding financing expenses** | **30,610** | **2,192** | **465** | **182** | **144** | **(88)** | **(429)** | **33,077** |
| Technical charges relating to insurance activities | (69,815) | (12,841) | (2,272) | – | – | – | 90 | (84,836) |
| Net result from outward reinsurance | (28) | (632) | (893) | – | – | – | 99 | (1,455) |
| Bank operating expenses | – | – | – | – | (78) | – | – | (78) |
| Acquisition costs | (3,103) | (3,787) | (300) | – | – | – | (2) | (7,191) |
| Amortization of the value of purchased business in force and of other intangible assets | (282) | – | – | – | – | – | – | (282) |
| Administrative expenses | (2,871) | (1,860) | (345) | (3,288) | (321) | (393) | 290 | (8,788) |
| Change in tangible assets impairment | 7 | 11 | – | – | – | 1 | – | 18 |
| Change in goodwill impairment | – | – | (12) | – | – | – | – | (12) |
| Other income and expenses | (167) | (10) | 4 | (264) | (84) | (106) | 116 | (511) |
| **Other operating income and expenses** | **(76,259)** | **(19,119)** | **(3,819)** | **(3,552)** | **(482)** | **(499)** | **594** | **(103,135)** |
| **Income from operating activities before tax** | **4,587** | **2,812** | **374** | **1,412** | **66** | **(586)** | **(423)** | **8,241** |
| Income arising from investments in associates – Equity method | 12 | 22 | – | – | – | – | – | 34 |
| Financing debts expenses | (106) | (8) | (22) | (33) | (38) | (690) | 423 | (474) |
| **Operating income before tax** | **4,493** | **2,826** | **352** | **1,379** | **27** | **(1,277)** | **–** | **7,801** |
| ***Income tax*** | ***(1,319)*** | ***(788)*** | ***(105)*** | ***(362)*** | ***17*** | ***513*** | ***–*** | ***(2,043)*** |
| **Net operating result** | **3,175** | **2,038** | **247** | **1,017** | **45** | **(764)** | **–** | **5,758** |
| Result from discontinued operations net of tax | – | – | – | – | – | – | – | – |
| **Net consolidated income** | **3,175** | **2,038** | **247** | **1,017** | **45** | **(764)** | **–** | **5,758** |
| *Split between:* | | | | | | | | |
| *Net income Group share* | *2,957* | *1,977* | *244* | *610* | *43* | *(745)* | *–* | *5,085* |
| *Minority interests share in net consolidated result* | *218* | *61* | *3* | *407* | *2* | *(18)* | *–* | *673* |

(in Euro million)

| | December 31, 2005 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life & Savings [(a)] | Property & Casualty | International Insurance | Asset Management | Other financial services | Holding companies [(b)] | Inter-segment eliminations | TOTAL |
| Gross written premiums | 43,502 | 18,913 | 3,725 | – | – | – | (145) | 65,995 |
| Fees and charges relating to investment contracts with no participating features | 509 | – | – | – | – | – | – | 509 |
| **Revenues from insurance activities** | **44,011** | **18,913** | **3,725** | **–** | **–** | **–** | **(145)** | **66,504** |
| Net revenues from banking activities | – | – | – | – | 441 | – | (13) | 428 |
| Revenues from other activities | 1,115 | 43 | 178 | 3,783 | – | – | (380) | 4,739 |
| **Total revenues** | **45,126** | **18,956** | **3,903** | **3,783** | **441** | **–** | **(538)** | **71,671** |
| **Change in unearned premiums net of unearned revenues and fees [(a)]** | **(178)** | **(269)** | **(33)** | **–** | **–** | **–** | **(3)** | **(484)** |
| Net investment income | 12,003 | 1,443 | 357 | 27 | 101 | 331 | (311) | 13,951 |
| Net realized investment gains and losses | 2,889 | 499 | 133 | 33 | (3) | 5 | – | 3,557 |
| Change in fair value of financial instruments at fair value through profit & loss [(b)] | 16,006 | 82 | (6) | 11 | (40) | 59 | (3) | 16,110 |
| Change in financial instruments impairment | (107) | (84) | (3) | – | 2 | (18) | – | (210) |
| **Net investment result excluding financing expenses** | **30,792** | **1,940** | **482** | **72** | **61** | **376** | **(314)** | **33,408** |
| Technical charges relating to insurance activities [(a)] | (65,684) | (12,347) | (3,796) | – | – | – | 37 | (81,791) |
| Net result from outward reinsurance | (7) | (581) | 317 | – | – | – | 130 | (141) |
| Bank operating expenses | – | – | – | – | (61) | – | – | (61) |
| Acquisition costs [(a)] | (2,855) | (3,382) | (316) | – | – | – | 16 | (6,536) |
| Amortization of the value of purchased business in force and of other intangible assets | (558) | – | – | – | – | – | – | (558) |
| Administrative expenses | (3,017) | (1,961) | (322) | (2,807) | (295) | (401) | 207 | (8,596) |
| Change in tangible assets impairment | (4) | (1) | 3 | – | – | – | – | (3) |
| Change in goodwill impairment | (70) | – | – | – | – | – | – | (70) |
| Other income and expenses | (17) | 12 | 18 | (18) | (101) | (78) | 103 | (81) |
| **Other operating income and expenses** | **(72,214)** | **(18,259)** | **(4,096)** | **(2,825)** | **(457)** | **(479)** | **492** | **(97,839)** |
| **Income from operating activities before tax** | **3,525** | **2,368** | **256** | **1,029** | **44** | **(103)** | **(363)** | **6,756** |
| Income arising from investments in associates – Equity method | 10 | 3 | 1 | – | 6 | – | – | 21 |
| Financing debts expenses [(b)] | (119) | (11) | (30) | (21) | (20) | (644) | 363 | (481) |
| **Operating income before tax** | **3,417** | **2,361** | **227** | **1,008** | **30** | **(747)** | **–** | **6,296** |
| ***Income tax [(a) (b)]*** | ***(844)*** | ***(566)*** | ***(41)*** | ***(280)*** | ***–*** | ***242*** | ***–*** | ***(1,490)*** |
| **Net operating result** | **2,573** | **1,795** | **186** | **727** | **30** | **(506)** | **–** | **4,806** |
| Result from discontinued operations net of tax | – | – | – | – | – | – | – | – |
| **Net consolidated income** | **2,573** | **1,795** | **186** | **727** | **30** | **(506)** | **–** | **4,806** |
| *Split between:* | | | | | | | | |
| *Net income Group share* | *2,404* | *1,737* | *184* | *411* | *82* | *(500)* | *–* | *4,318* |
| *Minority interests share in net consolidated result* | *169* | *58* | *2* | *317* | *(52)* | *(5)* | *–* | *488* |

*(a) As described in note 1.12.2, the adoption of FRS 27 in the UK has led to adjustments on all periods presented. The effect of these adjustments is set out in note 14.*
*(b) As described in note 1.11.2, perpetual subordinated notes have been reclassified under shareholders' equity for all periods presented. Details are provided in note 13.*

(in Euro million)

| | December 31, 2004 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life & Savings | Property & Casualty | International Insurance | Asset Management | Other financial services | Holding companies [(a)] | Inter-segment eliminations | TOTAL |
| Gross written premiums | 41,111 | 17,903 | 3,314 | – | – | – | (176) | 62,152 |
| Fees and charges relating to investment contracts with no participating features | 417 | – | – | – | – | – | – | 417 |
| **Revenues from insurance activities** | **41,529** | **17,903** | **3,314** | **–** | **–** | **–** | **(176)** | **62,570** |
| Net revenues from banking activities | – | – | – | – | 404 | (1) | (17) | 386 |
| Revenues from other activities | 824 | 42 | 159 | 3,378 | – | – | (329) | 4,074 |
| **Total revenues** | **42,353** | **17,945** | **3,473** | **3,378** | **404** | **(1)** | **(522)** | **67,030** |
| **Change in unearned premiums net of unearned revenues and fees** | **(131)** | **(250)** | **318** | **–** | **–** | **–** | **(41)** | **(104)** |
| Net investment income | 11,186 | 1,320 | 347 | 15 | 98 | 337 | (361) | 12,941 |
| Net realized investment gains and losses | 2,492 | 487 | 175 | 4 | 6 | 119 | – | 3,282 |
| Change in fair value of financial instruments at fair value through profit & loss [(a)] | 12,080 | 113 | 2 | 3 | 44 | 288 | – | 12,529 |
| Change in financial instruments impairment | (264) | (124) | (22) | – | (10) | (23) | – | (444) |
| **Net investment result excluding financing expenses** | **25,494** | **1,795** | **500** | **22** | **138** | **720** | **(361)** | **28,308** |
| Technical charges relating to insurance activities | (58,376) | (11,959) | (2,832) | – | – | – | 208 | (72,959) |
| Net result from outward reinsurance | 17 | (663) | (401) | – | – | – | (15) | (1,063) |
| Bank operating expenses | – | – | – | – | (104) | – | 2 | (101) |
| Acquisition costs | (2,602) | (3,089) | (284) | – | – | – | 17 | (5,957) |
| Amortization of the value of purchased business in force and of other intangible assets | (468) | – | – | – | – | – | – | (468) |
| Administrative expenses | (3,002) | (1,717) | (344) | (2,623) | (189) | (269) | 237 | (7,906) |
| Change in tangible assets impairment | (3) | (7) | – | – | – | – | – | (10) |
| Change in goodwill impairment | – | (29) | (7) | – | – | – | – | (36) |
| Other income and expenses | (266) | 3 | (6) | 4 | (112) | (16) | 153 | (239) |
| **Other operating income and expenses** | **(64,700)** | **(17,461)** | **(3,873)** | **(2,618)** | **(405)** | **(284)** | **603** | **(88,739)** |
| **Income from operating activities before tax** | **3,016** | **2,030** | **418** | **781** | **137** | **435** | **(322)** | **6,495** |
| Income arising from investments in associates – Equity method | 10 | 34 | 1 | – | 10 | – | – | 55 |
| Financing debts expenses [(a)] | (100) | (22) | (53) | (22) | (18) | (545) | 322 | (439) |
| **Operating income before tax** | **2,926** | **2,041** | **366** | **760** | **129** | **(110)** | **–** | **6,111** |
| ***Income tax [(a)]*** | ***(971)*** | ***(563)*** | ***(120)*** | ***(178)*** | ***(95)*** | ***82*** | ***–*** | ***(1,845)*** |
| **Net operating result** | **1,954** | **1,478** | **246** | **582** | **34** | **(28)** | **–** | **4,266** |
| Result from discontinued operations net of tax | – | – | – | – | – | – | – | – |
| **Net consolidated income** | **1,954** | **1,478** | **246** | **582** | **34** | **(28)** | **–** | **4,266** |
| *Split between:* | | | | | | | | |
| *Net income Group share* | *1,826* | *1,439* | *244* | *304* | *13* | *(33)* | *–* | *3,793* |
| *Minority interests share in net consolidated result* | *129* | *39* | *2* | *277* | *21* | *4* | *–* | *473* |

*(a) As described in note 1.11.2, perpetual subordinated notes have been reclassified under shareholders' equity for all periods presented. Details are provided in note 13.*

# Note 4:
# Financial and insurance risk management

All of the following sections form an integral part of the Group financial statements. They appear in the "Risk Factors" and "Investment Strategy and capital resources" sections of this document as follows:

## *4.1. Risk Management organization*

Please refer to pages 144 to 145, "Risk factors" section.

## *4.2. Market risks (excluding sensitivity analysis)*

Please refer to pages 146 to 156, "Risk factors" section.

## *4.3. Controlling exposure and insurance risk*

Please refer to pages 157 to 161, "Risk factors" section.

## *4.4. Credit risk*

Please refer to pages 162 to 163, "Risk factors" section, except for the breakdown of CDSs by underlying bond rating on page 163.

## *4.5. Liquidity and capital resources*

Please refer to pages 137 to 142, "Liquidity and capital resources" section (except for the "Solvency Margin" paragraph on page 141).

# Note 5: Goodwill

## 5.1. Goodwill

An analysis of goodwill is presented in the table below:

(in Euro million)

| | Gross value December 31, 2006 | Accumulated impairment December 31, 2006 | Net value December 31, 2006 | Gross value December 31, 2005 (a) | Accumulated impairment December 31, 2005 | Net value December 31, 2005 | Gross value December 31, 2004 | Accumulated impairment December 31, 2005 | Net value December 31, 2005 |
|---|---|---|---|---|---|---|---|---|---|
| Winterthur | 2,762 | – | 2,762 | – | – | – | – | – | – |
| Framlington | 87 | – | 87 | 142 | – | 142 | – | – | – |
| Seguro Directo | 31 | – | 31 | 31 | – | 31 | – | – | – |
| MONY | 220 | – | 220 | 246 | – | 246 | 351 | – | 351 |
| AXA Equity & Law | 385 | – | 385 | 377 | – | 377 | 366 | – | 366 |
| AXA Financial, Inc. | 2,885 | – | 2,885 | 3,223 | – | 3,223 | 2,790 | – | 2,790 |
| Alliance Capital | 337 | – | 337 | 376 | – | 376 | 325 | – | 325 |
| Sanford C. Bernstein | 3,237 | – | 3,237 | 3,299 | – | 3,299 | 2,670 | – | 2,670 |
| SLPH (AXA UK Holdings) | 1,541 | – | 1,541 | 1,525 | – | 1,525 | 1,474 | – | 1,474 |
| Nippon Dantaï (AXA Japan) | 1,225 | 64 | 1,161 | 1,343 | 70 | 1,273 | 1,334 | – | 1,334 |
| AXA China Region | 246 | – | 246 | 274 | – | 274 | 236 | – | 236 |
| Guardian Royal Exchange (excluding Albingia) | 349 | – | 349 | 344 | – | 344 | 338 | – | 338 |
| Guardian Royal Exchange (Albingia) | 346 | – | 346 | 346 | – | 346 | 346 | – | 346 |
| Royale Belge | 547 | 33 | 514 | 547 | 33 | 514 | 547 | 33 | 514 |
| UAP | 631 | – | 631 | 534 | – | 534 | 522 | – | 522 |
| Sterling Grace | 130 | – | 130 | 142 | – | 142 | 130 | – | 130 |
| AXA Aurora | 120 | – | 120 | 120 | – | 120 | 120 | – | 120 |
| MLC | 116 | – | 116 | – | – | – | – | – | – |
| IPAC | 191 | – | 191 | 109 | – | 109 | 100 | – | 100 |
| AXA Investment Managers (including AXA Rosenberg) | 112 | – | 112 | 117 | – | 117 | 102 | – | 102 |
| Others | 683 | 14 | 669 | 576 | 7 | 568 | 492 | 7 | 485 |
| ***TOTAL*** | ***16,181*** | ***112*** | ***16,070*** | ***13,670*** | ***111*** | ***13,559*** | ***12,244*** | ***40*** | ***12,204*** |
| *Of which:* | | | | | | | | | |
| Life and Savings | 7,935 | 64 | 7,871 | 6,736 | 70 | 6,666 | 6,354 | – | 6,354 |
| Property and Casualty | 3,632 | 35 | 3,597 | 2,090 | 35 | 2,055 | 2,021 | 35 | 1,986 |
| International Insurance | 15 | 12 | 3 | 20 | 5 | 15 | 20 | 5 | 15 |
| Asset Management | 4,505 | – | 4,505 | 4,733 | – | 4,733 | 3,781 | – | 3,781 |
| Others | 94 | – | 94 | 91 | – | 91 | 68 | – | 68 |

*(a) Following a revaluation of deferred tax assets booked at the time of the Nippon Dantaï acquisition, goodwill was reduced by an equivalent amount (€70 million).*

Cumulative amortization booked under French GAAP at December 31, 2003 is deducted from the gross value. Goodwill presented in the tables above also includes the balancing entry for the revaluation of minority interests relating to buyout commitments recognized as liabilities under the "Minorities in controlled funds and other minority interests buy out commitments" caption.

- The amounts relating to the puts owned by minority shareholders in Sanford C. Bernstein and presented in the Sanford C. Bernstein item of the table above totaled €785 million at December 31, 2006 (€559 million at December 31, 2005, €298 million at December 31, 2004 and €508 million at January 2004).
- Goodwill relating to puts owned by minority shareholders in former Winterthur subsidiaries in Central Europe and presented in the Winterthur item of the above table were recorded on the Group's balance sheet at December 31, 2006 in an amount of €71 million following the Winterthur acquisition.

# 5.2. Change in goodwill

## 5.2.1. Goodwill – Change in gross value

(in Euro million)

| | Gross value January 1, 2006 (a) | Acquisitions during the period | Disposals during the period | Goodwill adjustments | Currency translation adjustment | Other changes (b) | Gross value December 31, 2006 (a) |
|---|---|---|---|---|---|---|---|
| Winterthur | – | 2,762 | – | – | – | – | 2,762 |
| Framlington | 142 | – | – | – | – | (54) | 87 |
| Seguro Directo | 31 | – | – | – | – | – | 31 |
| MONY | 246 | – | – | – | (26) | – | 220 |
| AXA Equity & Law | 377 | – | – | – | 8 | – | 385 |
| AXA Financial, Inc. | 3,223 | – | – | – | (338) | – | 2,885 |
| Alliance Capital | 376 | – | – | – | (39) | – | 337 |
| Sanford C. Bernstein | 3,299 | – | – | – | (360) | 298 | 3,237 |
| SLPH (AXA UK Holdings) | 1,525 | – | – | – | 17 | (1) | 1,541 |
| Nippon Dantaï (AXA Nichidan) | 1,343 | – | – | – | (118) | – | 1,225 |
| AXA China Region | 274 | – | – | – | (28) | – | 246 |
| Guardian Royal Exchange (excluding Albingia) | 344 | – | – | – | 4 | – | 349 |
| Guardian Royal Exchange (Albingia) | 346 | – | – | – | – | – | 346 |
| Royale Belge | 547 | – | – | – | – | – | 547 |
| UAP | 534 | 92 | – | – | 5 | – | 631 |
| Sterling Grace | 142 | – | – | – | (12) | – | 130 |
| AXA Aurora | 120 | – | – | – | – | – | 120 |
| MLC | – | 121 | – | – | (6) | – | 116 |
| IPAC (c) | 109 | 86 | – | (1) | (3) | – | 191 |
| AXA Investment Managers (including AXA Rosenberg) | 117 | 5 | – | – | (10) | – | 112 |
| Others | 576 | 122 | (1) | 3 | (38) | 20 | 683 |
| ***TOTAL*** | ***13,670*** | ***3,189*** | ***(1)*** | ***2*** | ***(943)*** | ***264*** | ***16,181*** |
| *Of which:* | | | | | | | |
| Life and Savings | 6,736 | 1,653 | – | (1) | (457) | 5 | 7,935 |
| Property and Casualty | 2,090 | 1,518 | (1) | – | 5 | 20 | 3,632 |
| International Insurance | 20 | – | – | – | (0) | (5) | 15 |
| Asset Management | 4,733 | 19 | – | – | (490) | 244 | 4,505 |
| Others | 91 | – | – | 3 | (1) | – | 94 |

*(a) Gross value of goodwill is presented net of accumulated amortization under French GAAP as of December 31, 2003.*
*(b) Including the impact of exercises and revaluations of minority interests buyout commitments.*
*(c) Including €82,8 million due to the acquisition of Tynan Mackenzie.*

(in Euro million)

| | Gross value January 1, 2005 [a] | Acquisitions during the period | Disposals during the period | Goodwill adjustments | Currency translation adjustment | Other changes [b] | Gross value December 31, 2005 [a] |
|---|---|---|---|---|---|---|---|
| Framlington | – | 142 | – | – | (0) | – | 142 |
| Seguro Directo | – | 31 | – | – | – | – | 31 |
| MONY | 351 | – | (152) | 1 | 46 | – | 246 |
| AXA Equity & Law | 366 | – | – | – | 11 | – | 377 |
| AXA Financial, Inc. | 2,790 | – | – | – | 433 | – | 3,223 |
| Sanford C. Bernstein | 2,670 | – | – | – | 426 | 203 | 3,299 |
| Alliance Capital | 325 | – | – | – | 51 | – | 376 |
| SLPH (AXA UK Holdings) | 1,474 | – | – | – | 51 | – | 1,525 |
| Nippon Dantaï (AXA Nichidan) | 1,334 | – | – | – | 9 | – | 1,343 |
| AXA China Region | 236 | – | – | – | 38 | – | 274 |
| Guardian Royal Exchange (excluding Albingia) | 338 | – | – | – | 6 | – | 344 |
| Guardian Royal Exchange (Albingia) | 346 | – | – | – | – | – | 346 |
| Royale Belge | 547 | – | – | – | – | – | 547 |
| UAP | 522 | 4 | – | – | 8 | – | 534 |
| Sterling Grace | 130 | – | – | – | 12 | – | 142 |
| AXA Aurora | 120 | – | – | – | – | – | 120 |
| IPAC | 100 | – | – | – | 9 | – | 109 |
| AXA Investment Managers (including AXA Rosenberg) | 102 | – | – | – | 15 | – | 117 |
| Others | 492 | 12 | – | 9 | 40 | 22 | 576 |
| ***TOTAL 2005*** | ***12,244*** | ***189*** | ***(152)*** | ***9*** | ***1,153*** | ***225*** | ***13,670*** |
| ***TOTAL 2004*** | ***12,363*** | ***740*** | ***(21)*** | ***6*** | ***(632)*** | ***(210)*** | ***12,244*** |
| | | | | | | | |
| ***TOTAL 2005*** | ***12,244*** | ***189*** | ***(152)*** | ***9*** | ***1,153*** | ***225*** | ***13,670*** |
| *Of which:* | | | | | | | |
| Life and Savings | 6,354 | – | (152) | 3 | 531 | (0) | 6,736 |
| Property and Casualty | 2,021 | 36 | – | 6 | 27 | – | 2,090 |
| International Insurance | 20 | – | – | – | – | (1) | 20 |
| Asset Management | 3,781 | 153 | – | – | 595 | 203 | 4,733 |
| Others | 68 | – | – | – | – | 23 | 91 |

*(a) Gross value of goodwill is presented net of accumulated amortization under French GAAP as of December 31, 2003.*
*(b) Including the impact of exercises and revaluations of minority interests buyout commitments.*

### 5.2.2. Goodwill – Change in impairment

(in Euro million)

| | Gross value January 1, 2006 | Increase in impairment during the period | Increase in impairment relating to GW created on acquisitions during the period | Write back of impairment of GW sold during the period | Accumulated impairment losses transferred out relating to goodwill transferred in the "held for sale" category | Currency translation adjustment | Other changes | Gross value December 31, 2006 |
|---|---|---|---|---|---|---|---|---|
| Winterthur | – | – | – | – | – | – | – | – |
| Framlington | – | – | – | – | – | – | – | – |
| Seguro Directo | – | – | – | – | – | – | – | – |
| MONY | – | – | – | – | – | – | – | – |
| AXA Equity & Law | – | – | – | – | – | – | – | – |
| AXA Financial, Inc. | – | – | – | – | – | – | – | – |
| Sanford C. Bernstein | – | – | – | – | – | – | – | – |
| Alliance Capital | – | – | – | – | – | – | – | – |
| SLPH (AXA UK Holdings) | – | – | – | – | – | – | – | – |
| Nippon Dantaï (AXA Japan) | 70 | – | – | – | – | (6) | – | 64 |
| AXA China Region | – | – | – | – | – | – | – | – |
| Guardian Royal Exchange (excluding Albingia) | – | – | – | – | – | – | – | – |
| Guardian Royal Exchange (Albingia) | – | – | – | – | – | – | – | – |
| Royale Belge | 33 | – | – | – | – | – | – | 33 |
| UAP | – | – | – | – | – | – | – | – |
| Sterling Grace | – | – | – | – | – | – | – | – |
| AXA Aurora | – | – | – | – | – | – | – | – |
| MLC | – | – | – | – | – | – | – | – |
| IPAC | – | – | – | – | – | – | – | – |
| AXA Investment Managers (including AXA Rosenberg) | – | – | – | – | – | – | – | – |
| Others | 7 | – | – | – | – | – | 7 | 14 |
| ***TOTAL*** | ***111*** | ***–*** | ***–*** | ***–*** | ***–*** | ***(6)*** | ***7*** | ***112*** |
| *Of which:* | | | | | | | | |
| Life and Savings | 70 | – | – | – | – | (6) | – | 64 |
| Property and Casualty | 35 | – | – | – | – | – | – | 35 |
| International Insurance | 5 | – | – | – | – | – | 7 | 12 |
| Asset Management | – | – | – | – | – | – | – | – |
| Others | – | – | – | – | – | – | – | – |

(in Euro million)

| | Gross value January 1, 2005 | Increase in impairment during the period | Increase in impairment relating to GW created on acquisitions during the period | Write back of impairment of GW sold during the period | Accumulated impairment losses transferred out relating to goodwill transferred in the "held for sale" category | Currency translation adjustment | Other changes | Gross value December 31, 2005 |
|---|---|---|---|---|---|---|---|---|
| Framlington | – | – | – | – | – | – | – | – |
| Seguro Directo | – | – | – | – | – | – | – | – |
| MONY | – | – | – | – | – | – | – | – |
| AXA Equity & Law | – | – | – | – | – | – | – | – |
| AXA Financial, Inc. | – | – | – | – | – | – | – | – |
| Sanford C. Bernstein | – | – | – | – | – | – | – | – |
| Alliance Capital | – | – | – | – | – | – | – | – |
| SLPH (AXA UK Holdings) | – | – | – | – | – | – | – | – |
| Nippon Dantaï (AXA Japan) | – | – | – | – | – | – | 70 | 70 |
| AXA China Region | – | – | – | – | – | – | – | – |
| Guardian Royal Exchange (excluding Albingia) | – | – | – | – | – | – | – | – |
| Guardian Royal Exchange (Albingia) | – | – | – | – | – | – | – | – |
| Royale Belge | 33 | – | – | – | – | – | – | 33 |
| UAP | – | – | – | – | – | – | – | – |
| Sterling Grace | – | – | – | – | – | – | – | – |
| AXA Aurora | – | – | – | – | – | – | – | – |
| IPAC | – | – | – | – | – | – | – | – |
| AXA Investment Managers (including AXA Rosenberg) | – | – | – | – | – | – | – | – |
| Others | 7 | – | – | – | – | – | – | 7 |
| ***TOTAL 2005*** | ***40*** | ***–*** | ***–*** | ***–*** | ***–*** | ***–*** | ***70*** | ***111*** |
| ***TOTAL 2004*** | ***–*** | ***33*** | ***6*** | ***–*** | ***–*** | ***–*** | ***1*** | ***40*** |
| | | | | | | | | |
| ***TOTAL 2005*** | ***40*** | ***–*** | ***–*** | ***–*** | ***–*** | ***–*** | ***70*** | ***111*** |
| *Of which:* | | – | – | – | – | – | – | – |
| Life and Savings | – | – | – | – | – | – | 70 | 70 |
| Property and Casualty | 35 | – | – | – | – | – | – | 35 |
| International Insurance | 5 | – | – | – | – | – | – | 5 |
| Asset Management | – | – | – | – | – | – | – | – |
| Others | – | – | – | – | – | – | – | – |

## 5.3. Other information relating to goodwill

Goodwill is mainly attributable to the following business combinations and entities:

### *Acquisition of Winterthur (2006)*

On 14 June 2006, AXA announced the signature of an agreement with the Credit Suisse Group for AXA to buy 100% of Winterthur for a CHF12.3 billion (€7.9 billion) consideration in cash.

In addition, AXA refinanced CHF1.1 billion (€0.7 billion) of loans granted by Crédit Suisse Group to Winterthur.

On December 22, 2006, AXA completed its acquisition of Winterthur after receiving all regulatory authorizations.

Income from Winterthur's activities between December 22, 2006 and December 31, 2006 was regarded as immaterial with respect to the AXA group's consolidated income. The acquisition balance sheet was prepared on the basis of December 31, 2006 figures.

The Group financed this transaction with a balanced mix of equity and debt. It raised €4.1 billion cash through a share capital increase in early July 2006, and a further €3.8 billion through issues of deeply subordinated debts in July, October and December in Euro, sterling, Australian and US dollars (see note 13).

The Winterthur acquisition led to the recognition of €2,691 million of goodwill, excluding the goodwill related to put options held by minority shareholders of Winterthur's former subsidiaries in Central Europe (see note 5.1). The goodwill arising from the Winterthur acquisition breaks down as follows:

Acquisition cost:

| | (in Euro million) |
|---|---|
| Cash paid | 7,858 |
| Cost attributable | 8 |
| ***TOTAL*** | ***7,866*** |

Assets and liabilities on the acquisition date totaled:

(in Euro million)

| | Fair value of assets and liabilities |
|---|---|
| Intangible assets | 3,512 |
| Deferred acquisition costs and equivalent | 284 |
| Investments | 101,321 |
| Other assets | 8,121 |
| Assets held for sale and relating to discontinued operations | 3,150 |
| ***TOTAL ASSETS (excluding goodwill)*** | ***116,389*** |
| Liabilities arising from insurance and investment contracts | 98,017 |
| Provisions for risks and charges | 1,125 |
| Others payables | 10,258 |
| Liabilities held for sale or relating to discontinued operations | 1,812 |
| ***TOTAL LIABILITIES*** | ***111,212*** |
| **Net acquired asset value** | **5,177** |
| **Goodwill (a)** | **2,762** |

*(a) Includes €71 million relating to put options held by minority shareholders of Winterthur's former subsidiaries in Central Europe and excluding €133 million of goodwill related to the US Property & Casualty business held for sale (see below in this note).*

Acquired assets and liabilities were previously valued using US GAAP. They were adjusted to fair value in the opening balance sheet and integrated with the group's financial statements at year-end based on the AXA IFRS accounting policies.

Intangible assets totaling €3,468 million gross (€2,462 million net) were identified. They include:

– €2,327 million gross (€1,653 million net) relating to the value of purchased business inforce, consisting of the present value of future profits on contracts already inforce at the acquisition date. The present value of future profits takes into consideration the cost of capital and is estimated using actuarial assumptions based on projections made at purchase date but also using a discount rate that includes a risk premium,
– a customer relationships intangible, only recognized if it can be measured reliably. For both life and non-life activities, this value represents the value of future cash flows expected from renewals and the cross-selling of new products to customers known and identified at the time of the acquisition. The total life and non-life value of this customer

relationships intangible recognized in the opening balance sheet was €1,141 million gross (€809 million net). In the Property & Casualty business, these projections include assumptions regarding claims, expenses and financial revenues. For Life & Savings, it is estimated on the basis of the new business value when the portion relating to customers with inforce policies can be identified, measured and recognized separately.

All of these future cash flows have been measured without distinguishing the marketing resources (distribution channels, brand etc.) through which they are expected to be secured, in order to ensure consistency with insurance industry practices, particularly as regards VBI, and also to avoid the recognition of redundant intangible assets. This method of measuring intangible assets is consistent with the method used when assessing the appraisal value.

In line with accounting practices in force before the adoption of IFRS, which may continue to be applied under IFRS 4, expected flexible premiums relating to purchased business in force are recognized in the "Value of purchased life business inforce" item.

These intangible assets are amortized over the residual life of the contracts.

The residual goodwill mainly represents expected synergies, especially cost cuttings and other customer-related items that could not be measured reliably or recognized separately.

The opening balance sheet no longer contains deferred acquisition costs relating to the Life & Savings business, since their fair value was nil at acquisition date. In accordance with practices used in past acquisitions, and based on previously used accounting methods that are still permitted under IFRS for insurance contracts, deferred acquisition costs relating to Property & Casualty have been maintained on the balance sheet.
The value of unearned premiums net of these costs represents an estimate of the fair value of these liabilities.

Acquired assets and liabilities have been reclassified, not only so that they can be presented according to the Group's IFRS principles, but also to take account of its intention to sell Winterthur's Property & Casualty operations in the United States (see below).

**Winterthur group's estimated IFRS revenues from insurance operations and consolidated net income for 2006**

Estimates of 2006 revenues and consolidated net income for the acquired Winterthur group assume the acquisition took place at January 1, 2006:
- Estimated revenues total €14,477 million (excluding Winterthur's US Property & Casualty subsidiary).
- Estimated net income totals €530 million, including some non-recurring items (sale of the healthcare and Weaver portfolios, one-off increase in technical liabilities booked by Winterthur in 2006, one-off tax gains or losses etc.).

These figures are estimates based on US GAAP financial statements prepared by the previous owner. This information is not necessarily indicative of the results that could have been achieved within the AXA group if the acquisition had actually taken place on January 1, 2006. In particular, the information does not factor in any synergies, nor does it provide an indication of future results.

The retrospective computation of Winterthur's consolidated net income takes into account:
- the exclusion of net income from the US Property & Casualty business that is held for sale (see below) and
- entries relating to the amortization of purchase GAAP items, including in particular the cancellation of almost all net gains and losses realized during the period and amortization of newly generated intangible assets.

**Assets and liabilities held for sale**

In June 2006, when AXA announced the acquisition of Winterthur, the group also stated its intention to carry out a strategic review of its entire interest in Winterthur's US Property & Casualty subsidiary. A binding offer was signed on January 4, 2007 with Australian insurer QBE and the transaction is expected to close in the second quarter of 2007. Assets and liabilities related to this business were restated at fair value net of costs to sell and classified within items held for sale in the opening balance sheet.

**UNITED STATES PROPERTY AND CASUALTY**

(in Euro million)

| | |
|---|---|
| Goodwill | 133 |
| Deferred acquisition costs and equivalent | 89 |
| Intangible assets | 264 |
| Investments | 1,866 |
| Other assets | 766 |
| Expenses relating to business disposal | (17) |
| ***TOTAL ASSETS*** | ***3,101*** |
| Liabilities outward of policyholders | 1,660 |
| Provisions for risks and charges | 47 |
| Others payables | 104 |
| ***TOTAL LIABILITIES*** | ***1,812*** |
| **Net acquired asset value** | **1,290** |

Before eliminating the Swiss holding company's loan to this subsidiary (€430 million), the net assets of this business held for sale were €860 million. All figures are based on the exchange rate at December 31, 2006.

The total net amount of assets held for sale is €49 million, excluding Winterthur's US Property & Casualty subsidiary.

## *Acquisition of MLC Hong Kong and Indonesia (2006)*

On May 8, 2006, AXA Asia Pacific Holdings (AXA APH) announced that it had completed the acquisition of **MLC Hong Kong** and **MLC Indonesia.** Once the required regulatory authorizations had been obtained, these two acquisitions were completed within the timeframe mentioned when AXA APH announced its acquisition plan on February 21, 2006. The purchase price was €340 million. This led to the recognition of €116 million of goodwill and €194 million of intangible assets (Value of purchased Business Inforce), making a total of €309 million (net of tax).

## *Acquisition of Citadelle (2006)*

On November 29, 2005, AXA Canada announced that it had reached an agreement with Winterthur Canada Financial Corporation to acquire its main asset, i.e. **La Citadelle Compagnie d'assurances générales ("Citadelle").** The acquisition was financed through the AXA Group's internal resources and was completed in March 2006. The purchase price was €221 million, including goodwill of €99 million.

## *Buyout of minorities – AXA Konzern AG (2006)*

On May 15, 2006, AXA announced a squeeze-out operation concerning its German subsidiary **AXA Konzern AG ("AXA Konzern"), enabling it to acquire the 3.2% of AXA Konzern shares it did not previously own for €134.54 per ordinary and preferred share.**

The resolution relating to this squeeze-out was approved in AXA Konzern's shareholders' meeting of July 20, 2006. The registration of this transaction is subject to various procedures under German law, which were still ongoing at December 31, 2006.

Previously, and as announced on December 21, 2005, AXA had offered to buy out minorities in AXA Konzern between January 9 and February 27, 2006 at a price of €129.3 per ordinary and preferred share. At the end of the offer period, AXA owned 96.8% of AXA Konzern directly and indirectly, thereby exceeding the 95% threshold required to initiate a mandatory squeeze-out operation.

Shareholders who tendered their shares to the offer at €129.30 per share will receive the mandatory squeeze-out price of €134.54 per share.

At end-December, the group owned 96.84% of AXA Konzern, generating goodwill of €92 million (reported on the UAP line of the table on page 299).

### Buyout of minorities – Tynan Mackenzie (2006)

On 27 September 2006, AXA Asia Pacific Holdings (AXA APH) acquired 66.7% of Tynan Mackenzie for €99 million.

AXA APH had acquired a 33.3% stake in Tynan Mackenzie in January 2002 for €16 million, generating initial goodwill of €14 million.

*At December 31, 2006, goodwill on this entity totaled €82.8 million.*

### Acquisition of Framlington (2005)

On October 31, 2005, AXA Investment Managers (AXA IM) acquired the Framlington Group for £207.8 million (€303 million). This transaction led to the recognition of £130 million of intangible assets (€189 million before amortization) and goodwill of £97.2 million (€142 million).

*At December 31, 2006, this goodwill had a net value of €87 million.*

### Acquisition of Seguro Directo (2005)

On October 18, 2005, AXA acquired the insurance company Seguro Directo. The total transaction consideration was €42 million. This transaction gave rise to goodwill of €31 million.

*At December 31, 2006, the net value of this goodwill was €31 million.*

### Acquisition of MONY (2004)

On July 8, 2004, AXA Financial acquired MONY for U.S.$1.48 billion (€1.3 billion). The total cost of the transaction was U.S.$1.63 billion, including:
- U.S.$1.55 billion of cash payments for MONY shares
- U.S. $80 million of transaction costs borne by AXA Financial.

This transaction gave rise to goodwill of U.S.$672 million (€541 million) under French GAAP.

As regards the adoption of IFRS, since the transaction took place after January 1, 2004, certain restructuring costs relating to MONY were deducted from this goodwill figure. The net goodwill figure therefore became $478 million.

In 2005, AXA Financial sold its Advest Group Inc. subsidiary (part of the MONY group) for $400 million. This transaction reduced the MONY goodwill by $189 million (€152 million).

*As a result, at December 31, 2006, the MONY goodwill had a net book value of €220 million.*

### Financial reorganization of AXA Equity & Law – AXA UK (2001)

As a result of AXA Equity & Law's financial reorganization, AXA acquired a portion of the surplus assets held in the participating ("With-Profit") fund and related future benefits based on the percentage of policyholders who elected in favor of the plan.

This acquisition was carried out via the payment of an incentive bonus of approximately £260 million plus £18 million of direct expenses associated with the transaction (a total of approximately €451 million based on the average £/€ exchange rate for the period).

At January 1, 2004, the net book value of this goodwill was €361 million under French GAAP. With the adoption of IFRS, the goodwill was adjusted for unrealized foreign exchange gains and losses, since goodwill must be recorded in the local currency of the acquired entity. The new goodwill figure became £255 million.

*At December 31, 2006, this goodwill had a net value of €385 million.*

### Minority interest buyout – AXA Financial (2000)

The aggregate purchase consideration was €11,213 million and included the following items:
- €3,868 million financed by a capital increase, representing the value of the 25.8 million ordinary shares issued by AXA at a price of €149.90 per share at December 22, 2000, the closing date of the initial offer period and before the 4-for-1 stock split,

– €7,316 million in cash relating to the cost of settling or exchanging outstanding employee share options of AXA Financial, as well as fees and direct transaction costs.

Based on the carrying value as at December 31, 2000 of the net assets acquired (€3,913 million), the goodwill amounted to €7,301 million.
In accordance with article D248-3 of the decree dated January 17, 1986 and with recommendations issued by the "Commission des Opérations de Bourse" (French stock market regulator) in its bulletin 210 of January 1988, the excess purchase price of €2,518 million was charged directly to consolidated retained earnings and reserves; i.e. the entire excess purchase price multiplied by the ratio of the aggregate purchase consideration financed by the capital increase. The remaining €4,782 million goodwill was recorded as an asset.

At January 1, 2004, the net book value of this goodwill was €4,100 million under French GAAP. With the adoption of IFRS, the goodwill was adjusted for unrealized foreign exchange gains and losses, since goodwill must be recorded in the local currency of the acquired entity. The new goodwill figure became $3,801 million.

*At December 31, 2006, this goodwill had a net value of €2,885 million.*

### Sanford C. Bernstein Transaction (2000)

The total purchase price was U.S.$3.5 billion (€4.0 billion) and consisted of U.S.$1.5 billion in cash and 40.8 million newly issued private units of Alliance Capital. The cash was funded by AXA Financial through a financing agreement whereby, in June 2000, AXA Financial purchased units in the limited partnership Alliance Capital Management L.P. for an aggregate purchase price of $1.6 billion. Following this acquisition, Alliance Capital was renamed AllianceBernstein. Goodwill totaled €583 million relating to the capital increase plus €3,689 million with respect to the acquisition of Sanford C. Bernstein operations, making a total of €4,272 million.

At January 1, 2004, the net book value of this goodwill was €2,256 million under French GAAP. With the adoption of IFRS, this figure became $3,490 million due to the adjustment of the exercised puts (see below).

In connection with this acquisition, AXA Financial agreed in 2000 to ensure the liquidity of new AllianceBernstein units distributed to the former shareholders of Sanford C. Bernstein over an eight-year period following a two-year lock-out period. Not more than 20% of the original units issued to former Sanford Bernstein shareholders may be put to AXA Financial in any one annual period.

The estimated exercise value of these commitments to minority interests is recognized on the balance sheet under *"Minorities in controlled funds and other commitments to buy out minority interests".* This value is revised every year depending on exercised puts and the change in the value of residual commitments, with a balancing entry to goodwill. The value of the liability on the balance sheet was €895 million at January 1, 2004, €494 million at December 31, 2004 after the exercise of two puts, €789 million at December 31, 2005 and €1,003 million at December 31, 2006. The goodwill recorded as a balancing entry for the revaluation of the liability was €508 million at January 1, 2004, €298 million at December 31, 2004 after the exercise of two puts and €559 million at December 31, 2005 and €785 million at December 31, 2006.

*At December 31, 2006, this goodwill had a net value of €3,237 million.*

### Buyout of minorities – Sun Life & Provincial Holdings (renamed AXA UK Holdings)

The total cost of the acquisition of the 44% minority interests in Sun Life & Provincial Holdings (SLPH) amounted to £2.3 billion (approximately €3.7 billion). The goodwill recorded was €1,971 million.

At January 1, 2004, the net book value of this goodwill was €1,660 million under French GAAP. With the adoption of IFRS, the goodwill was adjusted for unrealized foreign exchange gains and losses, since goodwill must be recorded in the local currency of the acquired entity. The new goodwill figure is made up of £959 million relating to UK entities, US$114 million relating to US entities and €31 million relating to French entities.

*At December 31, 2006, this goodwill had a net value of €1,541 million.*

### AXA Nichidan (renamed AXA Life Japan) (2000)

The valuation of the assets transferred by AXA and the shareholders of Nippon Dantaï to the new joint entity, AXA Nichidan Holding, together with the two cash contributions made by AXA to increase AXA Nichidan's capital generated a goodwill of €1,856 million. Following the 2001 revaluation of an intangible asset that decreased the opening shareholders' equity by €130 million (group share), goodwill was increased.

At January 1, 2004, the net book value of this goodwill was €1,408 million under French GAAP. No adjustment was made relating to the adoption of IFRS. The net value of this goodwill in local currency terms is JPY 181,521 million.

In 2005, following a new estimate of the deferred tax assets recorded at the time of the Nippon Dantaï acquisition, an equivalent amount (€70 million) was deducted from goodwill.

*At December 31, 2006, the net value of this goodwill was €1,161 million.*

### Buyout of minorities – AXA China region (2000)

The total transaction (buyout of 26% minority interests) amounted to €519 million and resulted in a goodwill of €300 million.

At January 1, 2004, the net book value of this goodwill was €253 million under French GAAP. With the adoption of IFRS, the goodwill was adjusted for unrealized foreign exchange gains and losses, since goodwill must be recorded in the local currency of the acquired entity. The new goodwill figure became HKD 2,510 million.

*At December 31, 2006, this goodwill had a net value of €246 million.*

### Guardian Royal Exchange (1999)

The acquisition of GRE (Guardian Royal Exchange) in 1999 resulted in a goodwill of €1,138 million.

The goodwill relating to the English, Irish and Portuguese Property & Casualty subsidiaries was mainly due to a significant deficiency in insurance claims reserves, and was impaired in 1999 for €446 million (€259 million net group share), representing the deficiency observed in the opening reserves.

Following a review of the risks insured and the resulting additional technical reserves booked in 2000, the opening shareholders' equity of the British entities of the former GRE group was revised and, therefore, goodwill modified (at December 31, 2000, gross goodwill was €1,261 million and net goodwill €770 million).

At January 1, 2004, the net book value of this goodwill was €688 million under French GAAP. With the adoption of IFRS, the goodwill figure is made up of £238 million relating to UK entities and €346 million relating to German entities.

*At December 31, 2006, the net value of this goodwill was €695 million.*

### Royale Belge (1998)

At December 31, 1999, gross goodwill from the buyout of the 51% minority interests of Royale Belge amounted to €1,007 million, of which €337 million was charged directly to retained earnings and reserves.

At January 1, 2004, the net book value of this goodwill was €547 million under French GAAP. With the adoption of IFRS, this goodwill became €565 million.

In 2004, goodwill was written down by €33 million in relation to the Netherlands P&C

business. Goodwill was reduced by a further €18 million following the disposal of Unirobe in early 2004.

*At December 31, 2006, this goodwill had a net value of €514 million.*

## UAP (1997)

In 1997, AXA acquired UAP, and goodwill of €1,863 million was booked, of which €1,641 million was charged directly to retained earnings and reserves. As a result of purchase accounting adjustments made in 1998 and in 1999, the total goodwill increased to €1,866 million at December 31, 1999, of which €1,584 million represented the amount charged directly to retained earnings and reserves.

In 2003, following the release of a provision booked when the Group acquired German activities in 1997 and which took place after the Group sold its stake in Colonia Re JV to General Re, exceptional amortization of €57 million was recognized.

At January 1, 2004, the net book value of this goodwill was €293 million under French GAAP, including net goodwill relating to AXA Colonia. With the adoption of IFRS, additional goodwill of £178 million was booked following the write-off of portfolio value on investment contracts without discretionary participating features by the UK Life & Savings subsidiary. The new goodwill figure is made up of €265 million relating to French, German and Belgian entities and £183 million relating to UK entities.

*At December 31, 2006, the net book value of the goodwill was €631 million.*

# Note 6:
# Value of purchased life business inforce

The change in Value of Business Inforce ("VBI") in the Life & Savings segment was as follows:

(in Euro million)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Gross carrying value as at January 1 | 5,760 | 5,474 | 5,005 |
| Accumulated amortization and impairment | (2,444) | (1,821) | (1,414) |
| Shadow accounting on VBI | (694) | (530) | (380) |
| **Net carrying value as at January 1** | **2,623** | **3,123** | **3,210** |
| Increase following Life portfolio acquisitions | – | – | – |
| Decrease following Life portfolio disposals | – | – | – |
| Increase following new subsidiaries' acquisitions | 2,575 | – | 694 |
| Decrease following subsidiaries' disposals | – | – | – |
| Decrease following the transfer of portfolios to the "held for sale" category | – | – | – |
| **Impacts on VBI of changes in scope and portfolios transfers** | **2,575** | **–** | **694** |
| VBI capitalization | 7 | 8 | – |
| Capitalized interests | 138 | 155 | 56 |
| Amortization and impairment for the period (a) | (428) | (722) | (524) |
| **Changes in VBI amortization, capitalization and impairment** | **(282)** | **(558)** | **(468)** |
| Change in shadow accounting on VBI | 291 | (161) | (163) |
| Currency translation | (123) | 180 | (149) |
| Other changes | (33) | 38 | (0) |
| **Net carrying value as at December 31** | **5,050** | **2,623** | **3,123** |
| Gross carrying value as at December 31 | 8,130 | 5,760 | 5,474 |
| Accumulated amortization and impairment | (2,686) | (2,444) | (1,821) |
| Shadow accounting on VBI (a) | (394) | (694) | (530) |

*(a) Includes the amortization charge for the period, any losses of value and, exceptionally in 2004, capitalized interests relating to the United States and Japan.*

In 2006, the €2,575 million increase in VBI following new subsidiaries' acquisitions consists of €2,327 million relating to Winterthur and €248 million relating to MLC Hong Kong. The €694 million increase in 2004 corresponded to the acquisition of MONY in the United States.

In 2005, amortization included an exceptional charge of €219 million in Japan, reflecting a change in future financial assumptions.

# Note 7: Deferred acquisition costs and similar costs

## *7.1. Breakdown of deferred acquisition costs (DAC) and similar*

(in Euro million)

| | December 31, 2006 | December 31, 2005 [c] | December 31, 2004 [c] |
|---|---|---|---|
| Net deferred acquisition costs relating to Life & Savings [a] [c] | 13,653 | 13,249 | 11,040 |
| Net rights to future managements fees [b] | 1,152 | 960 | 692 |
| Shadow accounting on DAC | (606) | (889) | (767) |
| **Deferred acquisition costs and similar costs relating to Life & Savings** | **14,199** | **13,320** | **10,965** |
| **Deferred acquisition costs and equivalent relating to Property & Casualty and International Insurance** | **1,697** | **1,447** | **1,354** |
| **Net deferred acquisition costs and similar costs** | **15,896** | **14,767** | **12,319** |

*(a) Applicable to Life & Savings insurance contracts and investment contracts with discretionary participation features according to IFRS 4. Amounts net of accumulated amortization.*
*(b) Applicable to investment contracts with no discretionary participation features.*
*(c) As described in note 1.12.2, the adoption of FRS 27 in the United Kingdom has led to adjustments on all periods presented. The effects of these adjustments is set out in note 14.*

The increase in deferred acquisition costs and equivalent in the Property & Casualty and International Insurance businesses was mainly due to the Winterthur acquisition (€284 million).

In accordance with practices used in past acquisitions, and based on previous accounting methods that are still authorized under IFRS for insurance contracts, deferred acquisition costs in the Winterthur's Property & Casualty business have been maintained on the balance sheet. The value of unearned premiums net of these costs represents an estimate of the fair value of these Property & Casualty liabilities.

# 7.2. Rollforward of deferred acquisition costs and similar – Life & Savings

Changes in deferred acquisition costs and similar costs for Life & Savings were as follows:

(in Euro million)

| | 2006 | | 2005 | | 2004 | |
|---|---|---|---|---|---|---|
| | Life & Savings Deferred Acquisition Costs [(a)] | Rights to future management fees [(b)] | Life & Savings Deferred Acquisition Costs [(a)] [(d)] | Rights to future management fees [(b)] | Life & Savings Deferred Acquisition Costs [(a)] [(d)] | Rights to future management fees [(b)] |
| **Life & Savings deferred acquisition costs and similar costs net carrying value as at January 1** | **12,360** | **960** | **10,273** | **692** | **10,260** | **499** |
| Decrease following Life portfolio disposals | – | – | – | – | – | – |
| Increase following new subsidiaries acquisitions | – | – | – | – | – | – |
| Decrease following subsidiaries disposals | – | – | – | – | – | – |
| Decrease following the transfer of portfolios to the "held for sale" category | – | – | – | – | – | – |
| **Impact of changes in scope and portfolios transfers** | **–** | **–** | **–** | **–** | **–** | **–** |
| Amortization and impairment for the period [(c)] [(d)] | (1,961) | (92) | (1,648) | (60) | (973) | (47) |
| Capitalized interests for the period | 639 | – | 602 | – | 109 | |
| DAC and similar costs capitalization for the period | 2,531 | 265 | 2,251 | 309 | 2,207 | 250 |
| **Changes in amortization, capitalization and impairment** | **1,209** | **173** | **1,206** | **249** | **1,342** | **203** |
| Shadow accounting on DAC | 262 | | (86) | | (157) | |
| Currency translation | (833) | 19 | 915 | 19 | (485) | (9) |
| Other changes [(d)] | 48 | – | 53 | (1) | (688) | (1) |
| **Life & Savings deferred acquisition costs and similar costs net carrying value as at December 31** | **13,047** | **1,152** | **12,360** | **960** | **10,273** | **692** |
| ***TOTAL*** | ***14,199*** | | ***13,320*** | | ***10,965*** | |

*DAC = Deferred Acquisition Costs.*
*(a) Relating to contracts subject to IFRS 4, i.e. insurance contracts and investment contracts with discretionary participating features.*
*(b) Applicable to investment contracts with no discretionary participation features.*
*(c) Includes the amortization charge for the period, eventual loss of value and, exceptionally in 2004, capitalized interest relating to the USA and Japan.*
*(d) As described in note 1.12.2, the adoption of FRS 27 in the United Kingdom has led to adjustments on all periods presented. The effects of these adjustments is set out in note 14.*

# 7.3. Deferred acquisition costs and similar costs, net of amortization, unearned revenue reserves and unearned fee reserves – Life & Savings

The value of Life & Savings deferred acquisition costs and similar costs, net of amortization, unearned revenue reserves and unearned fee reserves, was as follows:

(in Euro million)

| | December 31, 2006 | | December 31, 2005 | | December 31, 2004 | |
|---|---|---|---|---|---|---|
| | Life & Savings Deferred Acquisition Costs [a] | Rights to future management fees [b] | Life & Savings Deferred Acquisition Costs [a] | Rights to future management fees [b] | Life & Savings Deferred Acquisition Costs [a] | Rights to future management fees [b] |
| DAC net of amortization [c] | 13,047 | 1,152 | 12,360 | 960 | 10,273 | 692 |
| *of which shadow DAC* | *(606)* | – | *(889)* | – | *(767)* | – |
| Unearned revenue reserves (URR) [c] | 1,741 | 339 | 1,532 | 194 | 1,476 | 93 |
| *of which shadow URR* | *(291)* | – | *(431)* | – | *(298)* | – |
| DAC net of amortization and URR | 11,306 | 813 | 10,828 | 766 | 8,796 | 599 |
| ***TOTAL for all types of contracts*** | ***12,119*** | | ***11,594*** | | ***9,396*** | |

*DAC = Deferred Acquisition Costs.*
*(a) Relating to contracts subject to IFRS 4, i.e. insurance contracts and investment contracts with discretionary participating features.*
*(b) Applicable to investment contracts with no discretionary participation features (IAS 39).*
*(c) As described in note 1.12.2, the adoption of FRS 27 in the United Kingdom has led to adjustments on all periods presented. The effects of these adjustments is set out in note 14.*

# Note 8: Other intangible assets

## 8.1. Breakdown of other intangible assets

Other intangible assets (€2,350 million at December 31, 2006, including €1,185 million from Winterthur) mainly included:

(in Euro million)

| | Gross value | Accumulated amortization | Impairment | Net Value December 31, 2006 | Net Value December 31, 2005 | Net Value December 31, 2004 |
|---|---|---|---|---|---|---|
| Software capitalized | 1,470 | (1,039) | (1) | 430 | 392 | 419 |
| Intangible assets recognized in business combinations | 1,857 | (32) | (8) | 1,817 | 599 | 122 |
| Other assets incorporels | 182 | (80) | – | 103 | 83 | 56 |
| *TOTAL intangible assets* | *3,509* | *(1,151)* | *(9)* | *2,350* | *1,074* | *597* |

## 8.2. Breakdown of intangible assets recognized in business combinations

(in Euro million)

| | December 31, 2006 | | | |
|---|---|---|---|---|
| | Gross value | Accumulated amortization | Impairment | Net Value |
| Winterthur | 1,142 | – | – | 1,142 |
| AXA Investment Managers (including AXA Rosenberg) | 273 | (8) | – | 265 |
| Citadel | 20 | (2) | – | 18 |
| MONY | 110 | (22) | (8) | 81 |
| Others | 313 | (1) | – | 312 |
| *TOTAL* | *1,857* | *(32)* | *(8)* | *1,817* |

## 8.3. Change in intangible assets recognized in business combinations

(in Euro million)

| | 2006 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net value at January 1st, | Acquisition during the period | Purchase increases following adjustments | Amortization and impairment allowance | Disposal during the period | Purchase decreases following adjustments | Amortization and impairment write back following disposal | Currency impact | Net value at December 31, |
| Winterthur | – | 1,142 | – | – | – | – | – | – | 1,142 |
| AXA Investment Managers (including AXA Rosenberg) | 182 | – | 78 | – | – | – | – | 5 | 265 |
| Citadel | – | 19 | – | – | – | – | – | (1) | 18 |
| MONY | 106 | – | – | (15) | – | – | – | (10) | 81 |
| Others | 311 | 2 | – | – | – | – | – | – | 312 |
| ***TOTAL*** | ***599*** | ***1,163*** | ***78*** | ***(16)*** | ***–*** | ***–*** | ***–*** | ***(7)*** | ***1,817*** |

# Note 9: Investments

The method for determining the fair value of investments stated at cost or amortized cost is as follows:

- For real estate investments, fair value is usually based on studies conducted by qualified external appraisers. They are based on a multi-criteria approach, and their frequency and terms are based on local regulations.
- Fair values of mortgages, policy loans and other loans are estimated by discounting future contractual cash flows using interest rates at which loans with similar characteristics and credit quality would be originated. Fair values of doubtful loans are limited to the estimated fair value of the underlying collateral, if lower than the estimated discounted cash flows.
- In other cases, fair value is estimated based on financial and other information available in the market, or estimated discounted cash flows, including a risk premium.

Estimated fair values do not take into account supplemental charges or reductions due to selling costs that may be incurred, nor the tax impact of realizing unrealized capital gains and losses.

## 9.1. Breakdown of investments

Each investment item is presented net of the effect of hedging derivatives (IAS 39) and economic hedging derivatives that do not form part of a hedge relationship under IAS 39 (excluding macro hedging derivatives and other derivatives). Details of the effect of derivatives are provided in section 19.3.

(in Euro million)

| | December 31, 2006 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance | | | Other activities | | | Total | | |
| | Fair value | Net book value | % (val. Balance sheet) | Fair value | Net book value | % (val. Balance sheet) | Fair value | Net book value | % (val. Balance sheet) |
| Investment properties at amortized cost | 18,218 | 13,243 | 2.27% | 731 | 548 | 3.36% | 18,949 | 13,791 | 2.30% |
| Investment properties at fair value through profit & loss [c] | 5,364 | 5,364 | 0.92% | 608 | 608 | 3.73% | 5,972 | 5,972 | 1.00% |
| Macro hedge and speculative derivatives | – | – | – | – | – | – | – | – | – |
| Investments property | 23,582 | 18,608 | 3.19% | 1,339 | 1,156 | 7.09% | 24,921 | 19,763 | 3.30% |
| Fixed maturities held to maturity | – | – | – | – | – | – | – | – | – |
| Fixed maturities available for sale | 241,258 | 241,258 | 41.40% | 5,645 | 5,645 | 34.64% | 246,903 | 246,903 | 41.22% |
| Fixed maturities at fair value through profit and loss [c] | 49,591 | 49,591 | 8.51% | 182 | 182 | 1.11% | 49,772 | 49,772 | 8.31% |
| Fixed maturities held for trading | 94 | 94 | 0.02% | 1,203 | 1,203 | 7.38% | 1,297 | 1,297 | 0.22% |
| Non quoted fixed maturities (amortized cost) | 10 | 10 | – | 1 | 1 | 0.01% | 11 | 11 | – |
| Fixed maturities | 290,953 | 290,953 | 49.93% | 7,031 | 7,031 | 43.15% | 297,984 | 297,984 | 49.74% |
| Equity securities available for sale | 35,604 | 35,604 | 6.11% | 2,733 | 2,733 | 16.77% | 38,337 | 38,337 | 6.40% |
| Equity securities at fair value through profit and loss [c] | 22,050 | 22,050 | 3.78% | 123 | 123 | 0.75% | 22,173 | 22,173 | 3.70% |
| Equity securities held for trading | 142 | 142 | 0.02% | 332 | 332 | 2.04% | 474 | 474 | 0.08% |
| Equity securities | 57,797 | 57,797 | 9.92% | 3,187 | 3,187 | 19.56% | 60,984 | 60,984 | 10.18% |
| Non controlled investment funds available for sale | 4,599 | 4,599 | 0.79% | 226 | 226 | 1.39% | 4,825 | 4,825 | 0.81% |
| Non controlled investment funds at fair value through profit and loss [c] | 2,319 | 2,319 | 0.40% | 155 | 155 | 0.95% | 2,474 | 2,474 | 0.41% |
| Non controlled investment funds held for trading | 80 | 80 | 0.01% | 33 | 33 | 0.20% | 113 | 113 | 0.02% |
| Non controlled investment funds | 6,998 | 6,998 | 1.20% | 414 | 414 | 2.54% | 7,412 | 7,412 | 1.24% |
| Other assets held by controlled investment funds designated as at fair value through profit and loss | 3,144 | 3,144 | 0.54% | – | – | – | 3,144 | 3,144 | 0.52% |
| Macro hedge and speculative derivatives | (175) | (175) | – | 875 | 875 | 5.37% | 701 | 701 | 0.12% |
| Financial investments | 358,718 | 358,718 | 61.56% | 11,507 | 11,507 | 70.62% | 370,225 | 370,225 | 61.80% |
| Loans held to maturity | – | – | – | – | – | – | – | – | – |
| Loans available for sale | 824 | 824 | 0.14% | 26 | 26 | 0.16% | 850 | 850 | 0.14% |
| Loans designated as at fair value through profit and loss [c] | 378 | 378 | 0.06% | 2,768 | 2,768 | 16.99% | 3,146 | 3,146 | 0.53% |
| Loans held for trading | – | – | – | 227 | 227 | 1.39% | 227 | 227 | 0.04% |
| Mortgage loans | 13,175 | 13,077 | 2.24% | 13 | 13 | 0.08% | 13,188 | 13,090 | 2.19% |
| Other loans [a] | 14,630 | 14,577 | 2.50% | 592 | 591 | 3.63% | 15,222 | 15,168 | 2.53% |
| Macro hedge and speculative derivatives | – | – | – | 8 | 8 | 0.05% | 8 | 8 | – |
| Loans | 29,008 | 28,856 | 4.95% | 3,632 | 3,632 | 22.29% | 32,641 | 32,488 | 5.42% |
| Assets backing contracts where the financial risk is borne by policyholders | 176,562 | 176,562 | 30.30% | | | | 176,562 | 176,562 | 29.47% |
| FINANCIAL ASSETS | 587,870 | 582,744 | 100.00% | 16,479 | 16,295 | 100.00% | 604,349 | 599,039 | 100.00% |
| Financial investments and loans [b] | 387,726 | 387,574 | 66.51% | 15,139 | 15,139 | 92.91% | 402,866 | 402,713 | 67.23% |
| – of which quoted | 298,074 | 298,074 | 51.15% | 9,681 | 9,681 | 59.41% | 307,755 | 307,755 | 51.37% |
| – of which unquoted | 89,653 | 89,500 | 15.36% | 5,458 | 5,458 | 33.49% | 95,111 | 94,958 | 15.85% |
| Financial assets (excluding those backing contracts where the financial risk is borne by policyholders) | 411,308 | 406,182 | 69.70% | | | | | | |
| Life and Savings | 348,961 | 344,364 | 59.09% | | | | | | |
| Property and Casualty | 53,598 | 53,068 | 9.11% | | | | | | |
| International Insurance | 8,749 | 8,749 | 1.50% | | | | | | |

*(a) Mainly includes policy loans.*
*(b) Excluding investments backing contracts where the financial risk is borne by policyholders.*
*(c) Use of fair value option.*

The integration of Winterthur increased total investments by €101,321 million, including:
- €5,606 million of investment properties,
- €55,315 million of fixed maturities,
- €7,784 million of equities,
- €924 million of non-controlled investment funds,
- €42 million of other investments held via controlled investment funds,
- €13,358 million of loans and,
- €18,293 million of assets backing contracts where the risk is borne by policyholders.

(in Euro million)

| | December 31, 2005 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance | | | Other activities | | | Total | | |
| | Fair value | Net book value | % (val. Balance sheet) | Fair value | Net book value | % (val. Balance sheet) | Fair value | Net book value | % (val. Balance sheet) |
| Investment properties at amortized cost | 11,256 | 7,832 | 1.71% | 357 | 314 | 3.12% | 11,613 | 8,146 | 1.74% |
| Investment properties at fair value through profit & loss [(c)] | 4,979 | 4,979 | 1.08% | – | – | – | 4,979 | 4,979 | 1.06% |
| Macro hedge and speculative derivatives | – | – | – | – | – | – | – | – | – |
| Investments in real estate property | 16,235 | 12,810 | 2.79% | 357 | 314 | 3.12% | 16,592 | 13,124 | 2.80% |
| Fixed maturities held to maturity | – | – | – | – | – | – | – | – | – |
| Fixed maturities available for sale | 189,451 | 189,451 | 41.26% | 5,739 | 5,739 | 56.91% | 195,190 | 195,190 | 41.59% |
| Fixed maturities at fair value through profit and loss [(c)] | 43,413 | 43,413 | 9.45% | 737 | 737 | 7.30% | 44,150 | 44,150 | 9.41% |
| Fixed maturities held for trading | 142 | 142 | 0.03% | 1,547 | 1,547 | 15.34% | 1,689 | 1,689 | 0.36% |
| Non quoted fixed maturities (amortized cost) | 20 | 20 | – | 2 | 2 | 0.02% | 22 | 22 | – |
| Fixed maturities | 233,027 | 233,027 | 50.75% | 8,025 | 8,025 | 79.58% | 241,052 | 241,052 | 51.37% |
| Equity securities available for sale | 27,680 | 27,680 | 6.03% | 571 | 571 | 5.67% | 28,251 | 28,252 | 6.02% |
| Equity securities at fair value through profit and loss [(c)] | 18,804 | 18,804 | 4.09% | 48 | 48 | 0.48% | 18,852 | 18,852 | 4.02% |
| Equity securities held for trading | 101 | 101 | 0.02% | 308 | 308 | 3.06% | 409 | 409 | 0.09% |
| Equity securities | 46,585 | 46,585 | 10.14% | 928 | 928 | 9.20% | 47,512 | 47,513 | 10.12% |
| Non controlled investment funds available for sale | 3,221 | 3,221 | 0.70% | 201 | 201 | 1.99% | 3,422 | 3,422 | 0.73% |
| Non controlled investment funds at fair value through profit and loss [(c)] | 1,917 | 1,917 | 0.42% | 73 | 73 | 0.73% | 1,990 | 1,990 | 0.42% |
| Non controlled investment funds held for trading | 195 | 195 | 0.04% | 22 | 22 | 0.22% | 217 | 217 | 0.05% |
| Non controlled investment funds | 5,333 | 5,333 | 1.16% | 296 | 296 | 2.94% | 5,629 | 5,629 | 1.20% |
| Other assets held by controlled investment funds designated as at fair value through profit and loss | 1,912 | 1,912 | 0.42% | – | – | – | 1,912 | 1,912 | 0.41% |
| Macro hedge and speculative derivatives | (209) | (209) | – | 198 | 198 | 1.97% | (11) | (11) | – |
| Invested financial assets | 286,647 | 286,647 | 62.42% | 9,447 | 9,447 | 93.68% | 296,093 | 296,094 | 63.09% |
| Loans held to maturity | – | – | – | 1 | 1 | 0.01% | 1 | 1 | – |
| Loans available for sale | – | – | – | 23 | 23 | 0.23% | 23 | 23 | – |
| Loans designated as at fair value through profit and loss [(c)] | 125 | 125 | 0.03% | – | – | – | 125 | 125 | 0.03% |
| Loans held for trading | – | – | – | 248 | 248 | 2.46% | 248 | 248 | 0.05% |
| Mortgage loans | 7,548 | 7,230 | 1.57% | (38) | (38) | N/A | 7,510 | 7,192 | 1.53% |
| Other loans [(a)] | 11,054 | 10,977 | 2.39% | 74 | 74 | 0.74% | 11,129 | 11,051 | 2.35% |
| Macro hedge and speculative derivatives | – | – | – | 15 | 15 | 0.15% | 15 | 15 | – |
| Loans | 18,728 | 18,332 | 3.99% | 323 | 323 | 3.20% | 19,051 | 18,655 | 3.98% |
| Assets backing contracts where the financial risk is borne by policyholders | 141,410 | 141,410 | 30.79% | | | | 141,410 | 141,410 | 30.13% |
| FINANCIAL ASSETS | 463,020 | 459,200 | 100.00% | 10,127 | 10,084 | 100.00% | 473,146 | 469,284 | 100.00% |
| Financial investments and loans [(b)] | 305,375 | 304,980 | 66.42% | 9,770 | 9,770 | 96.88% | 315,144 | 314,749 | 67.07% |
| – of which quoted | 244,342 | 244,342 | 53.21% | 8,741 | 8,741 | 86.69% | 253,083 | 253,083 | 53.93% |
| – of which unquoted | 61,032 | 60,637 | 13.20% | 1,028 | 1,028 | 10.20% | 62,061 | 61,665 | 13.14% |
| Financial assets (excluding those backing contracts where the financial risk is borne by policyholders) | 321,609 | 317,790 | 69.21% | | | | | | |
| Life and Savings | 272,271 | 268,885 | 58.56% | | | | | | |
| Property and Casualty | 39,892 | 39,458 | 8.59% | | | | | | |
| International Insurance | 9,447 | 9,447 | 2.06% | | | | | | |

*(a) Mainly includes policy loans.*
*(b) Excluding investments backing contracts where the financial risk is borne by policyholders.*
*(c) Use of fair value option.*

(in Euro million)

| | December 31, 2004 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance | | | Other activities | | | Total | | |
| | Fair value | Net book value | % (val. Balance sheet) | Fair value | Net book value | % (val. Balance sheet) | Fair value | Net book value | % (val. Balance sheet) |
| Investment properties at amortized cost | 10,293 | 7,683 | 1.95% | 82 | 61 | 0.54% | 10,375 | 7,744 | 2% |
| Investment properties at fair value through profit & loss (c) | 4,550 | 4,550 | 1.15% | – | – | – | 4,550 | 4,550 | 1.1% |
| Macro hedge and speculative derivatives | – | – | – | – | – | – | – | – | – |
| **Investments in real estate property** | **14,843** | **12,233** | **3.10%** | **82** | **61** | **0.54%** | **14,925** | **12,294** | **3.0%** |
| Fixed maturities held to maturity | – | – | – | – | – | – | – | – | – |
| Fixed maturities available for sale | 164,650 | 164,650 | 41.76% | 6,577 | 6,577 | 58.02% | 171,227 | 171,227 | 42.2% |
| Fixed maturities at fair value through profit and loss (c) | 41,886 | 41,886 | 10.62% | 1,197 | 1,197 | 10.56% | 43,083 | 43,083 | 10.6% |
| Fixed maturities held for trading | 4 | 4 | – | 1,620 | 1,620 | 14.29% | 1,624 | 1,624 | 0.4% |
| Non quoted fixed maturities (amortized cost) | 26 | 23 | 0.01% | 2 | 2 | 0.02% | 29 | 26 | – |
| **Fixed maturities** | **206,566** | **206,563** | **52.39%** | **9,396** | **9,396** | **82.89%** | **215,962** | **215,959** | **53.2%** |
| Equity securities available for sale | 22,249 | 22,249 | 5.64% | 642 | 642 | 5.66% | 22,891 | 22,891 | 5.6% |
| Equity securities at fair value through profit and loss (c) | 16,847 | 16,847 | 4.27% | 39 | 39 | 0.34% | 16,886 | 16,886 | 4.2% |
| Equity securities held for trading | 258 | 258 | 0.07% | 96 | 96 | 0.85% | 354 | 354 | 0.1% |
| **Equity securities** | **39,354** | **39,354** | **9.98%** | **777** | **777** | **6.85%** | **40,131** | **40,131** | **9.9%** |
| Non controlled investment funds available for sale | 2,920 | 2,920 | 0.74% | 65 | 65 | 0.58% | 2,985 | 2,985 | 0.7% |
| Non controlled investment funds at fair value through profit and loss (c) | 2,093 | 2,093 | 0.53% | 45 | 45 | 0.40% | 2,138 | 2,138 | 0.5% |
| Non controlled investment funds held for trading | 232 | 232 | 0.06% | – | – | – | 232 | 232 | 0.1% |
| **Non controlled investment funds** | **5,245** | **5,245** | **1.33%** | **110** | **110** | **0.97%** | **5,355** | **5,355** | **1.3%** |
| **Other assets held by controlled investment funds designated as at fair value through profit and loss** | **596** | **596** | **0.15%** | **–** | **–** | **–** | **596** | **596** | **0.1%** |
| **Macro hedge and speculative derivatives** | **(242)** | **(242)** | **–** | **536** | **536** | **4.73%** | **294** | **294** | **0.1%** |
| **Financial investments** | **251,519** | **251,516** | **63.80%** | **10,820** | **10,820** | **95.44%** | **262,339** | **262,336** | **64.7%** |
| Loans held to maturity | 2 | 2 | – | – | – | – | 2 | 2 | – |
| Loans available for sale | – | – | – | 23 | 23 | 0.20% | 23 | 23 | – |
| Loans designated as at fair value through profit and loss (c) | 377 | 377 | 0.10% | – | – | – | 377 | 377 | 0.1% |
| Loans held for trading | – | – | – | 258 | 258 | 2.28% | 258 | 258 | 0.1% |
| Mortgage loans | 7,452 | 7,044 | 1.79% | 21 | 21 | 0.18% | 7,472 | 7,065 | 1.7% |
| Other loans (a) | 10,798 | 10,690 | 2.71% | 84 | 78 | 0.69% | 10,882 | 10,768 | 2.7% |
| Macro hedge and speculative derivatives | – | – | – | 76 | 76 | 0.67% | 76 | 76 | 0.0% |
| **Loans** | **18,629** | **18,114** | **4.59%** | **462** | **456** | **4.02%** | **19,091** | **18,569** | **4.58%** |
| **Assets backing contracts where the financial risk is borne by policyholders** | **112,387** | **112,387** | **28.51%** | | | | **112,387** | **112,387** | **27.7%** |
| **FINANCIAL ASSETS** | **397,379** | **394,250** | **100.00%** | **11,364** | **11,336** | **100.00%** | **408,743** | **405,586** | **100.00%** |
| Financial investments and loans (b) | 270,148 | 269,630 | 68.39% | 11,282 | 11,275 | 99.46% | 281,430 | 280,905 | 69.3% |
| – of which quoted | 216,715 | 216,710 | 54.97% | 10,436 | 10,436 | 92.06% | 227,151 | 227,146 | 56.00% |
| – of which unquoted | 53,432 | 52,919 | 13.42% | 846 | 840 | 7.41% | 54,278 | 53,759 | 13.25% |
| **Financial assets (excluding those backing contracts where the financial risk is borne by policyholders)** | **284,992** | **281,863** | **71.49%** | | | | | | |
| Life and Savings | 243,464 | 240,741 | 61.06% | | | | | | |
| Property and Casualty | 34,231 | 33,825 | 8.58% | | | | | | |
| International Insurance | 7,297 | 7,297 | 1.85% | | | | | | |

*(a) Mainly includes policy loans.*
*(b) Excluding investments backing contracts where the financial risk is borne by policyholders.*
*(c) Use of fair value option.*

## 9.2. Investment properties

Investment properties include buildings owned directly and through consolidated real estate companies. Investment properties stated at fair value on the balance sheet mainly consist of assets backing with-profit contracts. They also include the unallocated portion of real estate companies, part of which is used to back unit-linked contracts in which the financial risk is borne by policyholders.

Breakdown of the carrying value and fair value of investment properties at amortized cost, excluding the impact of all derivatives:

(in Euro million)

| | December 31, 2006 | | | | | December 31, 2005 | | | | | December 31, 2004 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross value (gross of impairment and amortization) | Impairment | Accumulated impairment | Carrying value | Fair value | Gross value (gross of impairment and amortization) | Impairment | Accumulated impairment | Carrying value | Fair value | Gross value (gross of impairment and amortization) | Impairment | Accumulated impairment | Carrying value | Fair value |
| Investment properties at amortized cost | | | | | | | | | | | | | | | |
| Insurance | 14,913 | (1,473) | (197) | 13,243 | 18,218 | 9,650 | (1,474) | (345) | 7,832 | 11,256 | 9,243 | (1,325) | (236) | 7,683 | 10,293 |
| Others | 565 | (17) | – | 548 | 731 | 319 | (5) | – | 314 | 357 | 78 | – | (17) | 61 | 82 |
| All activities | 15,478 | (1,490) | (197) | 13,791 | 18,949 | 9,970 | (1,479) | (345) | 8,146 | 11,613 | 9,321 | (1,324) | (253) | 7,744 | 10,375 |

The integration of Winterthur increased the amount of investment properties by €5,606 million, i.e. €5,580 million at amortized cost and €26 million at fair value. €5,489 million of this increase relates to the insurance business, while €116 million relates to other activities.

**Change in impairment and amortization of investment properties at amortized cost (all activities):**

| | Impairment – Investment properties | | | Amortization – Investment properties | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| January 1 | 345 | 253 | 325 | 1,479 | 1,324 | 1,274 |
| Increase for the period | 19 | 88 | 121 | 219 | 222 | 123 |
| Write back following sale or reimbursement | (83) | (88) | (54) | (158) | (91) | (78) |
| Write back following recovery in value | (57) | (68) | (138) | | | |
| Others (a) | (28) | (*) 160 | (1) | (50) | 24 | 5 |
| December 31 | 197 | 345 | 253 | 1,490 | 1,479 | 1,324 |

*(a) Mainly includes changes in scope of consolidation and the effect of changes in exchange rates.*
*(*) Of which €100 million relating to investment properties at amortized cost presented net of impairment in 2004.*

# 9.3. Unrealized gains and losses on financial investments

Excluding the effect of all derivatives, unrealized capital gains and losses on financial investments not already reflected in income break down as follows:

| INSURANCE | December 31, 2006 | | | | |
|---|---|---|---|---|---|
| | Amortized cost [(a)] | Fair value | Net book value [(b)] | Unrealized gains | Unrealized losses |
| Fixed maturities available for sale | 234,964 | 241,652 | 241,652 | 8,158 | 1,470 |
| Non quoted fixed maturities (amortized cost) | 10 | 10 | 10 | – | – |
| Equity securities available for sale | 25,354 | 35,761 | 35,761 | 10,551 | 144 |
| Non controlled investment funds available for sale | 4,188 | 4,593 | 4,593 | 428 | 24 |

*(a) Net of impairment – including premiums/discounts and cumulative amortization.*
*(b) Net of impairment (details in note 9.8).*

| OTHER ACTIVITIES | December 31, 2006 | | | | |
|---|---|---|---|---|---|
| | Amortized cost [(a)] | Fair value | Net book value [(b)] | Unrealized gains | Unrealized losses |
| Fixed maturities available for sale | 5,697 | 5,645 | 5,645 | 5 | 57 |
| Non quoted fixed maturities (amortized cost) | 1 | 1 | 1 | – | – |
| Equity securities available for sale | 2,450 | 2,744 | 2,744 | 295 | – |
| Non controlled investment funds available for sale | 225 | 226 | 226 | 1 | – |

*(a) Net of impairment – including premiums/discounts and cumulative amortization.*
*(b) Net of impairment (details in note 9.8).*

| TOTAL | December 31, 2006 | | | | |
|---|---|---|---|---|---|
| | Amortized cost [(a)] | Fair value | Net book value [(b)] | Unrealized gains | Unrealized losses |
| Fixed maturities available for sale | 240,661 | 247,297 | 247,297 | 8,163 | 1,527 |
| Non quoted fixed maturities (amortized cost) | 11 | 11 | 11 | – | – |
| Equity securities available for sale | 27,804 | 38,505 | 38,505 | 10,846 | 144 |
| Non controlled investment funds available for sale | 4,414 | 4,819 | 4,819 | 429 | 24 |

*(a) Net of impairment – including premiums/discounts and cumulative amortization.*
*(b) Net of impairment (details in note 9.8).*

See also table 9.8.1 Breakdown of financial assets subject to impairment.

(in Euro million)

| December 31, 2005 | | | | | December 31, 2004 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Amortized cost [(a)] | Fair value | Net book value [(b)] | Unrealized gains | Unrealized losses | Amortized cost [(a)] | Fair value | Net book value [(b)] | Unrealized gains | Unrealized losses |
| 175,729 | 189,382 | 189,382 | 14,554 | 901 | 152,376 | 164,184 | 164,184 | 12,165 | 358 |
| 20 | 20 | 20 | – | – | 23 | 26 | 23 | 3 | – |
| 19,715 | 27,857 | 27,858 | 8,229 | 86 | 17,886 | 22,221 | 22,221 | 4,523 | 189 |
| 2,702 | 3,132 | 3,132 | 438 | 8 | 2,640 | 2,921 | 2,921 | 288 | 7 |

(in Euro million)

| December 31, 2005 | | | | | December 31, 2004 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Amortized cost [(a)] | Fair value | Net book value [(b)] | Unrealized gains | Unrealized losses | Amortized cost [(a)] | Fair value | Net book value [(b)] | Unrealized gains | Unrealized losses |
| 5,724 | 5,740 | 5,740 | 26 | 10 | 6,525 | 6,577 | 6,577 | 52 | 1 |
| 2 | 2 | 2 | – | – | 2 | 2 | 2 | – | – |
| 405 | 571 | 571 | 167 | – | 553 | 642 | 642 | 90 | 1 |
| 199 | 201 | 201 | 2 | – | 62 | 65 | 65 | 3 | – |

(in Euro million)

| December 31, 2005 | | | | | December 31, 2004 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Amortized cost [(a)] | Fair value | Net book value [(b)] | Unrealized gains | Unrealized losses | Amortized cost [(a)] | Fair value | Net book value [(b)] | Unrealized gains | Unrealized losses |
| 181,453 | 195,123 | 195,123 | 14,580 | 910 | 158,901 | 170,761 | 170,761 | 12,218 | 358 |
| 22 | 22 | 22 | – | – | 26 | 29 | 26 | 3 | – |
| 20,120 | 28,428 | 28,429 | 8,396 | 87 | 18,439 | 22,863 | 22,863 | 4,613 | 189 |
| 2,901 | 3,333 | 3,333 | 440 | 8 | 2,703 | 2,986 | 2,986 | 291 | 7 |

## 9.4. Fixed maturities by type of issuer

The table below sets out the bond portfolio by issuer type, excluding macro hedging derivatives and other derivatives but including the effect of hedging derivatives (IAS 39) and economic hedging derivatives that do not form part of a hedge relationship under IAS 39. Details of the effect of derivatives are provided in section 19.3.

(in Euro million)

| | December 31, 2006 Carrying value | December 31, 2005 Carrying value | December 31, 2004 Carrying value |
|---|---|---|---|
| Fixed maturities of the French State | 28,261 | 29,749 | 31,897 |
| Fixed maturities of Foreign States | 101,929 | 81,364 | 61,849 |
| Fixed maturities of French or Foreign local administration | 7,422 | 2,237 | 7,504 |
| Fixed maturities of the public and semi-public sectors | 45,637 | 36,830 | 29,347 |
| Fixed maturities of the private sector | 101,246 | 77,229 | 67,704 |
| Fixed maturities guaranteed by a mortgage | 11,329 | 7,779 | 12,636 |
| Fixed maturities from other issuers [(a)] | 2,434 | 5,829 | 4,654 |
| Hedging derivatives and other derivatives | (274) | 36 | 367 |
| *FIXED MATURITIES* | *297,984* | *241,052* | *215,959* |

*(a) Includes bond funds.*

The integration of Winterthur increased the total amount of bonds on the balance sheet by €55,315 million. The increase related mostly to bonds issued by foreign governments (€12,594 million), by French and foreign local administrations (€5,136 million), by public and semi-public entities (€10,104 million), by private-sector entities (€22,673 million) and mortgage-backed bonds (€4,130 million).

Additional information on the credit risk associated with bonds is provided in Note 4 “Management of financial and insurance risks”.

## 9.5. Contractual maturities and exposure to interest rate risk

The tables below set out the contractual maturities of fixed-income assets held by the Group. Effective maturities may differ from those presented, mainly because some assets include clauses allowing early redemption, with or without penalty.

Excluded are loans and bonds held to maturity, unlisted bonds, the effect of derivatives (detailed in section 19.3) and loans and bonds backing contracts in which financial risk is borne by policyholders.

(in billion euro)

| | Net carrying amount by maturity as at December 31, 2006 | | | |
|---|---|---|---|---|
| | 12 months or less | More than 1 year up to 5 years | More than 5 years | Total net carrying value |
| Fixed maturities available for sale | 12 | 58 | 169 | 239 |
| Fixed maturities at fair value through profit and loss [a] | 2 | 6 | 16 | 24 |
| Fixed maturities held by controlled investment funds [b] | 16 | 1 | 5 | 22 |
| **Sub-total fixed maturities** | **30** | **65** | **190** | **285** |
| Loans at amortized cost | 3 | 7 | 14 | 24 |
| Loans available for sale | – | – | 1 | 1 |
| Loans at fair value through profit and loss [a] | – | – | – | – |
| **Sub-total Loans** | **3** | **7** | **15** | **25** |
| ***TOTAL – Invested financial assets exposed to fair value interest rate risk*** | ***33*** | ***72*** | ***204*** | ***309*** |
| Fixed maturities available for sale | – | 1 | 7 | 9 |
| Fixed maturities at fair value through profit and loss [a] | – | 1 | 1 | 1 |
| Fixed maturities held by controlled investment funds [b] | – | 3 | – | 4 |
| **Sub-total fixed maturities** | **–** | **5** | **8** | **14** |
| Loans at amortized cost | 1 | 1 | 2 | 3 |
| Loans available for sale | – | – | – | – |
| Loans designated at fair value through profit and loss [a] | – | – | 3 | 3 |
| **Sub-total Loans** | **1** | **1** | **5** | **7** |
| ***TOTAL – Invested financial assets exposed to cash flow interest rate risk*** | ***2*** | ***6*** | ***13*** | ***21*** |
| **Total invested financial assets exposed to interest rate risk** | **35** | **77** | **218** | **330** |

*(a) Corresponds to financial assets held for trading purposes and financial assets recognized at fair value through profit and loss.*
*(b) Recognized at fair value through profit and loss.*

(in billion euro)

| | Net carrying amount by maturity as at December 31, 2005 | | | |
|---|---|---|---|---|
| | 12 months or less | More than 1 year up to 5 years | More than 5 years | Total net carrying value |
| Fixed maturities available for sale | 11 | 42 | 133 | 185 |
| Fixed maturities at fair value through profit and loss [(a)] | 3 | 15 | 8 | 26 |
| Fixed maturities held by controlled investment funds [(b)] | – | 16 | 3 | 19 |
| **Sub-total fixed maturities** | **14** | **74** | **143** | **230** |
| Loans at amortized cost | 1 | 4 | 11 | 15 |
| Loans available for sale | – | – | – | – |
| Loans at fair value through profit and loss [(a)] | – | – | – | – |
| **Sub-total Loans** | **1** | **4** | **11** | **15** |
| ***TOTAL – Invested financial assets exposed to fair value interest rate risk*** | ***14*** | ***77*** | ***154*** | ***245*** |
| Fixed maturities available for sale | – | 2 | 8 | 10 |
| Fixed maturities at fair value through profit and loss [(a)] | – | – | 1 | 1 |
| Fixed maturities held by controlled investment funds [(b)] | – | – | – | – |
| **Sub-total fixed maturities** | **–** | **2** | **8** | **11** |
| Loans at amortized cost | – | – | 2 | 3 |
| Loans available for sale | – | – | – | – |
| Loans at fair value through profit and loss [(a)] | – | – | – | – |
| **Sub-total Loans** | **–** | **–** | **2** | **3** |
| ***TOTAL – Invested financial assets exposed to cash flow interest rate risk*** | ***1*** | ***3*** | ***10*** | ***13*** |
| **Total invested financial assets exposed to interest rate risk** | **15** | **80** | **164** | **259** |

*(a) Corresponds to financial assets held for trading purposes and financial assets recognized at fair value through profit and loss.*
*(b) Recognized at fair value through profit and loss.*

(in billion euro)

| | Net carrying amount by maturity as at December 31, 2004 | | | |
|---|---|---|---|---|
| | 12 months or less | More than 1 year up to 5 years | More than 5 years | Total net carrying value |
| Fixed maturities available for sale | 9 | 41 | 111 | 162 |
| Fixed maturities at fair value through profit and loss [(a)] | 2 | 7 | 15 | 25 |
| Fixed maturities held by controlled investment funds [(b)] | – | 13 | 6 | 19 |
| **Sub-total fixed maturities** | **11** | **62** | **133** | **206** |
| Loans at amortized cost | 1 | 4 | 10 | 15 |
| Loans available for sale | – | – | – | – |
| Loans at fair value through profit and loss [(a)] | – | – | – | – |
| **Sub-total Loans** | **1** | **4** | **10** | **15** |
| ***TOTAL – Invested financial assets exposed to fair value interest rate risk*** | ***13*** | ***65*** | ***143*** | ***221*** |
| Fixed maturities available for sale | – | 3 | 6 | 9 |
| Fixed maturities at fair value through profit and loss [(a)] | – | – | 1 | 1 |
| Fixed maturities held by controlled investment funds [(b)] | – | – | – | – |
| **Sub-total fixed maturities** | **–** | **3** | **7** | **10** |
| Loans at amortized cost | – | – | 1 | 2 |
| Loans available for sale | – | – | – | – |
| Loans at fair value through profit and loss [(a)] | – | – | – | 1 |
| **Sub-total Loans** | **1** | **1** | **2** | **3** |
| ***TOTAL – Invested financial assets exposed to cash flow interest rate risk*** | ***1*** | ***3*** | ***8*** | ***13*** |
| **Total invested financial assets exposed to interest rate risk** | **13** | **69** | **151** | **233** |

*(a) Corresponds to financial assets held for trading purposes and financial assets recognized at fair value through profit and loss.*
*(b) Recognized at fair value through profit and loss.*

## 9.6. Exposure to price risk

After excluding the effect of derivatives (detailed in section 19.3) and securities in real estate companies, the breakdown by industry sector of equities owned across the whole Group is as follows:

| | Finance | Consumer | Energy |
|---|---|---|---|
| Equity securities available for sale | 16,040 | 4,020 | 3,942 |
| Equity securities at fair value through profit and loss | 4,224 | 2,735 | 282 |
| **Sub-total: Equities held directly** | **20,264** | **6,755** | **4,224** |
| Equities held by controlled investment funds [a] | 2,324 | 385 | 347 |
| **Total Equities as at December 31, 2006** | **22,588** | **7,140** | **4,571** |

*(a) Recognized at fair value through profit and loss.*

| | Finance | Consumer | Energy |
|---|---|---|---|
| Equity securities available for sale | 10,034 | 3,055 | 3,214 |
| Equity securities at fair value through profit and loss | 3,383 | 3,530 | 144 |
| **Sub-total: Equities held directly** | **13,417** | **6,585** | **3,359** |
| Equities held by controlled investment funds [a] | 3,871 | 691 | 352 |
| **Total Equities as at December 31, 2005** | **17,288** | **7,276** | **3,710** |

*(a) Recognized at fair value through profit and loss.*

| | Finance | Consumer | Energy |
|---|---|---|---|
| Equity securities available for sale | 8,092 | 2,375 | 2,211 |
| Equity securities at fair value through profit and loss | 2,892 | 3,544 | 139 |
| **Sub-total: Equities held directly** | **10,983** | **5,919** | **2,350** |
| Equities held by controlled investment funds [a] | 2,631 | 709 | 271 |
| **Total Equities as at December 31, 2004** | **13,615** | **6,628** | **2,621** |

*(a) Recognized at fair value through profit and loss.*

The integration of Winterthur increased the total amount of equities by €7,801 million, including €5,813 million available for sale, €1,188 million at fair value and €800 million held by controlled investment funds.

(in Euro million)

| Communications | Industrial | Utilities | Basic Materials | Technology | Other | TOTAL |
|---|---|---|---|---|---|---|
| 1,447 | 4,355 | 2,911 | 1,971 | 1,860 | 1,960 | 38,505 |
| 854 | 1,642 | 1,544 | 876 | 300 | 751 | 13,208 |
| **2,300** | **5,997** | **4,455** | **2,847** | **2,160** | **2,711** | **51,713** |
| 97 | 858 | 653 | 393 | 513 | 3,894 | 9,465 |
| **2,398** | **6,856** | **5,108** | **3,240** | **2,672** | **6,605** | **61,178** |

(in Euro million)

| Communications | Industrial | Utilities | Basic Materials | Technology | Other | TOTAL |
|---|---|---|---|---|---|---|
| 1,117 | 3,853 | 1,892 | 1,553 | 1,316 | 2,394 | 28,429 |
| 51 | 511 | 460 | 606 | 226 | 1,986 | 10,897 |
| **1,168** | **4,364** | **2,352** | **2,159** | **1,542** | **4,380** | **39,326** |
| 181 | 376 | 53 | 399 | 315 | 2,126 | 8,364 |
| **1,349** | **4,740** | **2,405** | **2,559** | **1,857** | **6,506** | **47,690** |

(in Euro million)

| Communications | Industrial | Utilities | Basic Materials | Technology | Other | TOTAL |
|---|---|---|---|---|---|---|
| 1,433 | 3,316 | 1,356 | 937 | 1,040 | 2,063 | 22,823 |
| 78 | 415 | 451 | 597 | 146 | 1,858 | 10,120 |
| **1,511** | **3,731** | **1,807** | **1,535** | **1,186** | **3,921** | **32,943** |
| 233 | 333 | 64 | 256 | 224 | 2,412 | 7,134 |
| **1,745** | **4,064** | **1,871** | **1,791** | **1,410** | **6,333** | **40,077** |

# 9.7. Non-controlled investment funds

Non-controlled investment funds broke down as follows:

| NON CONTROLLED INVESTMENT FUNDS | December 31, 2006 | | | | | |
|---|---|---|---|---|---|---|
| | Insurance | | Other activities | | Total | |
| | Fair value [(a)] | Amortized cost | Fair value [(a)] | Amortized cost | Fair value [(a)] | Amortized cost |
| Non controlled investment funds available for sale mainly holding equity securities | 1,432 | 1,215 | 18 | 18 | 1,450 | 1,233 |
| Non controlled investment funds at fair value through profit and loss mainly holding equity securities | 628 | | 155 | | 782 | |
| Non controlled investment funds trading mainly holding equity securities | 80 | | 33 | | 113 | |
| **Non controlled investment funds mainly holding equity securities** | **2,140** | | **205** | | **2,345** | |
| Non controlled investment funds available for sale mainly holding fixed maturities | 1,480 | 1,438 | – | – | 1,480 | 1,438 |
| Non controlled investment funds mainly as at fair value through profit and loss mainly holding fixed maturities | 46 | | – | | 46 | |
| Non controlled investment funds trading mainly holding fixed maturities | – | | – | | – | |
| **Non controlled investment funds mainly holding fixed maturities** | **1,527** | | **–** | | **1,527** | |
| Other non controlled investment funds available for sale | 1,680 | 1,535 | 208 | 208 | 1,888 | 1,743 |
| Other non controlled investment funds at fair value through profit and loss | 353 | | – | | 353 | |
| Other non controlled investment funds held for trading | – | | – | | – | |
| **Other non controlled investment funds** | **2,033** | | **208** | | **2,241** | |
| **Non controlled investment funds – Equity method** | **1,294** | | **–** | | **1,294** | |
| Derivatives (hedge accounting) and other derivatives | 4 | 9 | – | – | 4 | 9 |
| ***TOTAL*** | ***6,998*** | | ***414*** | | ***7,411*** | |

*(a) Amounts are presented excluding macro hedging and other derivatives but including the effect of hedging derivatives (IAS 39) and economic hedging derivatives that do not form part of a hedge relationship within the meaning of IAS 39.*

Winterthur's contribution to the increase in non-controlled investment funds was €924 million at fair value and €859 million at amortized cost.

(in Euro million)

| December 31, 2005 | | | | | | December 31, 2004 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Insurance | | Other activities | | Total | | Insurance | | Other activities | | Total | |
| Fair value [a] | Amortized cost | Fair value [a] | Amortized cost | Fair value [a] | Amortized cost | Fair value [a] | Net book cost | Fair value [a] | Amortized cost | Fair value [a] | Amortized cost |
| 1,045 | 847 | 3 | 1 | 1,048 | 848 | 780 | 704 | 4 | 3 | 784 | 707 |
| 699 | | 73 | | 772 | | 539 | | – | | 539 | |
| | | 22 | | 22 | | – | | – | | – | |
| **1,743** | | **98** | | **1,841** | | **1,319** | | **4** | | **1,323** | |
| 859 | 818 | – | | 859 | 818 | 1,442 | 1,351 | 39 | 38 | 1,481 | 1,389 |
| 8 | | – | | 8 | | 90 | | – | | 90 | |
| 195 | | – | | 195 | | 199 | | – | | 199 | |
| **1,062** | | **–** | | **1,063** | | **1,731** | | **39** | | **1,770** | |
| 1,228 | 1,037 | 198 | 198 | 1,426 | 1,235 | 699 | 586 | 22 | 21 | 721 | 607 |
| 129 | | – | | 129 | | 27 | | 45 | | 72 | |
| | | – | | | | – | | – | | – | |
| **1,357** | | **198** | | **1,555** | | **726** | | **67** | | **793** | |
| **1,081** | | **–** | | **1,081** | | **1,437** | | **–** | | **1,437** | |
| 89 | (2) | – | | 89 | (2) | 32 | | – | | 32 | |
| ***5,333*** | | ***296*** | | ***5,629*** | | ***5,245*** | | ***110*** | | ***5,355*** | |

# 9.8. Financial assets subject to impairment

## 9.8.1. Breakdown of financial assets subject to impairment (excluding investment properties)

Each investment item is presented net of the effect of hedging derivatives (IAS 39) and economic hedging derivatives that do not form part of a hedge relationship under IAS 39 (excluding macro hedging derivatives and other derivatives). Details of the effect of derivatives are provided in section 19.3.

| | December 31, 2006 | | | | |
|---|---|---|---|---|---|
| | Cost before impairment and revaluation to fair value [(a)] | Impairment | Cost after impairment but before revaluation to fair value [(b)] | Revaluation to fair value | Net book value (Carrying value) |
| Fixed maturities available for sale | 240,998 | (138) | 240,860 | 6,043 | 246,903 |
| Non quoted fixed maturities (amortized cost) | 11 | – | 11 | – | 11 |
| **Fixed maturities** | **241,009** | **(138)** | **240,871** | **6,043** | **246,915** |
| **Equity securities** | **30,393** | **(2,504)** | **27,890** | **10,447** | **38,337** |
| **Non controlled investment funds available for sale** | **4,497** | **(77)** | **4,420** | **405** | **4,825** |
| Loans held to maturity | – | – | – | – | – |
| Loans available for sale | 845 | – | 845 | 5 | 850 |
| Mortgage loans | 13,113 | (24) | 13,090 | – | 13,090 |
| Other loans [(c)] | 15,246 | (75) | 15,171 | (3) | 15,168 |
| **Loans** | **29,204** | **(99)** | **29,105** | **2** | **29,108** |
| ***TOTAL*** | ***305,103*** | ***(2,817)*** | ***302,286*** | ***16,898*** | ***319,184*** |

*(a) Asset value including impact of discounts/premiums and interest accrued but not yet due, but before impairment and revaluation to fair value of assets available for sale.*
*(b) Asset value including impairment, discounts/premiums, interest accrued but not yet due, but before revaluation to fair value of assets available for sale.*
*(c) Including policy loans.*

(in Euro million)

| December 31, 2005 | | | | | December 31, 2004 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Cost before impairment and revaluation to fair value [(a)] | Impairment | Cost after impairment but before revaluation to fair value [(b)] | Revaluation to fair value | Net book value (Carrying value) | Cost before impairment and revaluation to fair value [(a)] | Impairment | Cost after impairment but before revaluation to fair value [(b)] | Revaluation to fair value | Net book value (Carrying value) |
| 181,085 | (126) | 180,959 | 14,231 | 195,190 | 159,440 | (362) | 159,077 | 12,149 | 171,227 |
| 23 | – | 22 | – | 22 | 26 | – | 26 | – | 26 |
| **181,108** | **(126)** | **180,982** | **14,231** | **195,213** | **159,466** | **(363)** | **159,103** | **12,149** | **171,252** |
| **23,357** | **(3,210)** | **20,147** | **8,105** | **28,252** | **22,405** | **(3,939)** | **18,466** | **4,425** | **22,891** |
| **3,017** | **(118)** | **2,899** | **522** | **3,422** | **2,869** | **(166)** | **2,703** | **283** | **2,985** |
| 1 | – | 1 | – | 1 | 2 | – | 2 | – | 2 |
| 23 | – | 23 | – | 23 | 23 | – | 23 | – | 23 |
| 7,260 | (26) | 7,235 | (43) | 7,192 | 7,093 | (28) | 7,065 | – | 7,065 |
| 11,126 | (79) | 11,047 | 4 | 11,051 | 11,071 | (304) | 10,768 | – | 10,768 |
| **18,411** | **(105)** | **18,306** | **(39)** | **18,267** | **18,190** | **(332)** | **17,858** | **–** | **17,858** |
| ***225,892*** | ***(3,558)*** | ***222,334*** | ***22,819*** | ***245,153*** | ***202,929*** | ***(4,800)*** | ***198,129*** | ***16,858*** | ***214,986*** |

## 9.8.2. Change in impairment on invested assets (excluding investment properties)

(in Euro million)

| | January 1, 2006 | Increase for the period | Write back following sale or reimbursement | Write back following recovery in value | Other [(a)] | December 31, 2006 |
|---|---|---|---|---|---|---|
| Impairment - fixed maturities | 126 | 79 | (39) | (1) | (28) | 138 |
| Impairment – equity securities | 3,210 | 145 | (720) | | (130) | 2,504 |
| Impairment – non controlled investment funds | 118 | 5 | (42) | | (3) | 77 |
| Impairment – loans | 105 | 26 | (11) | (21) | – | 99 |
| ***TOTAL*** | ***3,558*** | ***255*** | ***(812)*** | ***(22)*** | ***(161)*** | ***2,817*** |

*(a) Changes in the scope of consolidation and impact of changes in exchange rates.*

(in Euro million)

| | January 1, 2005 | Increase for the period | Write back following sale or reimbursement | Write back following recovery in value | Other [(a)] | December 31, 2005 |
|---|---|---|---|---|---|---|
| Impairment - fixed maturities | 363 | 26 | (171) | (3) | (88) | 126 |
| Impairment – equity securities | 3,939 | 137 | (937) | | 71 | 3,210 |
| Impairment – non controlled investment funds | 166 | 10 | (66) | | 8 | 118 |
| Impairment – loans | 332 | 37 | (25) | (15) | (224) | 105 |
| ***TOTAL*** | ***4,800*** | ***209*** | ***(1,200)*** | ***(18)*** | ***(233)*** | ***3,558*** |

*(a) Changes in the scope of consolidation and impact of changes in exchange rates.*

(in Euro million)

| | January 1, 2004 | Increase for the period | Write back following sale or reimbursement | Write back following recovery in value | Other [(a)] | December 31, 2004 |
|---|---|---|---|---|---|---|
| Impairment - fixed maturities | 531 | 46 | (203) | (14) | 3 | 363 |
| Impairment – equity securities | 5,493 | 286 | (1,878) | | 37 | 3,939 |
| Impairment – non controlled investment funds | 280 | 13 | (122) | | (4) | 166 |
| Impairment – loans | 138 | 36 | (66) | (5) | 230 | 332 |
| ***TOTAL*** | ***6,442*** | ***381*** | ***(2,268)*** | ***(19)*** | ***265*** | ***4,800*** |

*(a) Changes in the scope of consolidation and impact of changes in exchange rates.*

## 9.9. Financial assets recognized at fair value excluding derivatives

Amounts presented exclude the impact of all derivatives (set out in note 19.3) and equity-accounted investment funds. Equity-accounted investment funds represented assets of €1,294 million at December 31, 2006 (€1,081 million at December 31, 2005 and €1,437 million at December 31, 2004).

The breakdown by valuation method of financial assets recognized at fair value is as follows:

(in Euro million)

| | December 31, 2006 | | | December 31, 2005 | | | December 31, 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fair value determined directly by reference to an active market | Fair value estimated using technical valuation | TOTAL | Fair value determined directly by reference to an active market | Fair value estimated using technical valuation | TOTAL | Fair value determined directly by reference to an active market | Fair value estimated using technical valuation | TOTAL |
| Fixed maturities | 208,638 | 38,659 | 247,297 | 170,873 | 24,250 | 195,123 | 147,720 | 23,041 | 170,761 |
| Equity securities | 34,961 | 3,544 | 38,505 | 26,770 | 1,658 | 28,428 | 20,852 | 2,010 | 22,862 |
| Non controlled investment funds | 3,662 | 1,157 | 4,819 | 3,065 | 267 | 3,333 | 2,754 | 233 | 2,986 |
| Loans | 792 | 53 | 845 | – | 23 | 23 | – | 23 | 23 |
| Financial assets available for sale | 248,053 | 43,413 | 291,467 | 200,709 | 26,198 | 226,907 | 171,325 | 25,308 | 196,632 |
| Investment properties | 4,800 | 1,172 | 5,972 | 3,871 | 1,108 | 4,979 | 3,465 | 1,085 | 4,550 |
| Fixed maturities | 45,248 | 4,458 | 49,706 | 39,527 | 4,655 | 44,182 | 41,051 | 2,180 | 43,231 |
| Equity securities | 18,461 | 3,737 | 22,198 | 16,308 | 2,545 | 18,852 | 14,459 | 2,398 | 16,857 |
| Non controlled investment funds | 315 | 866 | 1,182 | 288 | 621 | 909 | 211 | 490 | 701 |
| Other assets held by controlled investment funds designated as at fair value through profit and loss | 1,738 | 1,407 | 3,145 | 647 | 1,264 | 1,910 | 596 | – | 596 |
| Loans | 82 | 3,111 | 3,194 | 125 | – | 125 | 374 | – | 374 |
| Assets backing contracts where the financial risk is borne by policyholders | 174,325 | 2,154 | 176,479 | 140,106 | 1,291 | 141,397 | 111,452 | 928 | 112,380 |
| Financial assets at fair value through profit and loss | 244,970 | 16,905 | 261,875 | 200,224 | 10,220 | 210,444 | 171,609 | 7,081 | 178,690 |
| Fixed maturities | 582 | 662 | 1,244 | 727 | 962 | 1,689 | 1,571 | 4 | 1,575 |
| Equity securities | 474 | – | 474 | 407 | 2 | 409 | 354 | – | 354 |
| Non controlled investment funds | 109 | 4 | 113 | 217 | – | 217 | 199 | – | 199 |
| Loans | 227 | – | 227 | 248 | – | 248 | 258 | – | 258 |
| Assets held for trading | 1,392 | 666 | 2,057 | 1,600 | 963 | 2,563 | 2,382 | 4 | 2,386 |
| *TOTAL FINANCIAL ASSETS ACCOUNTED FOR AT FAIR VALUE* | *494,415* | *60,984* | *555,399* | *402,533* | *37,381* | *439,914* | *345,316* | *32,393* | *377,709* |

# 9.10. Investments backing contracts where the financial risk is borne by policyholders

(in Euro million)

| | Fair value [a] | | |
|---|---|---|---|
| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
| Investment properties | 3,957 | 3,127 | 2,011 |
| Equity securities & non controlled investment funds | 148,286 | 114,636 | 90,146 |
| Fixed maturities | 14,368 | 16,390 | 14,945 |
| Others | 9,951 | 7,257 | 5,285 |
| **Total Insurance activities** | **176,562** | **141,410** | **112,387** |

*(a) Fair value equals net carrying value.*

These investments (including investment properties) are measured at fair value through profit and loss. Financial assets included in these investments are stated at fair value through profit and loss under the fair value option.

The “Other investments” item includes:
- €7,959 million of directly held cash and equivalents.
- €1,416 million of cash and equivalents held by controlled investment funds in the “Satellite Investment Portfolio” (defined in section 1.7.2 of note 1).
- €410 million of loans and €83 million of derivatives.

€18,293 million of the increase in investments was attributable to Winterthur, including €78 million with respect to investment properties, €1,971 with respect to bonds, €15,187 million with respect to equities and non controlled investment funds and €1,056 million with respect to other investments.

As described in note 4 (Management of financial and insurance risks), the financial risk associated with these contracts is borne by policyholders, except in certain contracts that offer income guarantees.

# Note 10: Investments in associates (equity method)

## 10.1. Change in investments in associates

(in Euro million)

| | 2006 | | | | | |
|---|---|---|---|---|---|---|
| | January 1st, | Acquisitions & disposals | Contribution to net income | Currency translation impact | Other changes [(a)] | December 31, |
| AXA Affin General Insurance Berhad | – | – | 18 | – | 11 | 29 |
| PT AXA Mandiri Financial Services | – | – | 2 | – | 3 | 6 |
| Argovie | 26 | – | 2 | – | (1) | 27 |
| Banque de marchés et d'arbitrage | 11 | – | – | – | (4) | 7 |
| CFP – Crédit | 34 | – | – | – | (34) | – |
| AXA Insurance Investment Holding | 41 | – | – | – | (41) | – |
| AXA Asia Pacific Holdings associates | 26 | (14) | 8 | – | (6) | 14 |
| Parfimmo | 24 | – | – | – | (24) | – |
| AXA Versicherung | 24 | – | 4 | – | (2) | 25 |
| Winterthur Life (Hong Kong) Ltd | – | 1 | – | – | – | 1 |
| Krungthai AXA Life Insurance Company Ltd | – | – | (4) | 1 | 16 | 13 |
| Philippine AXA Life Insurance Corporation | – | – | 3 | (2) | 10 | 11 |
| Other | 23 | – | (1) | – | (12) | 11 |
| *TOTAL* | *208* | *(14)* | *34* | *(1)* | *(83)* | *144* |

(a) Includes dividend distributions and changes in consolidation method.

(in Euro million)

| | 2005 | | | | | |
|---|---|---|---|---|---|---|
| | January 1st, | Acquisitions & disposals | Contribution to net income | Currency translation impact | Other changes [(a)] | December 31, |
| AXA Insurance Hong Kong | 13 | – | – | – | (13) | – |
| AXA Insurance Singapore | 42 | – | – | – | (42) | – |
| Argovie | 26 | – | 2 | – | (2) | 26 |
| Banque de marchés et d'arbitrage | 9 | – | 2 | – | – | 11 |
| CFP – Crédit | 33 | – | 1 | – | – | 34 |
| AXA General Insurance Hong Kong | 55 | – | – | – | (55) | – |
| AXA Insurance Investment Holding | 5 | – | – | 3 | 32 | 41 |
| Hilo Direct SA de Seguros y Reaseguros | – | – | – | – | – | – |
| AXA Oyak (3 Turkish entities) | 71 | – | – | – | (71) | – |
| AXA Asia Pacific Holdings associates | 20 | 1 | 8 | – | (2) | 26 |
| Parfimmo | – | 9 | 1 | – | 14 | 24 |
| AXA Versicherung | 23 | – | 3 | – | (2) | 24 |
| Other | 33 | – | 5 | – | (14) | 23 |
| *TOTAL* | *330* | *10* | *21* | *3* | *(156)* | *208* |

(a) Includes dividend distributions and changes in consolidation method.

(in Euro million)

| | 2004 | | | | | |
|---|---|---|---|---|---|---|
| | January 1st, | Acquisitions & disposals | Contribution to net income | Currency translation impact | Other changes (a) | December 31, |
| AXA Insurance Hong Kong | 14 | – | – | – | (1) | 13 |
| AXA Insurance Singapore | 37 | – | 6 | (1) | – | 42 |
| Argovie | 29 | (1) | 2 | – | (3) | 26 |
| Banque de marchés et d'arbitrage | 9 | – | – | – | – | 9 |
| CFP – Crédit | 32 | – | 1 | – | – | 33 |
| AXA General Insurance Hong Kong | 58 | – | 9 | (5) | (7) | 55 |
| AXA Insurance Investment Holding | 5 | – | – | (2) | 2 | 5 |
| Hilo Direct SA de Seguros y Reaseguros | 21 | – | – | – | (21) | – |
| AXA Oyak (3 Turkish entities) | 59 | (4) | 21 | – | (5) | 71 |
| AXA Asia Pacific Holdings associates | 52 | – | 3 | 2 | (37) | 20 |
| AXA Versicherung | 23 | – | 3 | – | (3) | 23 |
| Other | 6 | 14 | 9 | – | 2 | 33 |
| *TOTAL* | *345* | *9* | *55* | *(6)* | *(73)* | *330* |

*(a) Includes dividend distributions and changes in consolidation method.*

## 10.2. Comments

In 2006, "other changes" notably included:

– The merger of associate CFP-Crédit with fully consolidated CFP (€–34 million).

– The sale of AXA RE (included in the Other items: €–2 million) and Parfimmo in Belgium (€–24 million).

– The liquidation of AXA Insurance Investment Holding in Hong Kong (€–41 million).

– The entries into the scope of consolidation of Krungthai AXA Life Insurance Company Ltd (€16 million), Philippine AXA Life Insurance Corporation (€10 million), PT AXA Mandiri Financial Services (€3 million) and Axa Affin General Insurance Berhad in Asia-Pacific (€11 million).

– The merger of AXA Asia Pacific Holdings subsidiaries with Axa Bharti and AXA Affin.

In 2005, "Other changes" related mainly to changes in consolidation method. The following companies are now fully consolidated:

– Turkish Life, Non life and holding companies (€–71 million).

– Hong Kong Life and Non life companies (€–68 million).

– Singapore Non life companies (€–42 million).

In 2004, "Other changes" included:

– The exit of two Australian entities (€–26 million).

– A change in consolidation method (following a buyout of minorities) for Direct Seguros, which is now fully consolidated (€–21 million).

In the years ended December 31, 2006, 2005 and 2004, AXA received cash dividends from equity-accounted companies totaling €4.4 million, €20 million and €27 million respectively.

This excludes equity-accounted investment funds and real estate companies, which are presented under financial investments.

# Note 11 : Receivables

(in Euro million)

| | December 31, 2006 | | | | December 31, 2005 | | | | December 31, 2004 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Gross value | Impairment | Carrying value | Fair value | Gross value | Impairment | Carrying value | Fair value | Carrying value | Fair value |
| Deposits and Guarantees | 1,078 | – | 1,078 | 1,078 | 906 | – | 905 | 905 | 869 | 870 |
| Current accounts receivable from other companies | 845 | (6) | 839 | 840 | 783 | (23) | 760 | 760 | 1,056 | 1,056 |
| Receivable from policyholders, brokers and general agents | 3,586 | (255) | 3,331 | 3,330 | 3,123 | (220) | 2,903 | 2,903 | 3,667 | 3,716 |
| Premiums earned but not written | 1,895 | – | 1,895 | 1,895 | 1,883 | – | 1,883 | 1,883 | 1,526 | 1,526 |
| Other receivables | 4,751 | (21) | 4,730 | 4,732 | 3,369 | (106) | 3,262 | 3,262 | 1,048 | 1,046 |
| **Receivables arising from direct insurance and inward reinsurance operations** | **12,155** | **(282)** | **11,873** | **11,874** | **10,064** | **(350)** | **9,714** | **9,714** | **8,167** | **8,215** |
| Deposits and Guarantees | 15 | – | 15 | 15 | 8 | – | 8 | 8 | 1 | 1 |
| Receivables from reinsurers | 837 | (97) | 740 | 740 | 918 | (78) | 840 | 840 | 2,128 | 2,131 |
| Other receivables | 50 | – | 50 | 50 | 41 | – | 40 | 40 | 5 | 5 |
| **Receivables arising from outward reinsurance operations** | **902** | **(97)** | **805** | **805** | **967** | **(78)** | **888** | **888** | **2,134** | **2,137** |
| Receivables arising from banking activities | 14,456 | (393) | 14,063 | 14,026 | 13,300 | (482) | 12,818 | 13,072 | 11,481 | 11,804 |
| Receivables – current tax | 989 | – | 989 | 989 | 806 | – | 806 | 806 | 412 | 409 |
| Assets sold under repurchase agreements | 4,732 | – | 4,732 | 4,732 | 1,667 | – | 1,667 | 1,667 | – | – |
| Other receivables [a] | 14,268 | (34) | 14,234 | 14,238 | 12,730 | (39) | 12,691 | 12,707 | 9,590 | 9,554 |
| **Total other receivables** | **34,445** | **(427)** | **34,018** | **33,984** | **28,503** | **(521)** | **27,983** | **28,252** | **21,483** | **21,766** |
| ***TOTAL RECEIVABLES*** | ***47,502*** | ***(806)*** | ***46,696*** | ***46,663*** | ***39,534*** | ***(949)*** | ***38,585*** | ***38,854*** | ***31,784*** | ***32,118*** |

*(a) Includes separate related to employee benefits (see note 25.2).*

The Winterthur group's receivables totaled €2,173 million at December 31, 2006.

Credit risk exposure, mainly relating to receivables from reinsurers, is covered in Note 4 (Management of financial and insurance risks).

Given the Group's scale and diversity, none of its clients account for more than 10% of its business.

# Note 12: Cash and cash equivalents

Cash and cash equivalents break down as follows:

(in Euro million)

| | December 31, 2006 Carrying value [(a)] | December 31, 2005 Carrying value[(a)] | December 31, 2004 Carrying value[(a)] |
|---|---|---|---|
| Arising from insurance activities | 17,742 | 19,458 | 19,761 |
| Arising from banking activities | 322 | 177 | 199 |
| Arising from other activities | 3,105 | 1,766 | 2,534 |
| **Cash and cash equivalents** | **21,169** | **21,402** | **22,494** |

*(a) Fair value is equal to net carrying value.*

At December 31, 2006, cash and cash equivalents excluding Winterthur's contribution of €3,264 million totaled €17,905 million.

At December 31, 2006, 2005 and 2004, there was no significant restriction on the cash position, other than that described in section 28.3. (Restriction on dividends payments to shareholders).

This table excludes cash held by consolidated investment funds in the "Satellite Investment Portfolio", as defined in section 1.7.2., and cash backing contracts where the financial risk is borne by policyholders (unit-linked contracts) detailed in note 9.10.

# Note 13: Shareholders' equity, minority interests and other equity

## 13.1. Impact of transactions with shareholders

### 13.1.1. Change in shareholders' equity group share in 2006

**a) Share capital and capital in excess of nominal value**

In 2006, the following transactions had an impact on AXA's share capital and capital in excess of nominal value:

– A rights issue with preferential subscription rights made on July 11 to finance the acquisition of Winterthur for a total amount of €4,091 million (including €477 million in nominal share capital);
– Employee share offering (November 2006) for €375 million (including €35 million in nominal share capital);
– Capital reduction of €–305 million by cancelling shares acquired under the share buyback program (including €–26 million in nominal share capital);
– Exercise of stock options for a total of €131 million (including €19 million in nominal share capital);
– Conversion of share subscription rights for €8 million (including €1 million in nominal share capital);
– Other transactions (mainly bond conversions and capital gains on treasury shares) for a total of €7 million.

**b) Treasury shares**

At December 31, 2006, the Company and its subsidiaries owned approximately 30 million AXA shares, a decrease of 137 million with respect to December 31, 2005. The decrease was mainly due to the exercise of AXA stock options by employees of AXA Financial, which led to the sale of 6 million treasury shares during the period.

At December 31, 2006, the carrying value of treasury shares and related derivatives was €521 million, representing 1.41% of the share capital. This figure includes €43 million relating to AXA shares held by consolidated mutual funds (2.1 million shares) not used to back contracts where financial risk is borne by policyholders.

4,141,042 shares treasury shares backing contracts where financial risk is borne by policyholders held in controlled funds were not deducted from shareholders' equity. Their total estimated historical cost was €121 million and their market value €127 million at end December 2006.

**c) Perpetual debt and related interest**

As described in paragraph 1.11.2 on accounting principles, the subordinated perpetual notes issued by the group do not qualify as a liability under IFRS. The corresponding financing debts have been retrospectively restated as equity for all financial periods presented, in the sum of €2,679 million at December 31, 2005, €3,048 million at December 31, 2004, and €2,706 million at January 1, 2004. The fair value of subordinated debt has been reduced by €2,650 million at end 2005 and €3,002 million at end 2004. The restatement of subordinated perpetual debt had the following impact on the income statement: change in fair value of financial instruments at fair value through profit & loss (€102 million at end 2005 and €–58 million at December 31, 2004); financing debts expenses (€121 million at end 2005 and €144 million at end 2004; income tax (€78 million at end 2005 and €30 million at December end 2004).

Subordinated perpetual debt is classified in shareholders' equity at its historical value as regards interest rates and its closing value as regards exchange rates. The corresponding exchange differences are cancelled out through the translation reserve.

The change in other reserves was due to a €3,794 million issue of deeply subordinated perpetual notes, €–160 million in interest expense on the deeply subordinated perpetual notes and the subordinated perpetual notes, and €–95 million in exchange differences.

The deeply subordinated perpetual notes were issued to finance the acquisition of Winterthur, and comprise the following:

- a triple tranche perpetual deeply subordinated notes placed on July 6, 2006 for a total amount of approximately €2.2 billion:
  - i) €1 billion for the Euro perpetual non call ten years tranche (issued at a spread of 150 basis points over Euribor);
  - ii) £500 million for the Sterling perpetual non call ten years tranche (issued at a spread of 150 basis points over Libor);
  - iii) £350 million for the Sterling perpetual non call twenty years (issued at a spread of 175 basis points over Libor);
- AXA also placed in October 2006 a triple tranche Australian perpetual deeply subordinated note issue for a total amount of AU$750 million (approximately €0.5 billion);
- On December 11, 2006 AXA priced a two-tranche perpetual deeply subordinated note issue for a total amount of US$1.5 billion (approximately €1.1 billion):
  - i) US$750 million for the US$ perpetual deeply subordinated non call twelve years tranche;
  - ii) US$750 million for the US$ perpetual deeply subordinated non call thirty years tranche.

At December 31, 2006, perpetual debt recognized in shareholders' equity broke down as follows:

| | December 31, 2006 | |
|---|---|---|
| | Value of the perpetual debt in currency of issuance | Value of the perpetual debt in Euro million |
| October 29, 2004 – 375 M€ rate CMS 10 years – in euro | 375 | 375 |
| December 22, 2004 - 250 M€ rate CMS 10 years – in euro | 250 | 250 |
| January 25, 2005 – 250 M€ 6% in euro | 250 | 250 |
| July 6, 2006 – 1.000 M€ 5.777% in euro | 1,000 | 995 |
| July 6, 2006 – 500 M£ 6.666% in GBP | 500 | 739 |
| July 6, 2006 – 350 M£ 6.6862% in GBP | 350 | 521 |
| October 26, 2006 – 600 M$AUD 6.5% in AUD | 600 | 356 |
| November 7, 2006 – 150 M$AUD rate 6.5% in AUD | 150 | 89 |
| 750m $ (TSS) non call 12 years, in USD | 750 | 567 |
| 750m $ (TSS) non call 30 years, in USD | 750 | 567 |
| **Sub-total Perpetual Deeply Subordinated notes ("TSDI")** | **–** | **4,709** |
| Perpetual notes – variable 3.55% to 5% in EUR | 1,404 | 1,404 |
| Perpetual notes – variable 3.55% to 5% in JPY | 27,000 | 172 |
| Perpetual notes – variable 3.55% to 5% in USD | 1,275 | 968 |
| **Sub-total Deeply Subordinated notes ("TSS")** | **–** | **2,544** |
| Equity component of convertible debt | 203 | 203 |
| ***TOTAL*** | **–** | ***7,457*** |

In addition to the nominal amounts shown above, the debt component of shareholders' equity includes net accumulated interest of €–367 million at December 31, 2006, making a total of €7,090 million.
The nominal value of subordinated perpetual notes at December 31, 2006 was €2,544 million (versus €2,679 million at end 2005, €3,048 million at end 2004 and €2,706 million at January 1, 2004). The financial expense on these notes in 2006 was €121 million before tax (€121 million in 2005 and €144 million in 2004), and €80 million net of tax (€79 million in 2005 and €93 million in 2004).

Some of these instruments contained the following features:
- early redemption clauses (calls) at the group's option, giving AXA the ability to redeem the principal amount before maturity without penalty on certain dates;
- interest rate step-up clauses with effect from a given date.

**d) Dividends paid**

The shareholders' meeting of May 4, 2006, approved a dividend payout of €1,647 million in respect of 2005.

### *13.1.2. Change in shareholders' equity group share in 2005*

**a) Share capital and capital in excess of nominal value**

In 2005, the following transactions had an impact on AXA's nominal share capital and capital in excess of nominal value:
- AXA-Finaxa merger, led to a net reduction of €–940 million (including an €–88 million reduction in nominal share capital).
- The December 2005 capital increase reserved for employees led to an increase of €303 million (including a €37 million increase in nominal share capital).
- The buyback of AXA shares led to a net reduction of €–512 million (including a €–45 million reduction in nominal share capital).
- Exercise of stock options led to an increase of €53 million (including a €11 million increase in nominal share capital).
- Other transactions (mainly bond conversions and capital gains on AXA shares) led to an increase of €46 million.

**b) Treasury shares**

At December 31, 2005, the Company and its subsidiaries owned approximately 36 million AXA shares, an increase of €272 million with respect to December 31, 2004. The increase was mainly due to the purchase of €307 million AXA shares by AXA Financial following the exercise of call options contracted during 2004 to cover Axa Financial's employee stock option plans.

At December 31, 2005, the carrying value of treasury shares and related derivatives was €658 million, representing 1.92% of outstanding ordinary shares. This figure included €37 million relating to AXA shares held by consolidated mutual funds (2.2 million shares) not used to back contracts where financial risk is borne by policyholders.
4,540,278 treasury shares backing contracts where financial risk is borne by policyholders were not deducted from shareholders' equity (as they were held in controlled funds).
Their total estimated historical value was €80 million and their market value €124 million at end 2005.

**c) Perpetual debt and related interest**

The change in other reserves was mainly due to the following:
- €250 million issue of deeply subordinated notes through the Euro Medium Term Notes (EMTN) program;
- €515 million redemption of perpetual deeply subordinated notes;
- €–112 million in interest expense on the perpetual deeply subordinated and subordinated notes;
- €–146 million foreign exchange impact.

At December 31, 2005, perpetual debt recognized in shareholders' equity broke down as follows:

| | December 31, 2005 | |
|---|---|---|
| | Value of the perpetual debt in currency of issuance | Value of the perpetual debt in Euro million |
| October 29, 2004 – 375 M€ rate CMS 10 years – in euro | 375 | 375 |
| December 22, 2004 – 250 M€ rate CMS 10 years – in euro | 250 | 250 |
| January 25, 2005 – 250 M€ 6% in euro | 250 | 250 |
| **Sub-total Perpetual Deeply Subordinated notes ("TSDI")** | | **875** |
| Perpetual notes – variable 3.55% to 5% in EUR | 1,404 | 1,404 |
| Perpetual notes – variable 3.55% to 5% in JPY | 27,000 | 194 |
| Perpetual notes – variable 3.55% to 5% in USD | 1,275 | 1,081 |
| **Sub-total Deeply Subordinated notes ("TSS")** | – | **2,679** |
| Equity component of convertible debt | 203 | 203 |
| ***TOTAL*** | – | ***3,757*** |

In addition to the nominal amounts shown above, the debt component of shareholders' equity includes net accumulated interest of €–207 million at December 31, 2005, making a total of €3,551 million.

**d) Dividends paid**

Dividends paid by AXA totalled €1,164 million in 2005 in respect of the 2004 financial year, as approved by the shareholders meeting of April 20, 2005.

### *13.1.3. Change in shareholders' equity group share in 2004*

**a) Share capital and capital in excess of nominal value**

In 2004, three types of capital increase were carried out:

– Capital increases reserved for employees (July and December 2004) totalling €254 million (including a €43.1 million increase in nominal share capital);

– Capital increases arising from the conversion of ORAN bonds (bonds redeemable in cash or shares) totalling €1,396 million (including a €252 million increase in nominal share capital);

– Other capital increases arising from exercise of stock options totalling €11 million (including a €3 million increase in nominal share capital).

**b) Treasury shares**

At December 31, 2004, the Company and its subsidiaries owned approximately 24.6 million AXA shares, down compared to the figure at January 1, 2004. This decrease contributed to a net €124 million increase in shareholders' equity with respect to December 31, 2003.

At December 31, 2004, the carrying value of treasury shares was €386 million, representing 1.29% of the share capital. These shares were intended in particular to hedge purchase option plans for Axa Financial Inc. employees (options to buy AXA American Depositary Shares or ADSs).

In 2004, AXA Financial bought purchase options on approximately 26 million AXA ADSs to improve the hedging of AXA Financial employees' stock option plans. The option premium of €42 million (Euro value at December 31, 2004 of the premium paid and deducted from shareholders' equity) was included in the value of treasury shares at the end of the period.

**c) Perpetual debt and related interest**

The change in other reserves was mainly due to a €625 million issue of deeply subordinated perpetual notes through the Euro Medium Term Notes (EMTN) program, and foreign exchange differences for the year of €–84 million.

| | December 31, 2004 | |
|---|---|---|
| | Value of the perpetual debt in currency | Value of the perpetual debt in Euro million |
| October 29, 2004 – 375 M€ rate CMS 10 years – in euro | 375 | 375 |
| December 22, 2004 – 250 M€ rate CMS 10 years – in euro | 250 | 250 |
| **Sub-total Perpetual Deeply Subordinated notes ("TSDI")** | | **625** |
| Perpetual notes – variable 3.55% to 5% in EUR | 1,919 | 1,919 |
| Perpetual notes – variable 3.55% to 5% in JPY | 27,000 | 193 |
| Perpetual notes – variable 3.55% to 5% in USD | 1,275 | 936 |
| **Sub-total Deeply Subordinated notes ("TSS")** | **–** | **3,048** |
| Equity component of convertible debt | 203 | 203 |
| ***TOTAL*** | **–** | ***3,876*** |

In addition to the nominal amounts shown above, the debt component of shareholders' equity included net accumulated interest of €–95 million at December 31, 2004, making a total of €3,782 million.

**d) Dividends paid**

Dividends paid by AXA in 2004 with respect to the 2003 financial year totalled €676 million.

## *13.2. Recognized income and expense for the period*

The statement of recognized income and expense for the period (SORIE), which is an part of the consolidated statement of shareholders' equity, includes net income for the period, the reserve relating to the change in fair value of available for sale financial instruments, the translation reserve, and actuarial gains and losses on employee benefit obligations.

### *13.2.1. Recognized income and expense for 2006*

**a) Reserve related to changes in fair value of available for sale financial instruments included in shareholders' equity**

The change in reserves for unrealized gains totalled €–349 million, mainly relating to the United Kingdom (€–164 million), the United States (€–137 million) and Japan (€–88 million). The reduction in gross unrealized gains of available for sale financial assets totalled €–4,675 million, mainly due to fixed maturities (€–7,029 million) following a rise in interest rates during the year, partially offset by an increase in the unrealized gains on equity securities (€2,393 million).

The following table shows a reconciliation between gross unrealized gains and losses on available for sale financial assets and the corresponding reserve recognized in shareholders' equity:

(in Euro million)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|---|---|---|---|
| Gross unrealized gains and losses | 17,751 | 22,424 | 16,614 |
| **Less unrealized gains and losses attributable to:** | | | |
| Shadow accounting on policyholders' participation [(a)] | (7,242) | (10,342) | (7,528) |
| Shadow accounting on Deferred Acquisition Costs [(b)] | (315) | (458) | (467) |
| Shadow accounting on Value of purchased Business in force | (394) | (694) | (530) |
| **Unallocated unrealized gains and losses (before tax)** | **9,800** | **10,930** | **8,088** |
| Deferred tax | (1,833) | (2,565) | (2,257) |
| **Unrealized gains and losses (net of tax) – 100%** | **7,966** | **8,365** | **5,832** |
| **Minority interests share in unrealized gains and losses [(c)]** | **(273)** | **(220)** | **(205)** |
| Translation reserves [(d)] | 71 | (34) | 94 |
| **Unrealized gains and losses (Net group share)** | **7,763** | **8,111** | **5,720** |

*(a) Including shadow accounting impact on premium deficiency liabilities, after reevaluation of available for sale assets.*
*(b) Net of Shadow accounting on unearned revenues and fees reserves.*
*(c) Including currency impact attributable to minority interests.*
*(d) Group share.*

The change in reserves relating to changes in fair value of assets in 2006, 2005 and 2004 broke down as follows:

(in Euro million)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Other comprehensive income as at January 1st** | **8,365** | **5,832** | **4,398** |
| Transfer in the net income for the period [(a)] | (791) | (399) | (290) |
| Investments bought in the current accounting period and changes in value | 206 | 2,638 | 1,735 |
| Foreign exchange impact | (106) | 150 | (107) |
| Change in scope and other changes | 292 | 143 | 96 |
| **Other comprehensive income as at December 31** | **7,966** | **8,365** | **5,832** |

*(a) Transfer of result induced by disposal of financial assets, impairment write-back following reevaluation, or tranfer of expenses following impairment charge during the period, and fixed maturity securities discount premiums impacts.*

### b) Reserves related to the hedging of net investments in foreign operations and translation reserve

The impact of exchange rate movements (€–764 million) was mainly attributable to the United States (€–1,218 million, principally due to the difference between the 2006 and 2005 closing $/€ exchange rates: $1.32 for €1 at end 2006 compared to $1.18 for €1 at end 2005), Japan (€–291 million) and Canada (€–81 million), partially offset by the change in fair value of currency hedges set up by the Company to hedge net investments in foreign operations (€841 million).

### c) Employee benefits actuarial gains and losses

The main contributors to the €252 million change in actuarial gains and losses on employee benefit obligations were the United States (€146 million), Germany (€63 million) and the Netherlands (€16 million). Additional information on the pension benefit obligation is provided in Note 25.2.

### *13.2.2. Recognized income and expense for 2005*

**a) Reserve related to changes in fair value of available for sale financial instruments included in shareholders' equity**

The impact of change in fair value of assets (€2,391 million) mainly related to France (€1,060 million), Belgium (€710 million) and Japan (€347 million), partially offset by an adverse impact in the United States (€–385 million).

**b) Reserves related to the hedging of net investments in foreign operations and translation reserve**

The impact of exchange rate movements (€1,361 million) was mainly attributable to the United States (€1,671 million, principally due to the difference between the 2005 and 2004 closing $/€ exchange rates: $1.18 for €1 at end 2005 compared to $1.36 for €1 at end 2004), Australia (€99 million) and Canada (€97 million), partially offset by the change in fair value of currency hedges set up by the Company to hedge net investments in foreign operations (€–576 million).

**c) Employee benefits actuarial gains and losses**

The main contributors to the €–415 million change in actuarial gains and losses on the employee benefit liabilities were the UK (€–131 million), Germany (€–128 million) and the United States (€–95 million).

### *13.2.3. Recognized income and expense for 2004*

**a) Reserve related to changes in fair value of available for sale financial instruments included in shareholders' equity**

The main contributors to the €1,514 million increase in fair value changes recognized in shareholders' equity in 2004 were France (€729 million), Belgium (€416 million) and Germany (€111 million).

**b) Reserve related to the hedging of net investments in foreign operations and translation reserve**

Currency translation impacts were €–686 million, and mainly attributable to the United States (€–826 million, principally due to the difference between the 2004 and 2003 closing $/€ exchange rates: $1.36 for €1 at end 2004 compared to $1.26 for €1 at end 2003), and Japan (€–126 million), partially offset by the change in fair value of currency hedges set up by the Company to hedge net investments in foreign operations (€341 million).

**c) Employee benefits actuarial gains and losses**

The main contributors to the €–319 million change in actuarial gains and losses on the pension benefit obligation were the UK (€–185 million) and the United States (€–83 million).

## *13.3. Change in minority interests*

Under IFRS, minority interests in most investment funds in which the Group invests consist of instruments that holders can redeem at will at fair value, and qualify as a liability rather than shareholders' equity items. Please refer to note 17 – Debt (other than financing debt). The same is true for puttable instruments held by minority interest holders.

### *13.3.1. Change in minority interests in 2006*

The €180 million increase in minority interests to €2,943 million was mainly due to:

– net income for the period (€673 million);
– dividends paid to minority interests (€–440 million);
– change in translation reserves (€–205 million);

– consolidation of Winterthur (€72 million), mainly in Germany (€58 million) and Switzerland (€12 million);
– changes in the scope of consolidation in other group entities (€–60 million), mainly due to the buyout of minority interests in AXA Konzern (Germany);
– other movements (€139 million), mainly comprising movements in fair value reserves.

### 13.3.2. Change in minority interests in 2005

The €452 million increase in minority interests to €2,763 million was mainly due to:
– net income for the period (€488 million);
– dividends paid to minority interests (€–359 million);
– change in translation reserves (€–230 million);
– changes in the scope of consolidation (€23 million), notably from previously equity accounted Turkish entities;
– other movements (€69 million), mainly including movements in reserves related to changes in fair value of available for sale assets.

### 13.3.3. Change in minority interests in 2004

The €35 million decrease in minority interests in 2004 was mainly due to the buyout of minorities in AXA Re Finance from BNP Paribas (€–43 million).

The €–299 million decrease recorded in "other changes" in minority interests in 2004 mainly comprised dividends paid to minorities (€–265 million).

# Note 14: Liabilities arising from insurance and investment contracts

Following the adoption of United Kingdom standard FRS 27, as described in note 1.12.2 “accounting principles”, at December 31, 2005, the impacts on the balance sheet and income statement were as follows:

**Balance sheet impacts:**

– deferred acquisition costs have been restated by €–708 million at December 31, 2005 and €–689 million at December 31, 2004;
– liabilities arising from insurance contracts have been increased by:
  • €1,517 million in 2005, including €1,196 million in individual savings contracts, €6 million in group savings contracts and €315 million in life contracts;
  • €1,609 million in 2004, including €1,275 million in individual savings contracts, €4 million in group savings contracts and €329 million in life contracts;
– liabilities arising from investment contracts with discretionary participating features were restated by:
  • €377 million in 2005, including €317 million in individual savings contracts and €60 million in group savings contracts;
  • €170 million in 2004, including €142 million in individual savings contracts and €28 million in group savings contracts;
– liabilities arising from policyholder’s participation have been reduced by €–2,382 million in 2005 and €–2,253 million in 2004;
– unearned revenues and unearned fee reserves have been reduced by €–109 million in 2005 and €–105 million in 2004;
– deferred tax liabilities have been reduced by €–111 million in 2005 and €–109 million in 2004.

**Impacts on the 2005 income statement (FRS 27 was applied as at December 31, 2004 and therefore had no impact on the 2004 income statement):**

– the change in unearned premium reserves net of unearned revenues and fees has been increased by €0.6 million;
– technical charges relating to insurance activities have been reduced by €0.4 million;
– acquisition costs have been restated by €0.8 million;
– income tax has been decreased by €1 million.

The overall impact on 2005 net income was therefore nil.

## 14.1. Liabilities arising from insurance contracts (gross and reinsurers' share)

Liabilities arising from insurance contracts, including those where the financial risk is borne by policyholders, were split by segment as follows:

| | December 31, 2006 | | | |
|---|---|---|---|---|
| | Life & Savings | Property & Casualty | International Insurance | Total |
| Future policy benefit reserves Life & Savings [d] | 252,660 | – | 285 | 252,946 |
| Unearned premium reserves | 262 | 7,762 | 889 | 8,913 |
| Claim reserves [a] | 9,027 | 34,931 | 10,534 | 54,492 |
| *of which IBNR* [e] | *2,793* | *6,965* | *4,275* | *14,033* |
| Liability adequacy test reserves | 17 | – | – | 17 |
| Other reserves [b] | 3,402 | 3,410 | 52 | 6,864 |
| **Liabilities arising from insurance contracts** | **265,369** | **46,102** | **11,760** | **323,232** |
| *Of which measured at current market assumptions* [c] | *(263)* | – | *57* | *(205)* |
| Future policy benefit reserves | 108,891 | – | – | 108,891 |
| Claim reserves [a] | 85 | – | – | 85 |
| *of which IBNR* | *7* | – | – | *7* |
| Other reserves | 8 | – | – | 8 |
| **Liabilities arising from insurance contracts where the financial risk is borne by policyholders** | **108,984** | **–** | **–** | **108,984** |
| *Of which measured at current market assumptions* [c] | *189* | – | – | *189* |
| | | | | |
| Reinsurers' share in future policy benefit reserves | 4,217 | – | 11 | 4,228 |
| Reinsurers' share in unearned premium reserves | 5 | 215 | 554 | 775 |
| Reinsurers' share in claim reserves [a] | 442 | 1,964 | 4,348 | 6,754 |
| *of which IBNR* | *154* | *267* | *1,424* | *1,844* |
| Reinsurers' share in other reserves | 154 | 27 | – | 181 |
| **Reinsurers' share in liabilities arising from insurance contracts** | **4,818** | **2,206** | **4,913** | **11,937** |
| *Of which measured at current market assumptions* [c] | – | – | – | – |
| Reinsurers' share in future policy benefit reserves | 20 | – | – | 20 |
| Reinsurers' share in claim reserves [a] | 2 | – | – | 2 |
| *of which IBNR* | – | – | – | – |
| Reinsurers' share in other reserves | – | – | – | – |
| **Reinsurers' share in liabilities arising from insurance contracts where the financial risk is borne by policyholders** | **22** | **–** | **–** | **22** |
| *Of which measured at current market assumptions* [c] | *10* | – | – | *10* |
| ***TOTAL LIABILITIES ARISING FROM INSURANCE CONTRACTS, NET OF REINSURANCE CEDED*** | ***369,513*** | ***43,896*** | ***6,848*** | ***420,257*** |

*NB: Excludes derivatives related to insurance and investment contracts, which are detailed in section 19.4.*
*Liabilities relating to unearned revenues and fees, and to policyholder bonuses (gross and reinsurers' share), along with derivative instruments relating to insurance and investment contracts, are excluded from the table above.*
*(a) Includes reserves for claim handling costs.*
*(b) Notably includes non Life annuities mathematical reserves.*
*(c) See note 1.12.2 – Reserves measured according to the option offered by IFRS 4.24 for selective re-measurement of reserves at current market assumptions.*
*(d) As described in note 1.12.2, the adoption of FRS27 in the United Kingdom has led to adjustments in all periods presented. The effect of these adjustments is set out in note 14.*
*(e) For the detail of P&C and international insurance IBNR, see note 20.2.4.*

Total liabilities arising from insurance contracts amounted to €432,216 million gross of reinsurance, including €78,440 million related to the acquisition of Winterthur. Net of reinsurance, the corresponding amounts were €420,257 million in total and €77,202 million for Winterthur.

(in Euro million)

| December 31, 2005 | | | | December 31, 2004 | | | |
|---|---|---|---|---|---|---|---|
| Life & Savings | Property & Casualty | International Insurance | Total | Life & Savings | Property & Casualty | International Insurance | Total |
| 191,579 | – | 373 | 191,952 | 177,826 | – | 419 | 178,246 |
| 76 | 6,501 | 821 | 7,398 | 65 | 5,924 | 745 | 6,735 |
| 5,405 | 26,602 | 10,623 | 42,629 | 5,344 | 24,599 | 9,147 | 39,090 |
| *2,262* | *6,306* | *4,853* | *13,421* | *1,974* | *5,587* | *3,875* | *11,437* |
| 21 | – | – | 21 | 16 | – | – | 16 |
| 2,768 | 2,895 | 53 | 5,717 | 2,320 | 3,001 | 44 | 5,365 |
| **199,849** | **35,998** | **11,870** | **247,717** | **185,571** | **33,525** | **10,356** | **229,452** |
| – | – | *163* | *163* | – | – | *237* | *237* |
| 92,803 | – | – | 92,803 | 73,496 | – | – | 73,496 |
| 69 | – | – | 69 | 65 | – | – | 65 |
| *6* | – | – | *6* | – | – | – | |
| 16 | – | – | 16 | 17 | – | – | 17 |
| **92,888** | **–** | **–** | **92,888** | **73,578** | **–** | **–** | **73,578** |
| *(141)* | – | – | *(141)* | *(98)* | – | – | *(98)* |
| | | | | | | | |
| 3,710 | – | 8 | 3,718 | 3,377 | – | 6 | 3,383 |
| 5 | 128 | 134 | 267 | 1 | 111 | 120 | 233 |
| 376 | 1,791 | 2,692 | 4,859 | 412 | 1,628 | 2,051 | 4,092 |
| *9* | *416* | *1,092* | *1,516* | *1* | *(0)* | *949* | *950* |
| 140 | 37 | – | 177 | 93 | 20 | – | 113 |
| **4,230** | **1,956** | **2,834** | **9,020** | **3,882** | **1,760** | **2,178** | **7,820** |
| – | – | – | – | – | – | – | – |
| 10 | – | – | 10 | 12 | – | – | 12 |
| – | – | – | – | 2 | – | – | 2 |
| – | – | – | – | – | – | – | |
| – | – | – | – | – | – | – | – |
| **10** | **–** | **–** | **10** | **14** | **–** | **–** | **14** |
| *8* | – | – | *8* | – | – | – | – |
| ***288,497*** | ***34,043*** | ***9,036*** | ***331,576*** | ***255,253*** | ***31,765*** | ***8,178*** | ***295,196*** |

Insurance liabilities relating to with-profit insurance contracts excluding the FFA (Fund for Future Appropriation) amounted to €20,358 million at December 31, 2006. Excluding the Winterthur's contribution (€2,006 million), these liabilities totaled €18,352 million versus €18,169 million at end 2005 and €17,249 million at end 2004.

# 14.2. Liabilities arising from investment contracts (gross and reinsurers' share)

The following table shows a segmental breakdown of liabilities arising from investment contracts, including those where the financial risk is borne by policyholders:

| | December 31, 2006 | | |
|---|---|---|---|
| | Life & Savings | International Insurance | Total investment contracts |
| Future policy benefit reserves [c] | 32,449 | – | 32,449 |
| Unearned premium reserves | – | – | – |
| Claim reserves [a] | 143 | – | 143 |
| Liability adequacy test reserves | – | – | – |
| Other reserves | 6 | – | 6 |
| **Liabilities arising from investment contracts with discretionary participating features** | **32,599** | **–** | **32,599** |
| *Of which measured at current market assumptions* [b] | – | – | – |
| Future policy benefit reserves | 1,120 | – | 1,120 |
| Claim reserves [a] | 1 | – | 1 |
| Other reserves | – | – | – |
| **Liabilities arising from investment contracts with no discretionary participating features** | **1,121** | **–** | **1,121** |
| Future policy benefit reserves | 66,927 | 541 | 67,467 |
| Claim reserves [a] | 25 | 3 | 27 |
| Other reserves | 178 | – | 178 |
| **Liabilities arising from investment contracts where the financial risk is borne by policyholders** | **67,129** | **543** | **67,673** |
| | | | |
| Reinsurers' share in future policy benefit reserves | 12 | – | 12 |
| Reinsurers' share in unearned premium reserves | – | – | – |
| Reinsurers' share in claim reserves [a] | – | – | – |
| Reinsurers' share in other reserves | – | – | – |
| **Reinsurers' share in liabilities arising from investment contracts with discretionary participating features** | **12** | **–** | **12** |
| *Of which measured at current market assumptions* [b] | – | – | – |
| Reinsurers' share in future policy benefit reserves | – | – | – |
| Reinsurers' share in claim reserves [a] | – | – | – |
| Reinsurers' share in other reserves | – | – | – |
| **Reinsurers' share in liabilities arising from investment contracts with no discretionary participating features** | **–** | **–** | **–** |
| Reinsurers' share in future policy benefit reserves | 9 | – | 9 |
| Reinsurers' share in claim reserves [a] | – | – | – |
| Reinsurers' share in other reserves | – | – | – |
| **Reinsurers' share in liabilities arising from investment contracts where the financial risk is borne by policyholders** | **9** | **–** | **9** |
| ***TOTAL LIABILITIES ARISING FROM INVESTMENT CONTRACTS – NET OF REINSURANCE CEDED*** | ***100,829*** | ***543*** | ***101,372*** |

*Liabilities relating to unearned revenues and fees, and to policyholder bonuses (gross and reinsurers' share), along with derivative instruments relating to insurance and investment contracts, are excluded from the table above.*
*(a) Includes reserves for claim handling costs.*
*(b) See note 1.11.2 - Reserves measured according to the option offered by IFRS 4.24 for selective re-measurement of reserves at current market assumptions.*
*(c) As described in note 1.12.2, the adoption of FRS27 in the United Kingdom has led to adjustments in all periods presented. The effect of these adjustments is set out in note 14.*

In Life & Savings, total liabilities arising from investment contracts amounted to €100,829 million net of reinsurance at December 31, 2006, including €14,669 million related to the acquisition of Winterthur. For total insurance activities, these amounts were €101,372 million in total and €15,212 million for Winterthur after taking account of €543 million recognized by Winplan, a life insurance company in run-off which forms part of the international insurance segment.

(in Euro million)

| December 31, 2005 | | December 31, 2004 | |
|---|---|---|---|
| Life & Savings | Total investment contracts | Life & Savings | Total investment contracts |
| 33,119 | 33,119 | 31,718 | 31,718 |
| – | – | – | – |
| 127 | 127 | 114 | 114 |
| – | – | – | – |
| 21 | 21 | – | – |
| 33,267 | 33,267 | 31,832 | 31,832 |
| – | – | – | – |
| 925 | 925 | 869 | 869 |
| 1 | 1 | – | – |
| – | – | – | – |
| 926 | 926 | 869 | 869 |
| 48,298 | 48,298 | 38,926 | 38,926 |
| 2 | 2 | 2 | 2 |
| 248 | 248 | 200 | 200 |
| 48,549 | 48,549 | 39,127 | 39,127 |
| | | | |
| 13 | 13 | – | – |
| – | – | – | – |
| – | – | – | – |
| – | – | – | – |
| 13 | 13 | – | – |
| – | – | – | – |
| – | – | – | – |
| – | – | – | – |
| – | – | – | – |
| – | – | – | – |
| 8 | 8 | – | – |
| – | – | – | – |
| – | – | – | – |
| 8 | 8 | – | – |
| *82,720* | *82,720* | *71,828* | *71,828* |

Insurance liabilities relating to With-Profit insurance contracts excluding the FFA (Fund for Future Appropriation) amounted to €10,323 million at December 31, 2006.

Excluding Winterthur’s contribution (€223 million), these liabilities totaled €10,100 million versus €10,363 million at end 2005 and €10,444 million at end 2004.

# 14.3. Change in claim reserves for Property & Casualty and International Insurance (insurance contracts)

## 14.3.1. Change in gross claim reserves (including reinsurance)

(in Euro million)

| | 2006 | | | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Property & Casualty | International Insurance | Total | Property & Casualty | International Insurance | Total | Property & Casualty | International Insurance | Total |
| Claim reserves at January 1 | 25,614 | 10,366 | 35,980 | 23,708 | 8,890 | 32,599 | 23,082 | 9,719 | 32,801 |
| Claim handling cost reserves as of January 1 | 988 | 257 | 1,245 | 891 | 257 | 1,148 | 841 | 227 | 1,068 |
| Claim reserves measured at current value as of January 1 | – | – | – | – | – | – | – | – | – |
| Gross claim reserves as of January 1 [(a)] | 26,602 | 10,623 | 37,225 | 24,599 | 9,147 | 33,747 | 23,923 | 9,946 | 33,869 |
| Current year change | 12,722 | 2,018 | 14,740 | 12,075 | 3,208 | 15,283 | 11,541 | 2,259 | 13,801 |
| Loss reserves development (prior years) | (826) | (132) | (958) | (634) | 199 | (435) | (562) | (101) | (663) |
| Total claim expenses [(b)] | 11,896 | 1,886 | 13,782 | 11,441 | 3,407 | 14,848 | 10,979 | 2,159 | 13,138 |
| Claim payments (current year) | (5,522) | (1,622) | (7,144) | (5,248) | (1,358) | (6,606) | (4,749) | (1,278) | (6,027) |
| Claim payments (prior years) | (5,180) | (1,062) | (6,242) | (5,212) | (1,231) | (6,443) | (5,347) | (1,266) | (6,613) |
| Claim payments [(b)] | (10,703) | (2,684) | (13,387) | (10,460) | (2,590) | (13,049) | (10,095) | (2,545) | (12,640) |
| Change in scope of consolidation and change in accounting method | 7,235 | 1,239 | 8,474 | 697 | 35 | 732 | (38) | 2 | (36) |
| Impact of foreign currency fluctuation | (99) | (530) | (629) | 324 | 622 | 946 | (169) | (415) | (584) |
| Claim reserves as at December 31 | 33,625 | 10,275 | 43,899 | 25,614 | 10,366 | 35,980 | 23,708 | 8,890 | 32,599 |
| Claim handling cost reserves as of December 31 | 1,306 | 259 | 1,566 | 988 | 257 | 1,245 | 891 | 257 | 1,148 |
| Claim reserves measured at current value as of December 31 | – | – | – | – | – | – | – | – | – |
| Gross claim reserves as of December 31 [(a)] | 34,931 | 10,534 | 45,465 | 26,602 | 10,623 | 37,225 | 24,599 | 9,147 | 33,747 |

*(a) Excluding "other insurance liabilities" (mainly mathematical annuity reserves), which totaled €3 billion in 2004, €2.9 billion in 2005 and €3.4 billion in 2006 including 0.5 billion for Winterthur.*
*(b) Excluding claim handling cost reserves.*

In Property & Casualty, changes in the scope of consolidation in 2006 amounted to €7,235 million, mainly due to:

i. The entry of Winterthur companies in the scope of consolidation (€7,776 million).
ii. In Germany, removals from scope of consolidation (€–794 million), mainly due to transfer of the run-off portfolio to AXA Liabilities Managers, which belongs to the international insurance segment (€–640 million), and the disposal of DARAG (€–127 million).
iii. In Canada, the entry of Citadel in the scope of consolidation (€250 million).

In International Insurance, changes in the scope of consolidation in 2006 amounted to €1,239 million, mainly due to:

i. The entry of Winterthur companies in the scope of consolidation (€612 million).
ii. The transfer of the German run-off portfolio (€640 million).

In Property & Casualty, changes in the scope of consolidation in 2005 amounted to €697 million, mainly due to:

i. The change in consolidation method (full consolidation method instead of equity-method) in Turkey (€82 million), Hong Kong (€116 million) and Singapore (€63 million);

ii. The transfer of the disability business from the Life & Savings segment to the Property & Casualty segment in the Netherlands (€116 million).

iii. The entry of Daev Sach (Germany) in the scope of consolidation (€57 million).

### 14.3.2. Change in reinsurers' share

(in Euro million)

| | 2006 | | | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Property & Casualty | International Insurance | Total | Property & Casualty | International Insurance | Total | Property & Casualty | International Insurance | Total |
| Reinsurers' share in claim reserves as of January 1 | 1,791 | 2,692 | 4,483 | 1,628 | 2,051 | 3,680 | 2,180 | 2,362 | 4,542 |
| Reinsurers' share in total claim expenses | 314 | 716 | 1,030 | 305 | 1,265 | 1,570 | 216 | 476 | 692 |
| Reinsurers' share in claim payments | (372) | 1,014 | 642 | (337) | (832) | (1,169) | (667) | (595) | (1,262) |
| Change in scope of consolidation, portfolio transfers and change in accounting principles | 248 | 144 | 392 | 172 | 58 | 230 | (72) | (35) | (107) |
| Impact of foreign currency fluctuation | (18) | (218) | (236) | 22 | 150 | 172 | (28) | (157) | (185) |
| Reinsurers' share in claim reserves as of December 31 | 1,964 | 4,348 | 6,312 | 1,791 | 2,692 | 4,483 | 1,628 | 2,051 | 3,680 |

In Property & Casualty, changes in the scope of consolidation in 2006 amounted to €248 million, mainly due to:

i. The entry of Winterthur companies in the scope of consolidation (€424 million).

ii. €–169 million in Germany mainly due to transfer of the run-off portfolio to AXA Liabilities Managers (€–125 million) and the disposal of DARAG (€–43 million).

iii. In Canada, the entry of Citadel in the scope of consolidation (€24 million).

In International Insurance, changes in the scope of consolidation in 2006 amounted to €144 million, mainly due to:

i. The entry of Winterthur companies in the scope of consolidation (€6 million).

ii. The transfer of the German run-off portfolio (€125 million).

In Property & Casualty, changes in the scope of consolidation in 2005 amounted to €172 million, mainly due to:

i. The change in consolidation method in Turkey (€17 million), Hong Kong (€42 million) and Singapore (€20 million).

ii. The transfer of the disability business from the Life & Savings segment to the Property & Casualty segment in the Netherlands (€60 million).

# 14.4. Change in future policy benefit reserves (Life & Savings)

## 14.4.1. Change in gross future policy benefit reserves (including reinsurance)

(in Euro million)

| | 2006 | | | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance contracts | Investment contracts | Total | Insurance contracts | Investment contracts | Total | Insurance contracts | Investment contracts | Total |
| Gross future policy benefit reserves as of January 1 | 284,403 | 82,342 | 366,745 | 251,339 | 71,513 | 322,852 | 230,502 | 66,528 | 297,030 |
| Net pure premiums | 37,618 | 9,837 | 47,454 | 32,538 | 9,505 | 42,044 | 31,501 | 8,206 | 39,707 |
| Claims paid | (30,678) | (10,040) | (40,718) | (27,132) | (8,158) | (35,290) | (27,379) | (7,072) | (34,452) |
| Change in future policy benefit reserves (a) (c) | 17,611 | 2,438 | 20,049 | 12,642 | 5,790 | 18,431 | 12,177 | 2,250 | 14,427 |
| Technical income and other | 90 | 2,216 | 2,306 | 501 | 1,690 | 2,191 | (292) | 1,276 | 984 |
| Transfers (b) | 1,702 | (1,699) | 3 | (231) | 231 | – | 1,165 | (1,165) | – |
| Change in scope of consolidation and change in accounting method (c) | 64,923 | 14,778 | 79,700 | (546) | (97) | (644) | 12,820 | 2,003 | 14,824 |
| Impact of foreign currency fluctuation (c) | (14,099) | 624 | (13,475) | 15,293 | 1,868 | 17,162 | (9,155) | (513) | (9,668) |
| Gross future policy benefit reserves as of December 31 (c) | 361,569 | 100,496 | 462,065 | 284,403 | 82,342 | 366,745 | 251,339 | 71,513 | 322,852 |

*(a) Interest credited, policyholder bonus, adjustments on contracts where the financial risk is borne by policyholders.*
*(b) Internal AXA transfers.*
*(c) As described in note 1.12.2 on accounting principles, the adoption of FRS 27 in the United Kingdom led to restatements in all the periods presented (see note 14 for details).*

N.B.: This table summarizes future policy benefit reserves arising from insurance and investment contracts for the Life & Savings segment, whether or not the risk is borne by policyholders (i.e. including unit-linked business).

In 2006, changes in the scope of consolidation totaled €79,700 million, mainly due to:

1) The entries in the scope of consolidation of:
   i. Winterthur: €79,190 million (including €64,543 million of future policy benefits reserves related to insurance contracts and €14,647 million related to investment contracts).
   ii. Citadel in Canada (€56 million).
   iii. MLC in Hong Kong: €391 million (including €304 million related to insurance contracts and €87 million to investment contracts).
   iv. In Malaysia: €95 million (insurance contracts).
2) Continued reduction in AXA Germany's co-insurance share of HÄK-BÄK medical profession pools (€–304 million).
3) In Southern Europe, reclassification of policyholder bonus reserves to the future policy benefit reserves: €269 million (including €225 million related to insurance contracts, and €44 million related to investment contracts).

In 2005, changes in the scope of consolidation mainly included the reduction in AXA Germany's co-insurance share of HÄK-BÄK medical profession pools (€–354 million), the sale of the Health business (€–142 million) and the transfer of the disability business from the Life & Savings segment to the Property & Casualty segment in the Netherlands (€–116 million).

In 2004, changes in the scope of consolidation mainly concerned the entry of MONY (United States) in the scope of consolidation (€13,300 million).

### 14.4.2. Change in reinsurers' share

(in Euro million)

| | 2006 | | | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance contracts | Investment contracts | Total | Insurance contracts | Investment contracts | Total | Insurance contracts | Investment contracts | Total |
| Reinsurers' share in future policy benefit reserves as of January 1 | 3,720 | 21 | 3,741 | 3,391 | – | 3,391 | 3,097 | – | 3,097 |
| Ceded net pure premiums | 493 | 1 | 495 | 463 | 11 | 473 | 421 | – | 421 |
| Ceded claims paid | (540) | (3) | (543) | (559) | (3) | (562) | (406) | – | (406) |
| Reinsurers' share of change in future policy benefit reserves [(a)] | 91 | – | 91 | 47 | – | 47 | 35 | – | 35 |
| Ceded technical income and other | 69 | 1 | 70 | 91 | 1 | 92 | 49 | – | 49 |
| Transfers [(b)] | (0) | – | (0) | (12) | 12 | (0) | – | – | – |
| Change in scope of consolidation and change in accounting method | 694 | – | 694 | (57) | – | (57) | 393 | – | 393 |
| Impact of foreign currency fluctuation | (289) | – | (289) | 356 | – | 356 | (198) | – | (198) |
| Reinsurers' share in future policy benefit reserves as of December 31 | 4,237 | 20 | 4,258 | 3,720 | 21 | 3,741 | 3,391 | – | 3,391 |

*(a) Interest credited, policyholder bonus, adjustments on contracts where the financial risk is borne by policyholders.*
*(b) Internal AXA transfers.*

In 2006, changes in the scope of consolidation (€694 million) mainly comprised the entry of Winterthur (€687 million).

## 14.5. Liabilities arising from investment contracts by accounting method

(in Euro million)

| | Carrying value | | |
|---|---|---|---|
| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
| **(Non Unit-Linked) – Liabilities arising from:** | | | |
| Investment contracts with Discretionnary Participation Features (DPF) measured according to existing accounting policies [(a)] [(d)] | 32,599 | 33,267 | 31,832 |
| Investment contracts with Discretionnary Participation Features (DPF) – measured with current assumptions [(b)] | – | – | – |
| Investment contract with no Discretionnary Participation Features (DPF) measured at amortized cost | 510 | 219 | 140 |
| Investment contract with no Discretionnary Participation Features (DPF) measured at fair value | 611 | 707 | 730 |
| **(Unit-Linked) – Liabilities arising from contracts where financial risk is borne by policyholders:** | | | |
| Investment contract with Discretionnary Participation Features (DPF) measured according to existing accounting policies [(a) & (c)] | 11,007 | 9,712 | 8,436 |
| Features in investment contracts with Discretionnary Participation Features (DPF) measured with current assumptions [(b)] | – | – | – |
| Investment contract with no Discretionnary Participation Features (DPF) measured at current unit value [(d)] | 56,665 | 38,836 | 30,691 |
| **TOTAL LIABILITIES ARISING FROM INVESTMENT CONTRACTS** | **101,393** | **82,742** | **71,828** |

*(a) In accordance with IFRS 4 standards which allow, under certain conditions, to continue to use a previous system of reference to liabilities arising from contracts with discretionary participating features.*
*(b) See note 1.12.2. – Reserves measured according to IFRS 4.24 option which allows to evaluate certain portfolios with current assumptions.*
*(c) & (d) As unit-linked contracts, they share the same reserves measurement determined on the basis of held assets units fair value ("current unit value"). Only the valuation of related assets is different:*
*– for unit-linked contracts with a discretionary participating feature (c), an asset representing the deferred acquisition costs is recognized in continuity with French GAAP;*
*– for unit linked contracts with no discretionary participating feature (d), an asset representing the rights to future management fees is recognized in accordance with IAS 18 ("DOC") – see section 1.2.5.*
*N.B.: This information is presented net of the impact of derivatives, which is described in note 19.4.1.`*
*(d) As described in note 1.12.2 on accounting principles, the adoption of FRS 27 in the United Kingdom led to restatements in all the periods presented (see note 14 for details).*

The recognition of investment contracts with a discretionary participating features is subject to IFRS 4, which allows under certain conditions the continued use of principles applied before the adoption of IFRS.

However, these contracts must be treated in accordance with IAS 32 with regards to the disclosures to be provided in the notes to Financial Statements. IAS 32 requires the reporting of fair value or value ranges for these contracts, unless the Company cannot reliably measure the participating features.

In Phase I, the IAS Board acknowledged the difficulties involved in the recognition of discretionary participating features. Phase II discussions concerning insurance and investment contracts with a discretionary participating features were only re-activated at IAS Board level in December 2005 and have to date produced little guidance regarding the fair value measurement of these contracts. The Phase II Discussion Paper had not yet been published as at the date of publication of these notes. In addition, the IAS Board has numerous projects underway that could influence the definition of fair value of discretionary participating features. Discussions on these issues are highly complex, and are not yet sufficiently advanced, particularly the Discussion Paper setting out the possibility of adopting US standard FAS 157 *“Fair Value Measurement”* in IFRSs.

Due to the resulting uncertainty, AXA cannot reliably disclose fair value or value ranges for investment contracts with a discretionary participating features.

At December 31, 2006, financial liabilities arising from investment contracts including reinsurance for all insurance activities amounted to €101,393 million, including €15,212 million related to the acquisition of Winterthur.

## *14.6. Loss reserve development table*

The loss reserve development table shows movements in loss reserves between 1996 and 2006, based on previously applied accounting standards, in accordance with IFRS 4. All contracts concerned are insurance contracts as defined by IFRS.

The first row entitled "Gross reserves for unpaid claims and claim expenses developed initially at the booking date" represents the loss reserves developed in the balance sheet on the reporting date for the year indicated in the column heading. For example, the sum of €31,168 million appearing in the first row of the table in the 2005 column represents all loss reserves developed in all years of occurrence prior to and including 2005, recognized on the company’s balance sheet at December 31, 2005.

The second row entitled “Gross reserves for unpaid claims and claim expenses developed in 2006 adjusted for changes in exchange rates and scope of consolidation” indicates the amount that would have been developed initially at the booking date had the exchange rates for the current year been used (for reserves recognized by AXA Group entities that do not use the Euro as their functional currency) and assuming an identical scope of consolidation to that used for the last diagonal of the table.

Preparation of the last diagonal must take account of the fact that, following the merger of some newly-acquired portfolios with the AXA Group’s existing portfolios, it is not always technically possible to distinguish, within payments made in a given year in respect of prior occurrence years, between those relating to the historical portfolio and those relating to the recently-acquired portfolio. In these cases, the merged scope is used to prepare the last diagonal of the table, even in the columns corresponding to years before the one in which the most recent portfolio was acquired.

However, with effect from the development of loss reserves at end 2006, the company uses the method which consists in completing each column of the table using the same scope as that used for "Gross reserves for unpaid claims and claim expenses developed initially at the booking date". In practice, therefore, with effect from the 2006 column, the differences between the first and second rows are mainly due to exchange rate impacts and only marginally to changes in scope of consolidation.

Also with effect from end 2006, IBNR reserves related to construction insurance in France have been included in the loss reserve development for the first time, and the development of all annuity reserves for the Property & Casualty segment are presented separately.

The first section of the table entitled “Cumulative payments” shows, for a given column N, the cumulative amount of payments related to years of occurrence prior to and including N, made since December 31 of year N.

The second part of the table entitled “Reserve re-estimated” shows, for a given column N, an estimate of the final cost of liabilities carried at December 31 of year N in respect of all years of occurrence prior to and including N, at each future period end. The final cost estimate varies as information relating to losses still outstanding becomes more reliable.

The surplus (shortfall) of the initial reserve with respect to the re-estimated gross final cost for each year represents, for a given year N, the difference between the amount shown on the second row (gross reserves for unpaid claims and claims expenses developed in 2006 adjusted for changes in exchange rates and scope of consolidation) and the amount shown in the final diagonal under “Reserve re-estimated”.

## 14.6.1. Loss reserves development table: Property & Casualty and International Insurance (excluding AXA RE)

(in Euro million except percentages)

| | 1996 | 1997 (b) | 1998 | 1999 (c) | 2000 | 2001 | 2002 | 2003 | 2004 (d) | 2005 | 2006 (e) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross reserves for unpaid claims and claim expenses developed initially at the booking date (d) | 5,847 | 20,371 | 20,941 | 26,656 | 26,916 | 28,636 | 28,465 | 27,825 | 29,128 | 31,168 | 41,193 |
| Gross reserves for unpaid claim and claim expenses developed in 2006 adjusted for changes in exchange rates and scope of consolidation (d) | 18,232 | 21,548 | 22,167 | 24,708 | 25,712 | 27,236 | 28,023 | 28,962 | 29,843 | 31,253 | 41,193 |
| **Cumulative payments at:** | | | | | | | | | | | |
| One year later | 1,388 | 4,737 | 4,745 | 7,727 | 6,807 | 6,715 | 6,371 | 6,075 | 6,180 | 6,084 | |
| Two years later | 5,759 | 6,632 | 6,818 | 11,184 | 10,302 | 9,900 | 9,554 | 9,233 | 8,871 | | |
| Three years later | 7,327 | 8,087 | 9,361 | 13,474 | 12,378 | 12,440 | 11,846 | 11,332 | | | |
| Four years later | 8,351 | 10,338 | 10,632 | 14,798 | 14,220 | 14,140 | 13,411 | | | | |
| Five years later | 10,619 | 11,218 | 11,384 | 16,239 | 15,297 | 15,410 | | | | | |
| Six years later | 11,187 | 11,512 | 12,435 | 16,554 | 16,420 | | | | | | |
| Seven years later | 11,387 | 12,508 | 12,889 | 17,667 | | | | | | | |
| Eight years later | 12,143 | 12,970 | 13,557 | | | | | | | | |
| Nine years later | 12,473 | 13,756 | | | | | | | | | |
| Ten years later | 12,398 | | | | | | | | | | |
| **Reserve re-estimated at:** | | | | | | | | | | | |
| One year later | 5,537 | 19,425 | 19,040 | 23,041 | 27,069 | 27,425 | 26,856 | 27,527 | 29,179 | 29,878 | |
| Two years later | 13,881 | 17,510 | 19,407 | 26,294 | 25,919 | 25,718 | 26,219 | 26,791 | 27,833 | | |
| Three years later | 13,864 | 17,971 | 22,048 | 25,542 | 24,864 | 25,610 | 25,835 | 26,920 | | | |
| Four years later | 14,214 | 20,162 | 21,485 | 24,409 | 24,665 | 25,542 | 25,783 | | | | |
| Five years later | 16,742 | 19,873 | 20,804 | 24,304 | 24,658 | 25,756 | | | | | |
| Six years later | 16,439 | 19,052 | 20,820 | 24,174 | 25,093 | | | | | | |
| Seven years later | 16,024 | 19,293 | 20,671 | 24,720 | | | | | | | |
| Eight years later | 16,272 | 19,267 | 21,049 | | | | | | | | |
| Nine years later | 16,188 | 19,864 | | | | | | | | | |
| Ten years later | 15,825 | | | | | | | | | | |
| **Cumulative redundancy (deficiency) from the initial gross reserves in excess of re-estimated gross reserves:** | | | | | | | | | | | |
| Amount (a) | 2,408 | 1,684 | 1,118 | (12) | 619 | 1,481 | 2,241 | 2,043 | 2,010 | 1,375 | na |
| Percentages (a) | 13.2% | 7.8% | 5.0% | 0.0% | 2.4% | 5.4% | 8.0% | 7.1% | 6.7% | 4.4% | na |

*(a) It is not appropriate to extrapolate future redundancies or future deficiencies based on the loss reserve development presented in the table, as conditions and trends that have affected development of the liability in prior periods may not necessarily occur in the future periods.*

*(b) AXA acquired Compagnie UAP ("UAP") on January 1, 1997. The operations of AXA and UAP were integrated in 1998. At the date of acquisition, UAP had net reserves of €13.7 billion. The outstanding claim reserves and claim expenses of UAP's Property & Casualty operations are included in the year end reserves as of December, 31, 1997 and after. Cumulative payments and reserve development for 1998 and after include the development of integrated Property & Casualty liabilities of AXA, including UAP, as loss development data specific to UAP are not available and there is no reasonable basis of allocating cumulative payments and reserves re-estimated between AXA and UAP post-acquisition.*

*(c) AXA acquired GRE in May 1999. GRE's operations have been integrated within AXA. At the time of acquisition, GRE's gross reserves totaled €5.6 billion.*

*(d) In 2004, AXA Corporate Solution Assurance US, AXA RE P&C Insurance Company and AXA RE P&C Reinsurance were transferred from AXA RE to "other international activities". The reserves of AXA Corporate Solution Assurance US were presented on an occurring year basis and included in the Property & Casualty loss reserve development table. The reserves of AXA RE P&C Insurance Company and AXA RE Reinsurance Company were presented on an underwriting year basis and included in the AXA RE loss reserve development table.*

*(e) In 2006, Winterthur's operations have been integrated within AXA. Total loss reserves developed amounted to €41.2 billion including €8.6 billion in respect of Winterthur.*

## 14.6.2. Loss reserves development table: AXA RE

On December 21, 2006, the AXA Group finalized an agreement to sell the AXA RE reinsurance business to Paris Ré Holding. Under the terms of the agreement, AXA retains exposure to any changes in the final cost of claims occurring before December 31, 2005. However, the proportional treaty put in place as part of the agreement between AXA RE and Paris Ré protects AXA entirely from any claims occurring after January 1, 2006. Consequently, the table below shows the development of loss reserves recognized in AXA RE's balance sheet at each year-end until December 31, 2005. Reserves recognized after that, which correspond to exposure assumed fully by Paris Ré, have not been developed.

(in Euro million except percentages)

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 (c) | 2002 | 2003 | 2004 (d) | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross reserves for unpaid claims and claim expenses developed initially at the booking date (a)** | **2,646** | **2,880** | **3,060** | **3,396** | **3,455** | **5,868** | **4,778** | **4,200** | **3,314** | **4,523** |
| **Gross reserves for unpaid claims and claim expenses developed in 2006 (d)** | **2,646** | **2,880** | **3,060** | **3,396** | **3,453** | **5,868** | **4,778** | **3,742** | **3,314** | **4,253** |
| Initial retroceded reserves | (196) | (285) | (416) | (430) | (393) | (1,652) | (1,020) | (853) | (410) | (1,048) |
| Retroceded reserves in 2006 (d) | (196) | (285) | (416) | (430) | (393) | (1,652) | (1,020) | (461) | (502) | (1,048) |
| **Initial net claims reserves in excess of (less than) re-estimated net claim reserves** | **2,450** | **2,595** | **2,644** | **2,966** | **3,060** | **4,216** | **3,758** | **3,281** | **2,812** | **3,205** |
| **Cumulative payments at:** | | | | | | | | | | |
| One year later | 615 | 583 | 956 | 1,165 | 1,218 | 1,987 | 1,441 | 950 | 1,127 | 1,191 |
| Two years later | 965 | 1,094 | 1,594 | 1,893 | 1,860 | 3,198 | 2,113 | 1,543 | 1,574 | |
| Three years later | 1,230 | 1,430 | 2,000 | 2,265 | 2,449 | 3,603 | 2,570 | 1,784 | | |
| Four years later | 1,427 | 1,685 | 2,232 | 2,779 | 2,549 | 3,978 | 2,768 | | | |
| Five years later | 1,586 | 1,815 | 2,677 | 2,726 | 2,770 | 4,140 | | | | |
| Six years later | 1,689 | 2,101 | 2,566 | 2,894 | 2,874 | | | | | |
| Seven years later | 1,953 | 1,971 | 2,697 | 2,966 | | | | | | |
| Eight years later | 1,813 | 2,060 | 2,755 | | | | | | | |
| Nine years later | 1,881 | 2,114 | | | | | | | | |
| Ten years later | 1,929 | | | | | | | | | |
| **Reserve re-estimated at:** | | | | | | | | | | |
| One year later | 2,970 | 2,945 | 3,743 | 3,969 | 4,199 | 5,922 | 5,012 | 3,438 | 3,797 | 4,061 |
| Two years later | 2,829 | 3,159 | 3,817 | 4,105 | 4,061 | 6,183 | 4,163 | 3,642 | 3,621 | |
| Three years later | 2,891 | 3,168 | 3,772 | 3,955 | 4,034 | 5,314 | 4,374 | 3,514 | | |
| Four years later | 2,844 | 3,045 | 3,643 | 4,027 | 3,817 | 5,536 | 4,281 | | | |
| Five years later | 2,754 | 2,941 | 3,722 | 3,755 | 3,944 | 5,466 | | | | |
| Six years later | 2,612 | 2,964 | 3,444 | 3,845 | 3,887 | | | | | |
| Seven years later | 2,692 | 2,724 | 3,521 | 3,797 | | | | | | |
| Eight years later | 2,468 | 2,774 | 3,478 | | | | | | | |
| Nine years later | 2,513 | 2,736 | | | | | | | | |
| Ten years later | 2,482 | | | | | | | | | |
| **Cumulative redundancy (deficiency) from the initial gross claim reserves in excess of (less than) re-estimated gross claim reserves** | **164** | **144** | **(418)** | **(401)** | **(434)** | **402** | **497** | **228** | **(307)** | **192** |
| Re-estimated retroceded reserves | 240 | 349 | 512 | 445 | 398 | 1,160 | 759 | 396 | 631 | 1,074 |
| Premium adjustment (b) | 570 | 637 | 724 | 1,034 | 1,281 | 1,387 | 1,289 | 580 | 373 | 388 |
| Re-estimated net claim reserves | 1,672 | 1,750 | 2,242 | 2,318 | 2,208 | 2,919 | 2,233 | 2,538 | 2,617 | 2,599 |
| **Initial net claim reserves in excess of (less than) re-estimated net claim reserves as at December 31, 2006:** | | | | | | | | | | |
| Amount (a) | 778 | 845 | 402 | 648 | 852 | 1,297 | 1,525 | 743 | 195 | 733 |
| Percentages of original net reserve (a) | 31.8% | 32.6% | 15.2% | 21.8% | 27.8% | 30.8% | 40.6% | 22.6% | 6.9% | 22.9% |

*(a) The loss reserve development table is presented on an underwriting year basis for AXA RE business. Accordingly reserves re-estimated and the excess of re-estimated reserves of the initial reserves include reserves for losses occurring up to twelve months subsequent to the original year-end. It is not appropriate to extrapolate future redundancies or future deficiencies based on the loss reserve development presented in the table, as conditions and trends that have affected the development of the liability in prior periods may not necessarily occur in future periods.*

*(b) Represents premium earned subsequent to the accounting year end and premium reinstatements / experience-rated premiums received and accrued from the ceding insurers as assumed losses were incurred.*

*(c) In 2001, AXA RE's claim reserves were adversely affected by the September 11 attacks.*

*(d) In 2004, AXA Corporate Solution Assurance US, AXA RE P&C Insurance Company and AXA RE P&C Reinsurance were transferred from AXA RE to the "other international activities". The reserves of AXA Corporate Solution Assurance US were presented on an occurring year basis and included in the Property & Casualty loss reserve development table. The reserves of AXA RE P&C Insurance Company and AXA RE Reinsurance Company were presented on an underwriting year basis and included in the AXA RE loss reserve development table.*

### 14.6.3. Reconciliation between developed reserves and total recognized claim reserves

(in Euro million)

| TOTAL GROSS CLAIM RESERVES | 2006 | 2005 | 2004 |
|---|---|---|---|
| Gross claims and other reserves developed | | | |
| Property & Casualty and International Insurance (excluding AXA RE) [(a)] | 41,193 | 31,168 | 29,128 |
| AXA RE [(a)] | – | 4,253 | 3,314 |
| Future policy benefits annuity reserves (separately developed from 2006) | 2,492 | – | – |
| Total gross claims and other reserves developed | 43,685 | 35,421 | 32,442 |
| Construction reserves (PSNEM) | – | 1,126 | 1,056 |
| Future policy benefits annuity reserves | – | 1,528 | 1,212 |
| Other reserves [(b)] | 5,242 | 2,098 | 2,082 |
| *of which AXA RE liabilities* | *3,038* | – | – |
| Total gross claims and other reserves excluding Life & Savings Segment | 48,927 | 40,173 | 36,792 |

*(a) Total gross claims and other reserves developed are presented on the basis of the loss reserve development table. The reserves of AXA Corporate Solution Insurance US were included in Property & Casualty and International Insurance loss reserves. The reserves of AXA RE P&C Insurance Company and AXA RE Reinsurance Company (€282 million in 2006 and €409 million in 2005) were included in AXA RE's loss reserve development table.*
*(b) Mainly reserves on acceptations (€771 million in 2006, €938 million in 2005 and €975 million in 2004).*

## 14.7. Environmental pollution and asbestos

AXA continues to receive claims from policies written in prior years asserting damages from asbestos-related and environmental-related exposures. These asbestos claims relate primarily to bodily injuries suffered by those who came in contact with asbestos, while environmental claims relate primarily to pollution related clean-up costs.

AXA's exposure to asbestos and environmental ("A&E") claims originates primarily from the following contracts:

– Insurance or reinsurance of US-originated risks: this exposure arises primarily from the reinsurance of US cedants or from direct policies written in the London Market (excess of primary covers). The underlying exposure is made-up of both asbestos and pollution claims.
– Employers Liability insurance in Europe: this created exposure to asbestos-related claims, in particular on the UK market.

There is considerable uncertainty as to the future cost of A&E claims. The ultimate cost of claims is very much dependent on legal factors that are difficult to predict with any certainty. There have been in the past, and continue to be, frequent occurrences of inconsistent court decisions and judicial interpretations regarding the extent of liability and the level of damages awarded.

It is common to have issues of allocation of responsibility among potentially responsible parties, as well as involvement of multiple insurers and multiple policy periods. Such issues raise considerable coverage issues.

Asbestos-related claims typically have very long latency periods. For instance, mesothelioma can take in excess of 40 years to develop after inhalation of asbestos fibres. This latency period makes it difficult to estimate accurately the future number of asbestos-related claims, the future potential liability associated with such claims and creates unusual sensitivity to future legal and economic developments.

AXA actively manages its exposure to A&E claims. Most of the Group's A&E claims are managed by AXA Liabilities Managers, a specialized unit in charge of managing the Group's non-life run-offs.

AXA Liabilities Managers manages these risks in a proactive manner, with a view to reducing AXA's exposure to the uncertainties in these claims. All A&E claims are thus managed by dedicated teams of experts who use a variety of claims-resolution techniques including settlements, policy buy-backs and, in certain cases, litigation. In addition, AXA Liabilities Managers focuses specifically on final resolutions of exposures, either through commutations or other solutions.

The calculation of reserves for A&E risks raises specific difficulties as conventional reserving techniques cannot be used for evaluating IBNR. As a result, AXA evaluates the future cost of those claims using a range of specific methods based either on exposure analysis, frequency / cost projections or reserving benchmarks. A&E reserves are reviewed on a yearly basis to ensure that they adequately reflect the latest claims experience, as well as legal and economic developments. Consistent with AXA's reserving practices, and despite the particularly long-tail nature of those risks, reserves for A&E are undiscounted.

Due to the uncertainty surrounding A&E claims, it is not possible to determine their future cost with the same degree of certainty as for other types of claims. Although AXA considers its reserves for A&E claims to be adequate, it is possible that, under some adverse scenarios, they may turn out to be insufficient to cover future losses.

At year-end 2006, key data relating to A&E claims were as follows:

(in Euro million)

| | December 31, 2006 | | December 31, 2005 | |
|---|---|---|---|---|
| | Gross of reinsurance | Net of reinsurance | Gross of reinsurance | Net of reinsurance |
| *EVOLUTION OF RESERVES – ASBESTOS* | | | | |
| Reserves for losses and loss expenses at beginning of year | 1,046 | 966 | 875 | 793 |
| Impact of change in exchange rates | (48) | (45) | 68 | 62 |
| Losses and loss expenses incurred | 206 | 223 | 161 | 158 |
| Losses and loss expenses paid | (113) | (98) | (58) | (47) |
| **Reserves for losses and loss expenses at end of year (at constant scope)** | **1,091** | **1,046** | **1,046** | **966** |
| Change in scope (Integration of Winterthur) | 85 | 77 | | |
| **Reserves for losses and loss expenses at end of year (new scope)** | **1,176** | **1,123** | **1,046** | **966** |
| *of which Reported losses (1)* | *268* | *227* | *352* | *288* |
| *of which IBNR losses (2)* | *908* | *896* | *694* | *678* |
| *RESERVES ADEQUACY RATIOS* | | | | |
| 3 – Year Survival ratio excluding commutations [a] | 32 years | 34 years | 30 years | 32 years |
| IBNR (2) / Case Reserves (1) | 338% | 394% | 197% | 235% |
| Cumulative Payments to date / Projected Ultimate Cost | 35% | 33% | 33% | 31% |

*(a) Average yearly payments over the last 3 years (excluding in respect of commutations) / Reserves at the end of the year.*

(in Euro million)

| | December 31, 2006 | | December 31, 2005 | |
|---|---|---|---|---|
| | Gross of reinsurance | Net of reinsurance | Gross of reinsurance | Net of reinsurance |
| ***EVOLUTION OF RESERVES – POLLUTION*** | | | | |
| Reserves for losses and loss expenses at beginning of year | 152 | 134 | 146 | 121 |
| Impact of change in exchange rates | (10) | (10) | 14 | 13 |
| Losses and loss expenses incurred | (18) | (13) | 1 | 2 |
| Losses and loss expenses paid | (31) | (28) | (10) | (2) |
| **Reserves for losses and loss expenses at end of year (at constant scope)** | **93** | **83** | **152** | **134** |
| Change in scope (Integration of Winterthur) | 9 | 9 | | |
| **Reserves for losses and loss expenses at end of year (new scope)** | **102** | **92** | **152** | **134** |
| *of which Reported losses (1)* | *46* | *39* | *81* | *71* |
| *of which IBNR losses (2)* | *56* | *53* | *71* | *63* |
| ***RESERVES ADEQUACY RATIOS*** | | | | |
| 3 - Year Survival ratio excluding commutations [a] | 16 years | 22 years | 10 years | 13 years |
| IBNR (2) / Case Reserves (1) | 122% | 134% | 87% | 88% |
| Cumulative Payments to date / Projected Ultimate Cost | 66% | 61% | 53% | 47% |

*(a) Average yearly payments over the last 3 years (excluding commutations) / Reserves at the end of the year.*

At constant scope and on a net of reinsurance basis, AXA paid claims and legal costs of €126 million in 2006 (including €98 million in respect of asbestos and €28 million in respect of environmental pollution). This is significantly higher than in prior years because several large commutations were made during the year, in line with AXA's strategy to reduce the volatility associated with this type of exposure. Those commutations also explain the material decrease in the amount of reported losses.

During the year, and on a constant scope basis, AXA incurred losses and loss expenses of €211 million net of reinsurance (respectively €224 million in respect of asbestos and €–13 million in respect of environmental pollution). This is primarily due to a higher-than-anticipated number of losses reported in respect of asbestos-related exposures in the United Kingdom, as well as to the implementation of additional methods for estimating the future costs of such claims.

As a result of the integration of Winterthur, AXA also assumed additional reserves for A&E exposures. On a net of reinsurance basis, these reserves amount to €87 million, of which €77 million in respect of asbestos and €10 million in respect of pollution.

As a result of those various changes and after allowing for movements in exchange rates, AXA held total reserves for A&E (net of reinsurance) of €1,215 million at year-end 2006. As can be seen from the above chart, reserves adequacy ratios remained close to their 2005 levels, with the exception of the IBNR / Case reserve ratio which showed a significant increase due to the combined impact of commutations and increase in IBNR.

# 14.8. Liabilities arising from policyholders' participation

(in Euro million)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|---|---|---|---|
| Policyholders' participation reserves | 11,453 | 7,478 | 6,717 |
| Fund for Future Appropriation (FFA) – UK With Profits contracts [(a)] | 4,668 | 4,529 | 2,761 |
| Policyholders' deferred participation liabilities | 8,796 | 11,276 | 8,066 |
| *TOTAL* | *24,918* | *23,284* | *17,544* |

*(a) As described in note 1.12.2 on accounting principles, the adoption of FRS 27 in the United Kingdom led to restatements in all the periods presented (see note 14 for details).*

The deferred policyholders' participation liability also includes the impact of shadow accounting (see definition in 1.12.2) mainly in relation to unrealized gains and losses on invested financial assets available for sale as described in 13.2.1.

Liabilities arising from policyholders' participation for all insurance activities amounted to €24,918 million including €4,365 million related to the acquisition of Winterthur.

# 14.9. Payment and surrender projections and components of insurance contract liabilities

In the tables presented in section 14.9.1 and 14.9.2, liabilities arising from Life & Savings and Property & Casualty insurance and investment contracts exclude contracts where financial risk is borne by policyholders. These liabilities are not exposed to interest-rate or duration risk, except unit-linked contracts with performance guarantees. Subsidiaries hold unit-linked assets backing the corresponding liabilities arising from these contracts. Occasional mismatches result solely from administrative timing differences in the processing of day-to-day operations.

## 14.9.1. Payment and surrender projections

The table below shows the breakdown of projected payments and surrenders related to Life & Savings and Property & Casualty insurance and investment contracts excluding contracts where financial risk is borne by policyholders. Actual maturities may differ significantly from the estimates set out below, mainly because, as already mentioned, some of the contracts contain a surrender option controlled by the policyholder that may reduce their duration.

The projections shown below cannot be compared with the reserves carried on the balance sheet and are higher than the published balance sheet figures because they represent expected cash flows without any discounting element. They are also shown net of inflows of periodical premiums payable by policyholders.

(in Euro million)

| EXPECTED PAYMENTS BY PERIODS | 2006 | | | |
|---|---|---|---|---|
| | 12 months or less | More than 1 year up to 5 years | More than 5 years | TOTAL |
| Liabilities arising from insurance and invesment contracts | 19,845 | 76,988 | 409,458 | 506,291 |
| *of which Life & Savings liabilities relating to contracts including a surrender option with some surrender benefit before maturity* | *5,061* | *42,870* | *220,690* | *268,621* |

*The figures shown in the first row represent estimated cash flows for death, incapacity and disability claims, surrenders, annuities, minimum guaranteed benefits for unit-linked contracts, Property & Casualty and Health claims, net of premiums due from policyholders under contracts in-force. These cash flows are based on assumptions regarding mortality, incapacity and disability, surrender and settlement frequency for Property & Casualty, which are consistent with past experience in the Group's business. They are gross of reinsurance. Given the strong use of estimates, it is likely that actual payments will differ.*

### *14.9.2. Components of insurance contract liabilities*

The table below and related comments exclude contracts where financial risk is borne by policyholders (unit-linked contracts).

The general principles for establishing insurance liabilities are set out in note 1 of this report. Liabilities are based on estimates, and one of the key assumptions used in these estimates is the discount rate.

As shown in the table below, 93% of Life & Savings reserves (excluding unit-linked contracts) are discounted. 14% are subject to a revision of the discount rate. 79% retain the rate set at subscription, subject to the liability adequacy test described in note 1.

By convention, contracts with zero guaranteed rates are deemed not-discounted, except for products offering guaranteed rates updated annually and for one year: these contracts are presented in discounted reserves.

Reserves for savings contracts with non-zero guaranteed rates are discounted at the technical interest rate.

Contracts for which the assumptions are revised in the financial statements at closing mainly consist of certain UK With-Profit contracts and reserves for guarantees (Guaranteed Minimum Death Benefits etc.).

In Property & Casualty business, most reserves (95%) are not discounted, except for incapacity and disability contracts and annuity motor mathematical reserves, where the discount rate is revised regularly.

The rates presented in the table below are weighted average rates for all the portfolios under consideration. They should be analyzed with care. For contracts with guaranteed rates that are revised annually, rates are crystallized at the closing date. The risk factors associated with the contracts are set out in note 4.

(in Euro million)

| | December 31, 2006 | | December 31, 2005 | | December 31, 2004 | |
|---|---|---|---|---|---|---|
| | Carrying value | Average discount rate % | Carrying value | Average discount rate % | Carrying value | Average discount rate % |
| Life & Savings – locked-in discount rate [(a)] | 235,220 | 3.00% | 193,557 | 3.40% | 179,722 | 3.52% |
| Life & Savings – unlocked discount rate | 43,410 | 3.31% | 30,615 | 3.17% | 29,119 | 3.33% |
| Life & Savings – undiscounted reserves | 20,459 | | 7,976 | | 7,653 | |
| **Sub-total Life & Savings** | **299,089** | | **232,148** | | **216,494** | |
| Discounted reserves – locked-in discount rate [(a)] | 2,172 | 4.16% | 2,082 | 3.57% | 1,468 | 4.50% |
| Discounted reserves – unlocked discount rate | 753 | 2.13% | 844 | 2.17% | 845 | 2.31% |
| Undiscounted reserves | 54,938 | | 44,942 | | 41,568 | |
| **Sub-total – Property & Casualty and International Insurance** | **57,863** | | **47,868** | | **43,881** | |
| **Total insurance and investment contracts** | **356,952** | | **280,017** | | **260,375** | |

*(a) Subject to liability adequacy tests.*
*Amounts are presented excluding the impact of derivatives on insurance and investment contracts (presented in section 19.4) and excluding liabilities related to unearned revenues and fees, and to policyholder bonuses. Liabilities relating to contracts where the financial risk is borne by policyholders are also excluded.*

### *14.9.3. Major business areas*

The tables in section 20.1. set out the Group’s major insurance business areas, and reflect the Group’s high level of diversification.

## 14.10. Embedded derivatives meeting the definition of an insurance contract

AXA sells insurance contracts that contain a variety of options and guarantees for contract-holders. These features are described in Note 4. They are not embedded derivatives which AXA reports separately at fair value because:

– many of the features would be considered clearly and closely related to the host contract, and
– many of the features themselves would qualify as insurance contracts under phase I.

This note describes the features that are embedded derivatives and meet the definition of an insurance contract on a stand-alone basis. The primary features can be divided into two broad categories: guaranteed minimum death benefits (GMDBs) or guaranteed minimum income benefits (GMIBs) offered on unit-linked contracts and guaranteed annuity purchase rates.

GMDB features provide a guaranteed death benefit which may be higher than the contract account balances of the unit-linked contract, depending on performance of the unit-linked assets. GMIB features provide a guaranteed lifetime annuity which may be elected by the contract-holder after a stipulated waiting period, and which may larger than what the contract account balance could purchase at then-current annuity purchase rates.

The risk of GMDB and GMIB features to AXA is that protracted under-performance of the financial markets could result in benefits being higher than the accumulated policyholder account balances could support. Reserves are established for these features on the basis of actuarial assumptions related to projected benefits and related contract charges. The determination of estimated GMDB and GMIB liabilities is based on models which involve numerous estimates and subjective judgments, including those regarding expected market rates of return and volatility, contract surrender rates and GMIB election rates. There can be no assurance that ultimate experience will not differ from management's estimates. In addition to providing for risk through establishing reserves, AXA also manages the risk through a combination of reinsurance programs and active financial risk management programs including investment in exchange-traded futures contracts and other instruments.

Guaranteed annuity purchase rates provide contract-holders with a guarantee that at a future date the accumulated balance on their contract will be sufficient to purchase a lifetime annuity at currently defined rates. The risk to AXA in these features is either that longevity will improve significantly so that contract-holders electing to exercise this benefit will live longer than assumed in the guaranteed purchase rates, or that investment returns during the payout period will be lower than assumed in the guaranteed purchase rates. Reserves are established for these features on the basis of actuarial assumptions related to projected benefits and related contract charges. The determination of this estimated liability is based on models which involved numerous estimates and subjective judgments, including those regarding expected rates of return and volatility, contract surrender rate, mortality, and benefit election rates. There can be no assurance that ultimate experience will not differ from management's estimates. In addition to providing for risk through establishing reserves, AXA also manages these risks through asset-liability management programs including interest rate floors to protect against a decline in interest rates.

# Note 15:
# Provisions for risks and charges

## *15.1. Breakdown of provisions for risks and charges*

Provisions for risks and charges include the following items:

(in Euro million)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|---|---|---|---|
| Employee benefits | 7,447 | 7,755 | 6,621 |
| Share-based compensation | 167 | 91 | 59 |
| Restructuring provisions | 104 | 163 | 231 |
| Lawsuits contingency provisions | 217 | 217 | 155 |
| Liability warranty provisions | 39 | 1 | 18 |
| Contingent liabilities relating to business combinations | – | – | – |
| Other provisions for risks and charges | 1,010 | 534 | 644 |
| *TOTAL PROVISIONS FOR RISKS AND CHARGES* | *8,984* | *8,761* | *7,729* |

Provisions for risks and charges carried by Winterthur subsidiaries amounted to €1,125 million at end December 2006.

Comments on **provisions relating to employee benefits** can be found in Note 25 “Employees”.

## *15.2. Change in provisions for risks and charges (excluding employee benefits and share-based compensation)*

Changes in provisions for risks and charges are set out below:

(in Euro million)

| | 2006 | | | | | |
|---|---|---|---|---|---|---|
| | Restructuring provisions | Lawsuits contingency provisions | Liability warranty provisions | Contingent liabilities relating to business combinations | Other provisions for risks and charges | TOTAL |
| Carrying value - January, 1 | 163 | 217 | 1 | – | 534 | 914 |
| Financial cost related to dezactualisation [(a)] | – | – | – | – | – | – |
| Impact of change in scope of consolidation and changes in accounting method | 15 | 54 | 39 | – | 499 | 607 |
| Increase in provisions | 8 | 12 | (1) | – | 263 | 283 |
| Write back after use | (68) | (50) | – | – | (209) | (327) |
| Write back after final cost review | (5) | (16) | – | – | (72) | (93) |
| Impact of foreign exchance fluctuations | (9) | – | – | – | (5) | (14) |
| Carrying value – December, 31 | 104 | 217 | 39 | – | 1,010 | 1,370 |

*(a) In the case where provisions are discounted.*

(in Euro million)

| | 2005 | | | | | | 2004 |
|---|---|---|---|---|---|---|---|
| | Restructuring provisions | Lawsuits contingency provisions | Liability warranty provisions | Contingent liabilities relating to business combinations | Other provisions for risks and charges | TOTAL | TOTAL |
| **Carrying value - January, 1** | **231** | **155** | **18** | **–** | **644** | **1,048** | **1,179** |
| Financial cost related to dezactualisation [(a)] | – | – | – | – | – | – | – |
| Impact of change in scope of consolidation and changes in accounting method | 5 | – | – | (3) | (133) | (131) | (56) |
| Increase in provisions | 17 | 85 | – | – | 203 | 305 | 352 |
| Write back after use | (106) | (15) | – | 3 | (159) | (277) | (249) |
| Write back after final cost review | (4) | (9) | (18) | – | (42) | (73) | (154) |
| Impact of foreign exchange fluctuations | 20 | – | – | – | 19 | 39 | (24) |
| **Carrying value – December, 31** | **163** | **217** | **1** | **–** | **534** | **914** | **1,048** |

*(a) In the case where provisions are discounted.*

All provisions related to the Winterthur group described in this note correspond to liabilities that existed before the acquisition and have not arisen as a result of the acquisition.

At December 31, 2006, **restructuring provisions** totaled €104 million (including €18 million for Winterthur group subsidiaries), mainly comprising €55 million in the United States following the Mony acquisition, €17 million in Germany (including €6 million for Winterthur), and €14 million in the United Kingdom (including €7 million for Winterthur UK).

**Litigation provisions** totaled €217 million (including €57 million for Winterthur group subsidiaries and notably €34 million in Belgium), mainly comprising €50 million in France, €47 million at AXA Bank Belgium and €25 million at Compagnie Financière de Paris.

**Liability warranty provisions** totaled €39 million and mainly relate to Winterthur and disposals made by the Group in the past few years (€32 million carried by AXA LM Switzerland).

**Other provisions for risks and charges** totaled €1,010 million including €409 million related to Winterthur subsidiaries, notably within the scope managed by AXA LM Switzerland. These provisions concern management of run-off portfolios, reinsurance agreements or businesses sold in the past, mostly related to activities of Winterthur's former Closed Portfolio Management. €174 million of provisions have been taken in Switzerland for risks related to the Winterthur Life branch in Taiwan.

Other provisions (excluding amounts related to Winterthur) include €101 million in France, €107 million in the United Kindom, €76 million in Australia and New Zealand, €76 million at Compagnie Financière de Paris, €78 million in asset management (including €33 million at AllianceBernstein in respect of Dynegy), €45 million in international insurance and €51 million in Japan.

# Note 16: Financing debt

## 16.1. Financing debt by issuance

(in Euro million)

| | December 31, 2006 Carrying value | December 31, 2005 Carrying value | December 31, 2004 Carrying value |
|---|---|---|---|
| **AXA [b]** | **4,908** | **4,432** | **4,139** |
| Debt component of subordinated convertible notes due 2014 (euro) | 1,660 | 1,608 | 1,558 |
| Debt component of subordinated convertible notes, 3.75% due 2017 (euro) | 1,168 | 1,127 | 1,089 |
| Subordinated convertible notes due 2020 (euro) | 180 | 180 | 215 |
| U.S. registered redeemable subordinated debt, 8.60% 2030 (euro) | 960 | 1,118 | 952 |
| U.S. registered redeemable subordinated debt, 7.125% 2020 (GBP) | 484 | 474 | 461 |
| U.S. registered redeemable subordinated debt, 6.75% 2020 (euro) | 1,062 | 1,062 | 1,070 |
| Derivatives on debts instruments issued [a] | (605) | (1,137) | (1,205) |
| **AXA Financial** | **153** | **171** | **442** |
| Surplus Notes, 6.95%, due 2005 | – | – | 294 |
| Surplus Notes, 7.70%, due 2015 | 152 | 169 | 147 |
| MONY Life 11.25% Surplus Notes, due 2024 | 1 | 2 | 1 |
| **AXA Bank Belgium** | **416** | **378** | **339** |
| Subordinated notes, 2.80% to 6.90%, due 2016 | 416 | 378 | 339 |
| **Other subordinated debt (under €100 million)** | **86** | **92** | **121** |
| ***SUBORDINATED DEBT*** | ***5,563*** | ***5,073*** | ***5,041*** |
| **AXA** | **2,198** | **842** | **899** |
| Euro Medium Term Notes, 6.0% due through 2013, and BMTN | 971 | 1,041 | 1,183 |
| Commercial paper | 1,350 | – | – |
| Other | – | – | 5 |
| Derivatives on financing debt instruments issued [a] | (124) | (199) | (289) |
| **AXA Financial** | **1,077** | **1,187** | **1,256** |
| Senior notes, 7.75%, due 2010 | 363 | 405 | 351 |
| Senior notes, 7%, due 2028 | 264 | 295 | 255 |
| Senior notes, 6.5%, due 2008 | 190 | 212 | 183 |
| Senior notes MONY, 8.35%, due 2010 | 250 | 285 | 253 |
| MONY Group Inc. notes, due 2005 | – | – | 210 |
| Derivatives on financing debt instruments issued [a] | 10 | (11) | 4 |
| **AXA UK Holdings** | **229** | **225** | **219** |
| GRE: Loan Notes, 6.625%, due 2023 | 229 | 225 | 219 |
| Derivatives on financing debt instruments issued [a] | – | – | – |
| **AXA Equitable** | **266** | **566** | **498** |
| Mortgage notes, floating rate | 266 | 297 | 257 |
| Closed-Block Mony, 6.44%, due 2017 | – | 254 | 220 |
| Derivatives on financing debt instruments issued [a] | – | 15 | 21 |
| **Other financing debt instruments issued (less than €100 million)** | **(81)** | **(2)** | **30** |
| Other financing debts instruments issued under €100 million | 11 | 11 | 32 |
| Derivatives relating to other debts instruments issued [a] | (92) | (14) | (1) |
| ***FINANCING DEBT INSTRUMENTS ISSUED*** | ***3,688*** | ***2,817*** | ***2,903*** |
| **Netherlands holdings** | **10** | **17** | **17** |
| **AXA Investment Managers** | **–** | **–** | **–** |
| **Other financing debts owed to credit institutions (under €100 million)** | **85** | **–** | **–** |
| Derivatives on financing debt owed to credit institutions [a] | – | – | – |
| ***FINANCING DEBT OWED TO CREDIT INSTITUTIONS*** | ***95*** | ***17*** | ***17*** |
| ***TOTAL FINANCING DEBT*** | ***9,347*** | ***7,906*** | ***7,961*** |

*(a) Hedging instruments according to IAS 39 and economic hedge derivatives which are not acting as hedge under IAS 39.*
*(b) As described in note 1.11.2, subordinated perpetual notes have been reclassified in equity for all periods presented. See Note 13 for further details.*

Following publication of the IFRIC update by the IFRIC Agenda Committee in November 2006 based on the IASB's comments, subordinated perpetual notes and related interest have been reclassified as shareholders' equity and are therefore treated in the same way as the deeply subordinated notes. These notes issued by the Group are described in detail in Note 13.

Financing debt excluding perpetual debt classified as shareholders' equity increased by €1,441 million, or by 1,711 million at constant exchange rates. Movements in exchange rates therefore had a positive impact of €270 million, mainly on AXA SA redeemable subordinated notes denominated in foreign currency and AXA Financial senior bonds. The overall increase was mainly due to:

i. a €609 million increase in subordinated debt (including derivative instruments) at constant exchange rates arising mainly from the decrease in market value of interest rate swaps following the rise in variable rates in the Euro zone;
ii. a €1,023 million increase in financing debt securities at constant exchange rates arising mainly from AXA SA purchase of commercial paper (€1,350 million), partially offset by AXA Equitable early redemption of all its Closed-Block Mony debt and related derivatives (€254 million and €15 million respectively);
iii. a €79 million increase in financing debt owed to credit institutions at constant exchange rates mainly arising from the consolidation of Winterthur (€85 million including €75 million for Winterthur Leven NV in the Netherlands and €10 million for Winterthur Life in Switzerland).

Derivative instruments hedging financing debts are commented in Note 19.

## 16.2. Fair value measurement methodology – financing debt

(in Euro million)

| | December 31, 2006 | | December 31, 2005 | | December 31, 2004 | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| Subordinated debt at cost [(b)] | 6,168 | 7,228 | 6,210 | 7,473 | 6,246 | 7,338 |
| Derivatives on subordinated debt [(a)] | (605) | (605) | (1,137) | (1,137) | (1,205) | (1,205) |
| **Subordinated debt** | **5,563** | **6,623** | **5,073** | **6,337** | **5,041** | **6,133** |
| Financing debt instruments issued at cost | 3,894 | 3,962 | 3,025 | 3,091 | 3,168 | 3,290 |
| Derivatives on financing debt instruments issued [(a)] | (206) | (206) | (208) | (208) | (265) | (265) |
| **Financing debt instruments issued** | **3,688** | **3,756** | **2,817** | **2,883** | **2,903** | **3,024** |
| Financing debts owed to credit institutions at cost | 95 | 95 | 17 | 17 | 17 | 17 |
| **Financing debt owed to credit institutions** | **95** | **95** | **17** | **17** | **17** | **17** |
| ***FINANCING DEBT*** | ***9,347*** | ***10,475*** | ***7,906*** | ***9,236*** | ***7,961*** | ***9,175*** |

*(a) Hedging instruments according to IAS 39 and economic hedge derivatives which are not acting as hedge under IAS 39.*
*(b) As described in note 1.11.2, subordinated perpetual notes have been reclassified in equity for all periods presented. See Note 13 for further details.*

The Group does not hold any financing debt designated as at fair value through profit & loss (fair value option or trading instruments).

## 16.3. Fair value measurement of financing debt

Information on the fair value figures presented in this note is provided in addition to information on carrying values and should be used with caution. As a matter of facts, on the one hand, these estimates are based on snapshots taken on accounts closing dates of parameters such as interest rates and spreads, which in fact fluctuate over time, and resulting in instantaneous values, and on the other hand because there are many possible methods of making these estimates.

Data used when calculating the fair value of financing debt (financing debt instruments issued or financing debt owed to credit institutions) are period-end market data that reflect (i) market interest rates by currency, (ii) AXA's average spread by maturity and currency, distinguishing subordinated and senior debt and (iii) options included in issue contracts, such as issuer redemption options.

The fair value of subordinated convertible bonds is equal to the quoted price for these instruments at the end of the period. Therefore, reported fair value includes the value of the conversion option, which is included as a component of equity.

The fair value of financing debt at December 31, 2006, excluding accrued interest but not yet due, was €10,475 million, including related hedging derivative instruments.

## 16.4. Exposure to interest-rate risk and contractual maturities

The tables below set out the contractual maturities of financing debt (excluding the impact of derivatives). Effective maturities may differ from those presented, mainly because some instruments include clauses allowing early redemption, with or without penalty.

(in Euro million)

| | December 31, 2006 | | | |
|---|---|---|---|---|
| | Carrying value by contractual maturity | | | Total carrying value |
| | 12 months or less | More than 1 year up to 5 years | More than 5 years | |
| Financing debt | 1,854 | 1,011 | 7,293 | 10,158 |

*Excludes the impact of derivatives (detailed in section 19.4).*

(in Euro million)

| | December 31, 2005 | | | |
|---|---|---|---|---|
| | Carrying value by contractual maturity | | | Total carrying value |
| | 12 months or less | More than 1 year up to 5 years | More than 5 years [(a)] | |
| Financing debt | 311 | 385 | 8,555 | 9,251 |

*Excludes the impact of derivatives (detailed in section 19.4).*
*(a) As described in note 1.11.2, subordinated perpetual notes have been reclassified in equity for all periods presented. See Note 13 for further details.*

(in Euro million)

| | December 31, 2004 | | | |
|---|---|---|---|---|
| | Carrying value by contractual maturity | | | Total carrying value |
| | 12 months or less | More than 1 year up to 5 years | More than 5 years [(a)] | |
| Financing debt | 917 | 300 | 8,213 | 9,430 |

*Excludes the impact of derivatives (detailed in section 19.4).*
*(a) As described in note 1.11.2, subordinated perpetual notes have been reclassified in equity for all periods presented. See Note 13 for further details.*

# Note 17: Payables

## 17.1. Breakdown of payables

(in Euro million)

| | December 31, 2006 Carrying value | December 31, 2005 Carrying value | December 31, 2004 Carrying value |
|---|---|---|---|
| Minority interests of controlled investment funds and other puttable instruments held by minority interests holders | 7,224 | 5,115 | 3,717 |
| Other debt instrument issued and bank overdrafts | 8,711 | 8,411 | 7,784 |
| Payables arising from direct insurance and inward reinsurance operations | 7,947 | 4,680 | 3,863 |
| Payables arising from outward reinsurance operations | 5,849 | 3,507 | 3,588 |
| Payables arising from banking activities | 16,992 | 12,083 | 12,285 |
| Payables – current tax position | 2,059 | 1,382 | 954 |
| Derivatives relating to other financial liabilities [(a)] | 124 | 303 | 1 |
| Debts relating to investments under a lending agreement | 24,098 | 14,771 | 7,047 |
| Other payables | 16,974 | 14,222 | 14,141 |
| **Payables** | **89,978** | **64,473** | **53,380** |

*(a) Also includes speculative derivatives relating to other financial liabilities.*

Payables, excluding Winterthur's contribution (€9,264 million), amounted to €80,714 million at December 31, 2006.

Movements in the *"Minority interests in controlled investment funds and other puttable instruments held by minority interest holders"* caption depend on:

– Changes in minority interests in controlled funds and changes in their fair value. An identical change in invested assets held by these funds is also recorded.
– Buyouts of minority interests for which the Group holds an unconditional commitment and changes in value of related puttable instruments. Entries balancing these movements are recorded under goodwill.

Minority interests in funds under this caption, excluding Winterthur's contribution (€191 million), totaled €5,909 million at December 31, 2006 (€4,326 million at December 31, 2005 and €3,223 million at December 31, 2004).

Other puttable instruments held by minority interest holders, excluding Winterthur's contribution, totaled €1,003 million at December 31, 2006 (€789 million December 31, 2005 and €494 million at December 31, 2004). They represent the put option granted to minority shareholders of Sanford C. Bernstein. Put options held by the minority shareholders of former Winterthur subsidiaries (€121 million) concern entities in central Europe.

Debts relating to investments under a lending agreement, excluding Winterthur's contribution (€172 million), totaled €23,926 million at December 31, 2006, an increase of €9,155 million (€9,934 million at constant exchange rates) mainly attributable to France (€4,378 million) and Japan (€4,708 million).

Other payables, excluding Winterthur's contribution (€1,575 million), totaled €15,399 million at December 31, 2006.

# 17.2. Non-subordinated debt instruments issued and bank overdrafts (other than financing debt)

## 17.2.1. Other debt instruments issued, notes and bank overdrafts (other than financing debt) by issuance

(in Euro million)

| | December 31, 2006 Carrying value | December 31, 2005 Carrying value | December 31, 2004 Carrying value |
|---|---|---|---|
| AllianceBernstein | 254 | 345 | 293 |
| "Senior" notes, 5.625%, experation date 2006 | – | 345 | 293 |
| Derivatives on other debt instruments issued (other than financing debt) – Alliance Capital | – | – | – |
| Short term commercial paper, 5.3% | 254 | – | – |
| French bank | – | 5 | 8 |
| AXA Banque | – | 5 | 8 |
| Derivatives on other debt instruments issued (other than financing debt) – French bank | – | – | – |
| AXA SA debts subscribed on behalf of French, English and German subsidiaries | 150 | 186 | 215 |
| CDO (Collateralized Debt Obligations) and Real Estate Vehicles | 1,275 | 1,507 | 1,422 |
| CDO ARIA2 tranche A-23E7 | – | 48 | – |
| CDO ARIA2 tranche A-23U7 | – | 93 | – |
| CDO ARIA2 tranche U-21E7 | 34 | – | – |
| Derivatives on other debt instruments issued (other than financing debt) – CDO (Collateralized Debt Obligations) | – | – | – |
| Aria A-1E5 | 195 | 194 | 195 |
| Aria B-1E5 | – | 55 | 55 |
| Aria C-1E5 | 55 | 53 | 55 |
| Aria P-2G7 | 310 | 288 | 289 |
| Concerto 2 | 382 | 476 | 464 |
| Jazz 1 | 300 | 299 | 269 |
| Ecureuil | | – | 95 |
| Australia / New Zealand | 174 | 141 | – |
| Sterling Grace | 174 | 141 | – |
| Other financial services in France | – | 35 | 257 |
| Fonds Immobilier Paris Office Funds (FIPOF) | – | – | 60 |
| Rheinhyp Rheinische Hypotheken Bank, Aktiengesellschaft (London Branch) | – | – | 131 |
| Other | – | 35 | 66 |
| Derivatives on other debt instruments issued (other than financing debt) – Other financial services | – | – | – |
| DBV | 2,796 | – | – |
| HOHO 1: class A Senior Class A Mortgage-backed notes, maturity 2030, 3 months Euribor + 0.31%, Floating | 190 | – | – |
| HOHO 1: class B Mezzanine Class B Subordinated mortgage-backed notes, maturity 2030, 7%, Fixed rated | 13 | – | – |
| HOHO 1: class C Junior Class C Subordinated Mortgage-backed notes, maturity 2030, 8%, Fixed rated | 5 | – | – |
| HOHO 2: class A1 Senior Class A1 Mortgage-backed notes, maturity 2080, 3 months Euribor + 0.26%, Floating | 263 | – | – |
| HOHO 2: class A2 Senior Class A2 Mortgage-backed notes, maturity 2080, 4.73%, Fixed rated | 54 | – | – |
| HOHO 2: class B Mezzanine Class B Mortgage-backed notes, maturity 2080, 5,04%, Fixed rated | 18 | – | – |
| HOHO 2: class C Junior Class C Mortgage-backed notes, maturity 2080, 5.64%, Fixed rated | 7 | – | – |
| HOHO 2: class D Subordinated Class D Notes, maturity 2080, 3 months Euribor + 3.75%, Floating | 4 | – | – |
| HOHO 3: class A Senior Class A Mortgage-backed notes, maturity 2083, 3 months Euribor + 0.13%, Floating | 707 | – | – |
| HOHO 3: class B Mezzanine Class B Subordinated mortgage-backed notes, maturity 2083, 3 months Euribor + 0.19%, Floating | 19 | – | – |
| HOHO 3: class C Junior Class C Subordinated Mortgage-backed notes, maturity 2083, 3 months Euribor + 0.29%, Floating | 9 | – | – |
| HOHO 3: class D Subordinated Class D Notes, maturity 2083, 3 months Euribor + 1.40%, Floating | 7 | – | – |
| HOHO 4: class A Senior Class A Mortgage-backed Floating rate notes, maturity 2083, 3 months Euribor + 0.03%, Floating | 1,492 | – | – |
| HOHO 4: class B Subordinated Class B Floating rate notes, maturity 2083, 3 months Euribor + 0.35%, Floating | 10 | – | – |
| Other | 66 | 13 | – |
| Derivatives on other debt instruments issued (other than financing debt) – Other | – | – | – |

(in Euro million)

| | December 31, 2006 Carrying value | December 31, 2005 Carrying value | December 31, 2004 Carrying value |
|---|---|---|---|
| ***OTHER DEBT INSTRUMENTS ISSUED (OTHER THAN FINANCING DEBT)*** | ***4,715*** | ***2,233*** | ***2,196*** |
| CDO (Collateralized Debt Obligations) | 161 | 284 | 403 |
| Jazz 1 | 161 | 284 | 403 |
| Derivatives on other issued debt (other than financing debt) – CDO (Collateralized Debt Obligations) | – | – | – |
| Other financial services in France | 38 | 50 | 91 |
| AXA Banque | 38 | 50 | 91 |
| Derivatives on other issued debt (other than financing debt) – Other financial services in France | – | – | – |
| Other financial services in Germany | 125 | 215 | 301 |
| AXA Vorsorgebank | 125 | 215 | 301 |
| Derivatives on other issued debt (other than financing debt) – Other financial services in Germany | – | – | – |
| Other financial services in Belgium | 1,026 | 4,563 | 4,128 |
| AXA Bank Belgium | 1,026 | 4,563 | 4,128 |
| Derivatives on other issued debt (other than financing debt) – Other financial services in Belgium | – | – | – |
| Real estate investment funds | 895 | – | – |
| ERIV: AFET Amortizing mortgage loan based on EURIBOR 3 month + 1.45 point, maturity date: 2011 | 214 | – | – |
| ERIV: CORTEFIEL Mortgage loan based on Euribor 3 month + 0.85 point, maturity date: 2013 + 2x1 year | 165 | – | – |
| Vendome Commerce: AFET Amortizing mortgage loan based on EURIBOR 3 month + 1.45 point, maturity date: 2011 | 214 | – | – |
| Other debts [(a)] | 301 | 177 | – |
| Other | 416 | 126 | 1 |
| Derivatives on other issued debt (other than financing debt) – Other | (3) | – | – |
| ***OTHER DEBT (OTHER THAN FINANCING DEBT) – OWED TO CREDIT INSTITUTIONS*** | ***2,658*** | ***5,415*** | ***4,924*** |
| Bank overdrafts | 1,338 | 762 | 664 |
| ***OTHER DEBT INSTRUMENTS ISSUED, NOTES (OTHER THAN FINANCING DEBT) AND BANK OVERDRAFTS*** | ***8,711*** | ***8,411*** | ***7,784*** |

*(a) Including European Office Income Venture debt which was presented in 2005 in caption "Other debt instruments issued (other than financing debt)" and totaling €177 million at end 2005.*

At December 31, 2006, other debt instruments issued (other than financing debt) and bank overdrafts, excluding Winterthur's contribution (€3,058 million mainly relating to the integration of Holland Homes SPEs, which securitize mortgages in the Dutch DBV Life business) totaled €5,653 million, in decrease of €2,758 million. The decrease, which was €2,712 million at constant exchange rates, was mainly due to:

- Reclassification of AXA Bank Belgium's debts related to securities sold under repurchase agreement. As at January 1, 2006, these liabilities have been classified as payables arising from banking activities instead of other debt instruments issued (other than financing debt) and overdrafts, which led to a decrease of €3,242 million.
- Redemption of AllianceBernstein's fixed-rate bond debt (€345 million).
- A €296 million decrease in AXA Bank Belgium's debt as part of its liquidity management in banking activities.
- A €238 million decrease of CDO's other debts instruments issued (other than financing debt).
- Lower debts at CDO Jazz 1 (€123 million), in line with lower volume of managed assets backing these credit lines.
- A €90 million reduction in the operational debt of AXA Vorsorgebank following the transfer of the mortgage business to the insurance company (AXA Leben).

These movements were partly offset by:

- A €332 million increase in bank overdrafts.
- A €290 million increase in deposits under AXA SA's collateral agreements.
- First-time consolidation of real estate company European Retail Income Venture (€380 million), a €59 million increase in European Office Income Venture's debt and a €214 million increase in Vendome Commerce's debt.
- AllianceBernstein's purchase of commercial paper (€284 million at constant exchange rates and €254 million at closing rates).

## 17.3. Fair value measurement of other debt instruments issued and bank overdrafts (other than financing debt)

The fair value of other debt instruments issued and bank overdrafts (other than financing debt), excluding Winterthur's contribution (€3,058 million) was €5,654 million at December 31, 2006. Including Winterthur, the fair value was therefore €8,712 million, which is very close to the carrying value. Among the issues included in the table above, fair value is only calculated for other debt instruments issued. Other items mainly comprise repo agreements or short-term interbank liabilities carried by group banks. By nature, their fair value is very similar to their nominal value.

### 17.3.1. Other debt instruments issued and bank overdrafts (other than financing debt) by accounting method

(in Euro million)

| | December 31, 2006 Carrying value | December 31, 2005 Carrying value | December 31, 2004 Carrying value |
|---|---|---|---|
| Debt instruments issued at cost | 586 | 902 | 596 |
| Debt instruments issued held as trading | – | – | – |
| Debt instruments issued designated as at fair value through profit & loss | 4,129 | 1,508 | 1,600 |
| **Debt instruments issued** | **4,715** | **2,410** | **2,196** |
| Debt owed to credit institutions held at cost | 2,535 | 5,112 | 4,924 |
| Debt owed to credit institutions held as trading | – | – | – |
| Debt owed to credit institutions designated as at fair value through profit & loss | 126 | 127 | – |
| **Debt owed to credit institutions** | **2,661** | **5,239** | **4,924** |
| **Bank overdrafts** | **1,338** | **762** | **664** |
| ***DEBT INSTRUMENTS ISSUED AND BANK OVERDRAFTS (OTHER THAN FINANCING DEBT)*** [(a)] | ***8,714*** | ***8,411*** | ***7,784*** |
| *Including debt at fair value through profit & loss* | *4,255* | *1,637* | *1,600* |

*(a) Excludes the impact of derivatives.*

### 17.3.2. Other debt instruments issued, notes and bank overdrafts measured at fair value

(in Euro million)

| | December 31, 2006 | | | December 31, 2005 | | | December 31, 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fair value determined directly by reference to an active market | Fair value estimated using valuation technique | Total | Fair value determined directly by reference to an active market | Fair value estimated using valuation technique | Total | Fair value determined directly by reference to an active market | Fair value estimated using valuation technique | Total |
| Debt instruments issued held as trading | – | – | – | – | – | – | – | – | – |
| Debt instruments issued designated as at fair value through profit & loss | 594 | 3,536 | 4,129 | 726 | 782 | 1,508 | 1,600 | – | 1,600 |
| Debt instruments issued (other than financing debt) | 594 | 3,536 | 4,129 | 726 | 782 | 1,508 | 1,600 | – | 1,600 |
| Debt owed to credit institutions held as trading | – | – | – | – | – | – | – | – | – |
| Debt owed to credit institutions designated as at fair value through profit & loss | 126 | – | 126 | 129 | – | 129 | – | – | – |
| Debt owed to credit institutions (other than financing debt) [a] | 126 | – | 126 | 129 | – | 129 | – | – | – |

*(a) Excludes the impact of derivatives.*

The fair value option is used to measure debt other than financing debt designated as at fair value through profit and loss included in the table above. The increase in debt measured at fair value through profit and loss is mainly due to the consolidation of Holland Homes, a special purpose entity created by Winterthur to securitize excess mortgage loans granted by DBV Life Netherlands.

## 17.4. Payables arising from direct insurance, inward reinsurance operations and direct outward reinsurance operations

(in Euro million)

| | December 31, 2006 | | December 31, 2005 | | December 31, 2004 | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| Deposits and guarantees | 275 | 275 | 45 | 45 | 25 | 25 |
| Current accounts payable to other companies | 1,223 | 1,223 | 771 | 771 | 564 | 564 |
| Payables to policyholders, brokers and general agent | 6,248 | 6,248 | 3,494 | 3,494 | 3,119 | 3,119 |
| Other payables | 217 | 217 | 371 | 371 | 155 | 155 |
| Premiums to be transferred – reinsurance pools | (16) | (16) | – | – | – | – |
| Payables arising from direct insurance and inward reinsurance operations | 7,947 | 7,947 | 4,680 | 4,680 | 3,863 | 3,863 |
| Deposits and guarantees | 1,850 | 1,850 | 1,508 | 1,508 | 1,376 | 1,376 |
| Current accounts payable to other companies | 3,941 | 3,941 | 1,927 | 1,927 | 2,213 | 2,213 |
| Other payables | 58 | 58 | 72 | 72 | – | – |
| Payables arising from direct outward reinsurance operations | 5,849 | 5,849 | 3,507 | 3,507 | 3,588 | 3,588 |

At December 31, 2006, payables arising from direct insurance and inward reinsurance operations, excluding Winterthur's contribution (€3,451 million) totaled €4,496 million, a decrease of €184 million compared to December 31, 2005.

At December 31, 2006, payables arising from direct outward reinsurance operations, excluding Winterthur's contribution (€372 million), totaled €5,477 million, an increase of €1,970 million compared to December 31, 2005, mainly due to the implementation of a proportional reinsurance treaty between AXA RE and Paris Ré (€2,159 million) as part of the Group's sale of Axa RE's business.

## *17.5. Maturity and interest-rate risk exposure*

(in Euro million)

| | December 31, 2006 | | | |
|---|---|---|---|---|
| | Carrying value by contractual maturity | | | Total carrying value |
| | 12 months or less | More than 1 year up to 5 years | More than 5 years | |
| Other debt instruments issued, notes and bank overdrafts | 3,526 | 795 | 4,394 | 8,714 |

*Excludes the impact of derivatives (detailed in section 19.4).*

(in Euro million)

| | December 31, 2005 | | | |
|---|---|---|---|---|
| | Carrying value by contractual maturity | | | Total carrying value |
| | 12 months or less | More than 1 year up to 5 years | More than 5 years | |
| Other debt instruments issued, notes and bank overdrafts | 6,158 | 168 | 2,085 | 8,411 |

*Excludes the impact of derivatives (detailed in section 19.4).*

(in Euro million)

| | December 31, 2004 | | | |
|---|---|---|---|---|
| | Carrying value by contractual maturity | | | Total carrying value |
| | 12 months or less | More than 1 year up to 5 years | More than 5 years | |
| Other debt instruments issued, notes and bank overdrafts | 4,932 | 965 | 1,886 | 7,783 |

*Excludes the impact of derivatives (detailed in section 19.4).*

# Note 18: Tax

## 18.1. Tax expense

### 18.1.1. Breakdown of tax expense between current and deferred tax

The income tax charge was split as follows:

(in Euro million)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|---|---|---|---|
| Income tax – France [(a)] | 124 | 188 | 608 |
| Current | 991 | 95 | 519 |
| Deferred | (867) | 93 | 89 |
| Income tax - Foreign countries [(a)] | 1,868 | 1,206 | 1,206 |
| Current | 1,037 | 1,101 | 770 |
| Deferred | 831 | 104 | 436 |
| Income tax relating to items reclassified in shareholders' equity [(b)] | 51 | 96 | 31 |
| TOTAL INCOME TAX FROM CONTINUED OPERATIONS | 2,043 | 1,490 | 1,844 |
| Income tax from discontinued operations (current) | – | – | – |
| Income tax from discontinued operations (deferred) | – | – | – |
| TOTAL INCOME TAX FROM DISCONTINUED OPERATIONS | – | – | – |
| TOTAL INCOME TAX | 2,043 | 1,490 | 1,844 |

(a) As described in notes 1.12.2 and 1.11.2 on accounting principles, the adoption of FRS 27 in the United Kingdom and the reclassification of Perpetual Deelply Subordinated notes to shareholders' equity led to restatements in all the periods presented (see notes 14 and 13 respectively for details).
(b) This line shows the tax effect of reclassifying in equity items such as interest expense on perpetual deeply subordinated notes and any unrealized foreign exchange differences on perpetual debt.

The current tax amount due on foreign income amounted to €1,037 million (€1,101 million and €770 million respectively in 2005 and 2004), including €243 million policyholder tax (€163 million and €148 million respectively in 2005 and 2004). The deferred tax amount due on foreign income amounted to €831 million (€104 million and €436 million respectively in 2005 and 2004), including €169 million policyholder tax (€395 million and €–28 million respectively in 2005 and 2004).

Policyholder tax is a specific tax levied on the life business of UK insurance companies. The savings business is not subject to this tax. Policyholder tax is calculated on the basis of "income minus expenses". It is charged to the policyholder by deduction from the unit value of unit-linked contracts or directly from the surplus available for distribution to policyholders in the case of with-profit contracts.

### 18.1.2. Tax proof

The reconciliation between the theoretical tax charge (pre-tax profit multiplied by the applicable tax rate in France for the period concerned) and the effective tax charge was as follows:

(in Euro million)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|---|---|---|---|
| Net income, gross of tax expense and before equity in income from affiliated companies [a] | 7,767 | 6,275 | 6,056 |
| Notional tax rate | 34.43% | 34.93% | 35.43% |
| **Notional tax charge** | **2,674** | **2,192** | **2,146** |
| Impact of rate differences on notional tax charge | (77) | (117) | (149) |
| Impact of the change in tax rates | (87) | (26) | (17) |
| Income taxable at different tax rates | 78 | 318 | 34 |
| **Impact of change in tax rates** | **(87)** | **175** | **(132)** |
| Impact of tax losses used but not recorded in the previous year | (51) | (32) | (12) |
| Deferred tax assets booked on tax losses not previously recognized | (82) | (16) | (24) |
| Tax losses generated in the year but not recognized | 18 | 11 | 35 |
| Impairment of DTA on tax losses of previous years [b] | 19 | (387) | 75 |
| **Tax losses impact** | **(95)** | **(423)** | **75** |
| Permanent difference on financial income and expenses [c] | (385) | (665) | (288) |
| Permanent difference on other income and expenses | 30 | 44 | 94 |
| **Impact of permanent differences** | **(355)** | **(622)** | **(194)** |
| Correction of payable tax on the previous year | (199) | (180) | (60) |
| Reestimation of deferred tax assets [b] | (4) | (34) | (23) |
| Other [c] | 108 | 382 | 34 |
| **Impact of correction, decrease in value and other elements** | **(95)** | **168** | **(49)** |
| **Effective tax charge** | **2,043** | **1,490** | **1,844** |
| **Effective tax rate (%)** | **26.30%** | **23.74%** | **30.45%** |

*From 2006:*
*(a) Income before tax expense and equity in income from affiliated companies is shown before the contribution from equity-accounted companies.*
*(b) Impairment of DTA arising on tax losses is shown in “Tax losses impact”. The 2005 and 2004 figures are presented in a similar way for comparability.*
*(c) In 2006, the elimination of non-taxable dividends from consolidated companies is shown in “Permanent differences on financial income and expenses”.*

The applicable tax rate broke down as follows:

(in Euro million)

| | December 31, 2006 | | December 31, 2005 | | December 31, 2004 | |
|---|---|---|---|---|---|---|
| | Net income, gross of tax expense and before equity in income from affiliated companies [b] | Notional tax rate | Net income, gross of tax expense and before equity in income from affiliated companies [b] | Notional tax rate | Net income, gross of tax expense and before equity in income from affiliated companies [b] | Notional tax rate |
| France [a] | 856 | 34.43% | 1,209 | 34.93% | 1,564 | 35.43% |
| United States | 2,152 | 35.00% | 1,815 | 35.00% | 1,317 | 35.00% |
| United Kingdom | 879 | 30.00% | 930 | 30.00% | 493 | 30.00% |
| Japan | 427 | 36.21% | 25 | 36.21% | 475 | 36.21% |
| Germany | 573 | 40.00% | 505 | 40.00% | 247 | 40.00% |
| Belgium | 681 | 33.99% | 420 | 33.99% | 505 | 33.99% |
| Other countries | 2,199 | – | 1,371 | – | 1,456 | – |
| ***TOTAL*** | ***7,767*** | – | ***6,275*** | – | ***6,056*** | – |

*From 2006:*
*(a) Tax on holding companies based in France is presented under France.*
*(b) Income before tax expense and equity in income from affiliated companies is shown before the contribution from equity-accounted companies. The 2005 and 2004 figures are presented in a similar way for comparability.*

## 18.2. Deferred tax

Net deferred tax balances broke down as follows:

(in Euro million)

| | December 31, 2006 | | | December 31, 2005 | December 31, 2004 |
|---|---|---|---|---|---|
| | Deferred tax assets | Deferred tax liaiblities | Net deferred tax position | Net deferred tax position | Net deferred tax position |
| Deferred tax Assets/(Liabilities) concerning: | | | | | |
| – Deferred tax through profit & loss | 7,320 | 8,258 | (939) | (380) | (316) |
| – Deferred tax through reserves relating to the fair value adjustment of AFS assets | 215 | 2,048 | (1,833) | (2,557) | (2,243) |
| – Deferred tax through reserves relating to the fair value adjustment of CFH derivatives | – | 29 | (28) | (65) | (55) |
| – Deferred tax through reserves relating to the revaluation of tangible assets | – | 1 | (1) | (1) | – |
| – Deferred tax through reserves relating to gains and losses on defined benefits pension plans | 244 | 20 | 224 | 369 | 140 |
| – Deferred tax through reserves in relation to stock options | 143 | 1 | 142 | 87 | – |
| **Net deferred tax excluding policyholders' tax** | **7,921** | **10,357** | **(2,436)** | **(2,547)** | **(2,474)** |
| Policyholder tax – Net deferred tax [(a)] assets/ (liabilities) | 245 | 1,514 | (1,268) | (1,033) | (582) |
| **Total net deferred tax** | **8,166** | **11,871** | **(3,705)** | **(3,580)** | **(3,056)** |

*(a) As described in note 1.12.2 on accounting principles, the adoption of FRS 27 in the United Kingdom led to restatements in all the periods presented (see note 14 for details).*

In the table above, the net balances represent the difference between deferred tax assets and deferred tax liabilities carried on the Group's consolidated balance sheet. However, the information provided on the sources of deferred tax assets and liabilities are shown before netting.

(in Euro million)

| | 2006 | | | | | |
|---|---|---|---|---|---|---|
| | Opening | Movements through profit & loss | Movements through OCI | Forex impact | Change in scope and other variations | Closing |
| Deferred tax through profit & loss | (380) | 194 | – | 56 | (808) | (939) |
| Deferred tax through reserves relating to the fair value adjustment of AFS assets | (2,557) | – | 697 | 41 | (14) | (1,833) |
| Deferred tax through reserves relating to the fair value adjustment of CFH derivatives | (65) | – | 16 | – | 21 | (28) |
| Deferred tax through reserves relating to the revaluation of tangible assets | (1) | – | – | – | – | (1) |
| Deferred tax through reserves relating to gains and losses on defined benefits pension plans | 369 | – | (129) | (5) | (12) | 224 |
| Deferred tax through reserves in relation to stock options | 87 | – | 67 | (12) | – | 142 |
| **Net deferred tax assets/ (liabilities) excluding policyholder tax** | **(2,547)** | **194** | **652** | **79** | **(813)** | **(2,436)** |
| Policyholder tax – Deferred tax through profit & loss | (1,026) | (157) | – | (23) | (61) | (1,268) |
| Policyholder tax – Deferred tax through reserves relating to the fair value adjustment of AFS assets | (7) | – | 7 | – | – | – |
| Policyholder tax – Deferred tax through reserves relating to the fair value adjustment of CFH derivatives | – | – | 2 | – | (2) | – |
| **Policyhoder tax – Net deferred tax assets/ (liabilities)** | **(1,033)** | **(157)** | **8** | **(24)** | **(63)** | **(1,268)** |
| **Total net deferred tax assets / (liabilities)** | **(3,580)** | **37** | **660** | **55** | **(876)** | **(3,705)** |

(in Euro million)

| | 2005 | | | | | |
|---|---|---|---|---|---|---|
| | Opening | Movements through profit & loss | Movements through OCI | Forex impact | Change in scope and other variations | Closing |
| Deferred tax through profit & loss | (316) | 198 | – | (75) | (187) | (380) |
| Deferred tax through reserves relating to the fair value adjustment of AFS assets | (2,243) | – | (296) | (61) | 42 | (2,557) |
| Deferred tax through reserves relating to the fair value adjustment of CFH derivatives | (55) | (1) | (10) | – | – | (65) |
| Deferred tax through reserves relating to the revaluation of tangible assets | – | – | (1) | – | – | (1) |
| Deferred tax through reserves relating to gains and losses on defined benefits pension plans | 140 | – | 216 | 12 | 1 | 369 |
| Deferred tax through reserves in relation to stock options | – | – | 63 | 5 | 20 | 87 |
| **Net deferred tax assets/ (liabilities) excluding policyholder tax** | **(2,474)** | **197** | **(29)** | **(119)** | **(124)** | **(2,547)** |
| Policyholder tax – Deferred tax through profit & loss [(a)] | (579) | (396) | – | (19) | (144) | (1,026) |
| Policyholder tax – Deferred tax through reserves relating to the fair value adjustment of AFS assets | (5) | – | (2) | – | – | (7) |
| Policyholder tax – Deferred tax through reserves relating to the fair value adjustment of CFH derivatives | 2 | – | (2) | 2 | (3) | – |
| **Policyhoder tax – Net deferred tax assets/ (liabilities)** | **(582)** | **(396)** | **(3)** | **(18)** | **(146)** | **(1,033)** |
| **Total net deferred tax assets / (liabilities)** | **(3,056)** | **(198)** | **(32)** | **(136)** | **(270)** | **(3,580)** |

*(a) As described in notes 1.12.2 and 1.11.2 on accounting principles, the adoption of FRS 27 in the United Kingdom and the reclassification of Perpetual Deelply Subordinated notes to shareholders' equity led to restatements in all the periods presented (see notes 14 and 13 respectively for details).*

## Forecast reversal schedule for recognized deferred tax assets and expiration date:

| | DTA maturity date 1 year | DTA maturity date 2 years | DTA maturity date 3 years |
|---|---|---|---|
| DTA recognised on tax loss carryforward | 261 | 57 | 48 |
| Other recognized deferred tax | 1,673 | 379 | 346 |
| **TOTAL recognized DTA by expected date of DTA use** | **1,933** | **436** | **395** |
| Corresponding carryforward losses | 876 | 188 | 171 |
| DTA recognised on tax loss carryforward | 5 | 2 | 46 |
| Other recognized deferred tax | 322 | 55 | 58 |
| **TOTAL recognized DTA by latest date of DTA use** | **327** | **57** | **103** |
| Corresponding carryforward losses | 18 | 7 | 128 |

## Forecast reversal schedule for unrecognized deferred tax assets and expiration date:

| | DTA maturity date 1 year | DTA maturity date 2 years | DTA maturity date 3 years |
|---|---|---|---|
| Unrecognised DTA on tax losses carryforward | 56 | 82 | 7 |
| Other unrecognized DTA | 22 | – | – |
| **TOTAL unrecognized DTA by expected date of DTA use** | **78** | **82** | **7** |
| Corresponding carryforward losses | 251 | 311 | 20 |
| Unrecognised DTA on tax loss carryforward | – | 2 | 82 |
| Other unrecognized deferred tax | 4 | – | – |
| **TOTAL unrecognized DTA by latest date of DTA use** | **4** | **2** | **82** |
| Corresponding carryforward losses | – | 7 | 363 |

(in Euro million)

| 2006 | | | | | | |
|---|---|---|---|---|---|---|
| DTA maturity date 4 years | DTA maturity date 5 years | DTA maturity date 6 years | DTA maturity date between 7 and 11 years | DTA maturity date > 11 years | No maturity date | TOTAL |
| 25 | 30 | 16 | 11 | 10 | – | 457 |
| 366 | 567 | 158 | 1,803 | 2,172 | – | 7,464 |
| 391 | 597 | 174 | 1,814 | 2,181 | – | 7,921 |
| 114 | 128 | 82 | 77 | 45 | – | 1,682 |
| 32 | 19 | 7 | 9 | 10 | 327 | 457 |
| 80 | 159 | 14 | 218 | 982 | 5,578 | 7,464 |
| 113 | 178 | 21 | 227 | 991 | 5,905 | 7,921 |
| 89 | 52 | 20 | 25 | 45 | 1,298 | 1,682 |

(in Euro million)

| 2006 | | | | | | |
|---|---|---|---|---|---|---|
| DTA maturity date 4 years | DTA maturity date 5 years | DTA maturity date 6 years | DTA maturity date between 7 and 11 years | DTA maturity date > 11 years | No maturity date | TOTAL |
| 11 | 18 | 8 | 3 | 63 | – | 248 |
| – | – | – | 6 | 282 | – | 310 |
| 11 | 18 | 8 | 9 | 345 | – | 558 |
| 30 | 47 | 19 | 7 | 247 | – | 933 |
| 20 | 14 | 12 | 4 | – | 114 | 248 |
| – | – | – | – | 1 | 305 | 310 |
| 20 | 14 | 12 | 4 | 1 | 419 | 558 |
| 71 | 36 | 30 | 11 | – | 415 | 933 |

# Note 19: Derivative instruments

This note does not include derivative instruments that meet the definition of equity instruments (see Note 13 for details) or derivative instruments held by consolidated investment funds in the "satellite investment portfolio" (see Note 1.7.2.), which are recognized at fair value in accordance with IAS 39. However, it includes all other types of derivative instrument.

## *19.1. Derivative instruments: maturities, notional values and fair values*

| | Maturity of notional amount as at December 31, 2006 [a] | | | | | | Notional amount | | |
|---|---|---|---|---|---|---|---|---|---|
| | < 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | > 5 years | December 31, 2006 | December 31, 2005 | December 31, 2004 |
| Interest rate swaps | 10,236 | 3,805 | 8,812 | 9,788 | 3,593 | 32,515 | 68,749 | 78,392 | 76,894 |
| Currency swaps | 13,881 | 3,935 | 1,721 | 2,759 | 1,561 | 10,605 | 34,462 | 26,237 | 23,207 |
| Basic swaps | – | – | – | 120 | – | 194 | 314 | 792 | 609 |
| Equity swaps | 1,244 | 21 | 15 | – | – | 56 | 1,337 | 1,124 | 1,077 |
| Total return swaps | 4,662 | – | – | 2 | – | 2,311 | 6,976 | 1,770 | 2,451 |
| SWAPS | 30,023 | 7,761 | 10,549 | 12,670 | 5,153 | 45,682 | 111,837 | 108,315 | 104,238 |
| Caps | 2,291 | 45 | 7,206 | 7,045 | 1,095 | 7,700 | 25,382 | 42,326 | 43,490 |
| Floors | – | 6,072 | 4,554 | 4,574 | 4,554 | 4,554 | 24,308 | 20,626 | 9,048 |
| Collars | – | – | – | – | – | – | – | – | 47 |
| Swaptions | 2,491 | 1,804 | 769 | 577 | 629 | 4,933 | 11,203 | 2,526 | 2,240 |
| Calls bought | 4,241 | 28 | 12 | – | – | 478 | 4,760 | 1,338 | 1,602 |
| Calls sold | 5 | 5 | – | – | – | – | 11 | 108 | 272 |
| Puts bought | 221 | 110 | 88 | 83 | 722 | 240 | 1,463 | 796 | 323 |
| Puts sold | 2,298 | 11 | – | – | – | – | 2,309 | 143 | – |
| OPTIONS | 11,548 | 8,075 | 12,630 | 12,278 | 7,000 | 17,905 | 69,436 | 67,862 | 57,021 |
| Forwards / Futures bought | 10,913 | 1,111 | – | – | – | – | 12,024 | 1,712 | 4,127 |
| Forwards / Futures sold | 32,481 | 1,415 | 205 | – | – | – | 34,101 | 19,499 | 22,985 |
| FORWARDS / FUTURES | 43,394 | 2,526 | 205 | – | – | – | 46,124 | 21,211 | 27,113 |
| CREDIT DERIVATIVES | 129 | 75 | 1,451 | 6,166 | 1,291 | 742 | 9,854 | 9,771 | 2,393 |
| Other derivatives | – | – | 9 | – | – | 629 | 638 | 13 | 80 |
| *TOTAL* | *85,093* | *18,436* | *24,844* | *31,114* | *13,445* | *64,958* | *237,890* | *207,172* | *190,844* |

*NB: This table includes all derivatives (assets and liabilities), i.e hedging, macrohedging and other, asset and liability positions.*
*(a) By convention, notional amounts are displayed in absolute value, and exclude potential netting out.*

N.B.: €4,272 million of notional value on credit derivatives correspond to consolidated CDOs.

The consolidation of Winterthur had the effect of increasing derivatives by a net liability of €66 million, for a notional amount of €32,087 million.

(in Euro million)

| Positive fair value | | | Negative fair value | | | Net fair value | | | Change in fair value |
|---|---|---|---|---|---|---|---|---|---|
| December 31, 2006 | December 31, 2005 | December 31, 2004 | December 31, 2006 | December 31, 2005 | December 31, 2004 | December 31, 2006 | December 31, 2005 | December 31, 2004 | |
| 1,307 | 2,113 | 1,810 | 1,099 | 777 | 627 | 208 | 1,336 | 1,183 | (1,128) |
| 1,854 | 958 | 1,717 | 693 | 909 | 586 | 1,161 | 49 | 1,130 | 1,112 |
| 17 | 54 | 4 | 5 | 3 | 33 | 11 | 50 | (29) | (39) |
| 171 | 50 | 55 | 246 | 95 | – | (75) | (46) | 54 | (30) |
| 365 | 273 | 240 | 225 | 8 | 9 | 140 | 265 | 231 | (125) |
| 3,713 | 3,447 | 3,825 | 2,268 | 1,792 | 1,255 | 1,445 | 1,656 | 2,570 | (211) |
| 17 | 18 | 39 | 207 | 255 | 276 | (190) | (237) | (236) | 46 |
| 7 | 10 | 4 | – | – | – | 7 | 10 | 4 | (4) |
| – | – | – | – | – | – | – | – | – | – |
| 253 | 115 | 62 | – | – | – | 253 | 115 | 62 | 138 |
| 174 | 14 | 106 | – | 2 | – | 174 | 13 | 106 | 161 |
| – | 1 | – | – | 1 | – | – | – | – | – |
| 68 | – | 8 | 12 | 19 | – | 56 | (19) | 8 | 75 |
| – | – | – | 8 | – | – | (8) | – | – | (7) |
| 518 | 160 | 220 | 227 | 277 | 276 | 292 | (117) | (56) | 408 |
| 241 | 13 | 8 | 31 | 5 | 4 | 211 | 8 | 4 | 203 |
| 153 | 42 | 190 | 1,291 | 597 | 451 | (1,138) | (556) | (260) | (582) |
| 395 | 55 | 198 | 1,322 | 602 | 455 | (927) | (548) | (256) | (379) |
| 54 | 21 | 37 | 9 | 33 | – | 45 | (12) | 37 | 57 |
| 86 | 8 | 5 | 7 | – | 1 | 79 | 8 | 5 | 71 |
| ***4,766*** | ***3,691*** | ***4,286*** | ***3,833*** | ***2,704*** | ***1,986*** | ***933*** | ***987*** | ***2,299*** | ***(54)*** |

## 19.2. Hedge accounting derivatives

Hedging derivative instruments broke down as follows:

(in Euro million)

| | December 31, 2006 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Derivative instruments used in fair value hedging relationship | | Derivative instruments used in a cash flow hedging relationship | | Derivative instruments used in hedge of net investment in a foreign operation | | Macro hedges and other derivative instruments not qualifying under IAS 39 but generally used as economic hedges | | TOTAL | |
| | Notional amount | Fair value | Notional amount | Fair value | Notional amount | Fair value | Notional amount | Fair value | Notional amount | Fair value |
| Interest rate swaps | 3,728 | (97) | 996 | 59 | – | – | 64,025 | 246 | 68,749 | 208 |
| Currency swaps | 164 | 6 | 234 | 15 | 9,554 | 1,093 | 24,509 | 46 | 34,462 | 1,161 |
| Basic swaps | – | – | – | – | – | – | 314 | 11 | 314 | 11 |
| Equity swaps | 1,224 | (153) | – | – | – | – | 112 | 78 | 1,337 | (75) |
| Total return swaps | – | – | – | – | – | – | 6,976 | 140 | 6,976 | 140 |
| SWAPS | 5,117 | (245) | 1,230 | 75 | 9,554 | 1,093 | 95,937 | 522 | 111,837 | 1,445 |
| Caps | – | – | – | – | 290 | 3 | 25,092 | (193) | 25,382 | (190) |
| Floors | – | – | – | – | – | – | 24,308 | 7 | 24,308 | 7 |
| Collars | – | – | – | – | – | – | – | – | – | – |
| Swaptions | – | – | 2,539 | 94 | – | – | 8,665 | 159 | 11,203 | 253 |
| Calls bought | – | – | – | – | 1,554 | 46 | 3,206 | 128 | 4,760 | 174 |
| Calls sold | – | – | – | – | – | – | 11 | – | 11 | – |
| Puts bought | – | – | – | – | – | – | 1,463 | 56 | 1,463 | 56 |
| Puts sold | – | – | – | – | 1,566 | (4) | 743 | (4) | 2,309 | (8) |
| OPTIONS | – | – | 2,539 | 94 | 3,410 | 45 | 63,488 | 153 | 69,436 | 292 |
| Forwards / Futures bought | 872 | 6 | – | – | 208 | 4 | 10,943 | 201 | 12,024 | 211 |
| Forwards / Futures sold | 3,215 | (35) | – | – | 2,392 | 26 | 28,493 | (1,129) | 34,101 | (1,138) |
| FORWARDS / FUTURES | 4,088 | (29) | – | – | 2,600 | 30 | 39,437 | (928) | 46,124 | (927) |
| CREDIT DERIVATIVES | – | – | – | – | – | – | 9,854 | 45 | 9,854 | 45 |
| Other derivatives | – | – | – | – | – | 21 | 638 | 58 | 638 | 79 |
| *TOTAL* | *9,204* | *(274)* | *3,769* | *169* | *15,564* | *1,189* | *209,353* | *(150)* | *237,890* | *933* |

*NB: This table includes all derivatives (assets and liabilities), i.e hedging, macrohedging and other, asset and liability positions.*

(in Euro million)

| | December 31, 2005 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Derivative instruments used in fair value hedging relationship | | Derivative instruments used in a cash flow hedging relationship | | Derivative instruments used in hedge of net investment in a foreign operation | | Macro hedges and other derivative instruments not qualifying under IAS 39 but generally used as economic hedges | | TOTAL | |
| | Notional amount | Fair value | Notional amount | Fair value | Notional amount | Fair value | Notional amount | Fair value | Notional amount | Fair value |
| Interest rate swaps | 6,395 | 204 | 1,030 | 78 | 240 | (2) | 70,727 | 1,056 | 78,392 | 1,336 |
| Currency swaps | 2,554 | (151) | 20 | (1) | 9,484 | 228 | 14,179 | (26) | 26,237 | 49 |
| Basic swaps | – | – | – | – | – | – | 792 | 50 | 792 | 50 |
| Equity swaps | 378 | (104) | – | – | – | – | 746 | 59 | 1,124 | (46) |
| Total return swaps | – | – | – | – | – | – | 1,770 | 265 | 1,770 | 265 |
| SWAPS | 9,327 | (51) | 1,050 | 77 | 9,724 | 226 | 88,213 | 1,404 | 108,315 | 1,656 |
| Caps | – | – | – | – | – | – | 42,326 | (237) | 42,326 | (237) |
| Floors | – | – | – | – | – | – | 20,626 | 10 | 20,626 | 10 |
| Collars | – | – | – | – | – | – | – | – | – | – |
| Swaptions | – | – | – | – | – | – | 2,526 | 115 | 2,526 | 115 |
| Calls bought | – | – | – | – | – | – | 1,338 | 13 | 1,338 | 13 |
| Calls sold | – | – | – | – | – | – | 108 | – | 108 | – |
| Puts bought | – | – | – | – | – | – | 796 | (19) | 796 | (19) |
| Puts sold | – | – | – | – | – | – | 143 | – | 143 | – |
| OPTIONS | – | – | – | – | – | – | 67,862 | (117) | 67,862 | (117) |
| Forwards / Futures bought | – | – | – | – | – | – | 1,712 | 8 | 1,712 | 8 |
| Forwards / Futures sold | 795 | (50) | – | – | – | – | 18,704 | (506) | 19,499 | (556) |
| FORWARDS / FUTURES | 795 | (50) | – | – | – | – | 20,416 | (498) | 21,211 | (548) |
| CREDIT DERIVATIVES | – | – | – | – | – | – | 9,771 | (12) | 9,771 | (12) |
| Other derivatives | – | – | – | – | – | 6 | 13 | 2 | 13 | 8 |
| ***TOTAL*** | ***10,122*** | ***(101)*** | ***1,050*** | ***77*** | ***9,724*** | ***232*** | ***186,275*** | ***779*** | ***207,172*** | ***987*** |

*NB : This table includes all derivatives (assets and liabilities), i.e hedging, macrohedging and other, asset and liability positions.*

Note 4 to the financial statements refers to risk management within the Group, and describes its main principles and guidelines. In general, derivatives are used by the various entities and by the Company for economic hedging purposes, with the exception of certain credit derivatives. However, the notion of hedge accounting within the meaning of IAS 39 only applies to a small portion of derivatives used by the Group. The overall objectives of the economic hedging implemented by AXA are described briefly below, along with details of any items that qualify for hedge accounting in the meaning of IAS 39.

In the tables above, the fourth column includes derivatives that do not qualify for hedge accounting under IAS 39, but whose objective is nevertheless to provide economic hedging of a risk, with the exception of certain credit derivatives. They include “macro-hedging” derivatives as defined by the IASB in its amendment to IAS 39.

AXA uses derivative instruments mainly to manage its financial exposure to interest rate and exchange rate risks.

As at December 31, 2006, the notional amount of all derivative instruments, for trading and non-trading purposes, totaled €238 billion (€207 billion and €191 billion respectively in 2005 and 2004). Their net fair value as at December 31, 2006 totaled €933 million (€987 million and €2,299 million respectively in 2005 and 2004).

While notional amount is the most commonly used measure of volume in the derivatives market, it is not used as a measure of risk because the notional amount greatly exceeds the possible credit and market loss that could arise from such transactions. The AXA Group is exposed to credit risk in respect of its counterparties to the derivative instruments, but is not exposed to credit risk on the entire notional amounts. The notional amounts do not represent the amounts actually exchanged by the parties and thus are not a measure of the AXA Group’s exposure to the derivative instruments. The AXA Group’s exposure is represented by the market value of the derivative contract at a given point in time.

The risk management and associated economic hedging strategies are defined and managed by AXA’s local operations in line with accounting regulations. Such economic hedging strategies include (i) managing interest-rate exposures on fixed maturity investments, long-term debt and guaranteed interest rates on insurance contracts, (ii) managing foreign-currency exposures on foreign-currency denominated investments and liabilities, and (iii) managing liquidity positions (including the ability to pay benefits and claims when due) in connection with asset-liability management and local regulatory requirements for insurance and banking operations.

As at December 31, 2006 and based on notional amounts, (i) 47% of the derivative instruments used consisted in swap contracts (52% and 55% respectively in 2005 and 2004), (ii) 29% were option products (mainly caps, floors and collars) (33% and 30% respectively at end December 2005 and 2004), (iii) 19% were futures and forwards (mainly other than foreign currency products) versus 10% and 14% respectively at end 2005 and 2004, and (iv) 4% were credit derivatives, compared to 5% and 1% respectively at end 2005 and 2004. Credit derivatives are an alternative option to investing in fixed maturities issued by private sector companies.

As at December 31, 2006, the notional amount of hedging derivative instruments as defined by IAS 39 (fair value, cash flow and net investment hedges) by the entire AXA Group totaled €28,537 million including €8,805 million for Winterthur entities (€20,897 million in 2005 and €13,507 million in 2004). Their net fair value was €1,083 million including €90 million for Winterthur entities (€208 million in 2005 and €1,083 million in 2004).

### a. Swaps

**Swap contracts** are agreements between two parties to exchange one set of cash flows for another. Payments are made on the basis of the swap’s notional value.

AXA primarily uses (i) interest-rate swap contracts to manage cash flows arising from interest received or paid, and (ii) currency swap contracts to manage foreign-currency denominated cash flows or investments.

On a consolidated basis, the notional amount of such instruments as at December 31, 2006 was €111,837 million including €6,300 million for the Winterthur entities (€108,315 million in 2005 and €104,238 million in 2004). Their market value was €1,445 million including €–145 million for the Winterthur entities (€1,656 million in 2005 and €2,570 million in 2004).

At December 31, 2006, interest-rate swaps accounted for 61% of all swaps used by AXA (versus 72% and 74% respectively at end 2005 and 2004). They are used mainly by (i) the Company to limit its interest-rate exposure on debt issued or amounts borrowed (notional value of €39,602 million compared to €31,612 million and €24,210 million respectively at end 2005 and 2004), (ii) AXA Bank Belgium to hedge interest-rate risk exposures arising in the context of its ordinary banking activities, in order to achieve an appropriate interest-rate spread between its interest-earning assets and interest-bearing liabilities (notional value of €11,864 million versus €28,283 and €40,330 million respectively at end 2005 and 2004, the decrease being due to a diversification in asset allocation as part of an active treasury portfolio management policy) and (iii) AXA Japan (notional amount of €4,202 million versus €7,402 million and €577 million respectively at end 2005 and 2004) to limit its risk exposure to interest-rate on its invested assets (fixed maturities held directly and through consolidated mutual funds). The decrease in notional value at AXA Japan was mainly due to the sale of directly held Euro-zone bonds, the proceeds of which were reinvested in Japanese bonds.

Currency swaps constitute another part of AXA's hedging strategies to manage foreign currency cash flow exposures, and are primarily used by AXA parent company (€20,542 million at end 2006 versus €17,156 million and €12,050 million respectively at end 2005 and 2004), and by AXA Japan mainly to limit the exposure of its Euro and US dollar bond portfolio (€3,071 million versus €5,057 million and €5,540 million respectively at end 2005 and 2004).

As at December 31, 2006, 86% of the total notional amount of swaps did not qualify for hedge accounting under IAS 39 (81% at end 2005), and included €49,776 million for the Company (€38,566 million at end 2005) and €16,728 million for AXA Bank Belgium (versus €27,826 million at end 2005) which, as part of its business, uses mainly Euro-denominated forward rate agreements and interest-rate swaps that generate short-term profits.

The notional amounts of swaps used in fair value hedge relationships totaled €5,117 million as at December 31, 2006, including €1,685 million for the Company to hedge its foreign currency financing debts, €1,708 million for AXA Japan (mainly including €1,106 million of interest rate swaps and €602 million of equity swaps), and €937 million for AXA Bank Belgium.

The notional amounts of swaps used in cash flow hedge relationships totaled €1,230 million (€1,050 million at end 2005), including €521 million of interest-rate swaps in Belgium (Life & Savings business), €351 million in Germany (Life & Savings business) mainly in CDO investments, and €266 million of interest-rate swaps at the Australian holding company.

The notional amounts of swaps used in net foreign investment hedge relationships totaled €9,554 million (€9,724 million at end 2005), including €8,718 million of currency swaps used by the Company.

### b. Options

The options portfolio consists mainly of caps and floors. **Interest rate caps and floors** are option-like agreements where the seller agrees to pay the counterparty an amount equal to the difference, based on a notional amount, between the interest rate of the specified index and the interest rate cap or floor. These products are used to hedge against interest rate increases (caps) or decreases (floor).

The notional amount of these instruments as at December 31, 2006 was €49,690 million (€62,952 million and €52,538 million respectively in 2005 and 2004), the decrease being mainly attributable to France, where some hedges matured at end 2006 and were not replaced immediately. They represented 72% of the total notional amount of all options (93% and 92% respectively at end 2005 and 2004). Their fair value was €–184 million (€–226 million in 2005 and €–232 million in 2004).

Caps and floors are used predominantly by US and French Life & Savings operations to hedge interest rates on contracts with guaranteed rates of return.

Swaptions represented 16% of the total notional amount of options as at December 31, 2006, mainly in the Winterthur entities (€5,212 million, principally in Switzerland, and including €2,089 million used to hedge the risk of reinvestment by the Swiss Individual Life & Savings business), in Belgium to hedge against a fall in rates in the general fund and the private sector fund (€1,565 million and €800 million respectively) and against the risk of customer loss following an increase in rates in separate funds (Crest for €721 million), and in Germany (€1,500 million).

### c. Futures and Forwards

**Futures** are contracts that obligate settlement at a specified price at a specified future date and can be either exchange or non-exchange traded. Forwards are over-the-counter contracts.

On a consolidated basis, the notional amount of futures and forwards as at December 31, 2006 was €46,124 million (€21,211 million in 2005 and €27,113 million in 2004) including €20,205 million for the Winterthur entities. Their market value was €–927 million (€–548 million in 2005 and €–256 million in 2004) including €–63 million for the Winterthur entities.

Currency futures and forward contracts accounted for 81% of these instruments (based on notional amounts at December 31, 2006), compared to 80% at end 2005 and 53% at end 2004.

Winterthur's Swiss entities held futures for a total notional amount of €19,642 million, including €3,653 million designated as fair value hedges under IAS 39 to hedge equity securities in currencies other than the Swiss franc, €2,214 million designated as hedges of a net investment in foreign operations, and €13,775 million that do not qualify for hedge accounting under IAS 39.

AXA Japan also uses forward foreign currency contracts (the notional amount designated as fair value hedges at December 31, 2006 was €200 million, of a total notional amount of €14,596 million) to hedge exchange-rate risk arising from its investments in US and European fixed-maturity bonds, mainly held in controlled funds. In accordance with IAS 21 and IAS 39, some or all of the translation difference relating to these bonds is recognized in profit & loss and offsets most of the change in market value of associated derivative instruments, which is also recognized in profit & loss. In substance, therefore, these contracts act as hedges without the need to use hedge accounting within the meaning of IAS 39.

Additionally, AXA's US insurance operations use forwards and futures for the dynamic risks management program associated with the guaranteed minimum benefits on unit-linked retirement savings products.

Other futures were predominantly used by insurance operations to hedge future operating margins.

As a result, 86% of the notional value of futures and forwards at end 2006 were used in hedging relationships that do not qualify for hedge accounting under IAS 39 (96% and 92% respectively at end 2005 and 2004).

### d. Credit derivatives

AXA mainly uses credit derivatives to manage the exposures of its assets and liabilities to interest-rate risks, but may also use them to enhance returns on invested assets.

At December 31, 2006, the notional amount of these derivatives was €9,854 million (€9,771 million and €2,393 million in 2005 and

2004 respectively) and their fair value was €45 million (€–12 million and €37 million respectively in 2005 and 2004). Credit derivatives are mainly used in CDOs (€4,272 million at end 2006 versus €4,612 million at end 2005 and €1,568 million at end 2004) to build their collateral portfolio, and by AXA Japan (€4,676 million at end 2006 versus €4,623 million at end 2005 and €757 million at end 2004). AXA Japan mainly uses credit default swaps (CDSs) on highly rated bonds to enhance the returns on its portfolio, a simple alternative to investing directly in corporate bonds.

### e. Mortality derivatives

On November 13, 2006, AXA announced a €1 billion shelf program to transfer mortality risk to the capital markets, of which approximately €345 million was invested in 2006. This risk transfer results in a derivative contract between AXA and a special purpose vehicle called Osiris Capital plc, indexed to the mortality levels observed in various countries in which AXA operates (France, Japan and the United States for the 2006 investment). It is shown under the line item “Other derivatives”.

## 19.3. Effect of hedging on financial investments

The impact of derivative instruments is presented in the balance sheet within their related underlying financial assets (and liabilities, see section 19.4.). The table below sets out the impact of derivative instruments on the related underlying assets.

| | Insurance | | | |
|---|---|---|---|---|
| | Net value excluding effect of hedging value (a) | Impact of derivative instruments subject to hedge accounting (b) | Impact of other derivative instruments (c) | Net value including effect of derivatives (d) |
| Investment property at amortized cost | 13,243 | – | – | 13,243 |
| Investment property at fair value through profit & loss | 5,364 | – | – | 5,364 |
| Macro hedge and speculative derivatives | – | – | – | – |
| **Investment property** | **18,608** | **–** | **–** | **18,608** |
| Fixed maturities held to maturity | – | – | – | – |
| Fixed maturities available for sale | 241,652 | (83) | (311) | 241,258 |
| Fixed maturities at fair value through profit & loss | 49,520 | – | 71 | 49,591 |
| Fixed maturities held for tradings | 71 | – | 23 | 94 |
| Non quoted fixed maturities (amortized cost) | 10 | – | – | 10 |
| **Fixed maturities** | **291,253** | **(83)** | **(217)** | **290,953** |
| Equity securities available for sale | 35,761 | (149) | (8) | 35,604 |
| Equity securities at fair value through profit & loss | 22,076 | (25) | – | 22,050 |
| Equity securities held for tradings | 142 | – | – | 142 |
| **Equity securities** | **57,979** | **(175)** | **(8)** | **57,797** |
| Non controlled investment funds available for sale | 4,593 | 6 | – | 4,599 |
| Non controlled investment funds at fair value through profit & loss | 2,321 | 13 | (15) | 2,319 |
| Non controlled investment funds held for tradings | 80 | – | – | 80 |
| **Non controlled investment funds** | **6,994** | **19** | **(15)** | **6,998** |
| **Other investments (f)** | **3,145** | **–** | **(1)** | **3,144** |
| **Macro hedge and speculative derivatives** | **(175)** | **–** | **–** | **(175)** |
| **TOTAL FINANCIAL INVESTMENTS** | **359,197** | **(238)** | **(241)** | **358,718** |
| Loans held to maturity | – | – | – | – |
| Loans available for sale | 819 | – | 5 | 824 |
| Loans at fair value through profit and loss | 378 | – | – | 378 |
| Loans held for tradings | – | – | – | – |
| Mortgage loans | 13,075 | – | 2 | 13,077 |
| Others (e) | 14,588 | – | (11) | 14,577 |
| Macro hedge and speculative derivatives | – | – | – | – |
| **Loans** | **28,860** | **–** | **(4)** | **28,856** |
| **Financial investments backing contracts where financial risks is borne by policyholders** | **176,479** | **–** | **83** | **176,562** |
| **TOTAL FINANCIAL ASSETS** | **583,143** | **(238)** | **(162)** | **582,744** |
| **Derivative instruments hedging net investment in a foreign operation (assets) (g)** | **–** | **–** | **–** | **–** |

*(a) Net book value, i.e net of impairment, discount premiums and related amortization, including interest accrued but not yet due, but excluding any impact of derivatives.*
*(b) Excluding macrohedge and other derivatives, i.e. excluding economic hedges that do not qualify for hedge accounting under IAS 39, macro-hedging and other derivatives.*
*(c) Macrohedge and other derivatives.*
*(d) Net book value (see (a)), but including effect of hedging instruments (IAS 39), economic hedging instruments not acting as hedging under IAS 39, macrohedge and other derivatives.*
*(e) Notably includes policy loans, lease receivables and other loans.*
*(f) Other investments held through consolidated investment funds at fair value through profit and loss.*
*(g) Derivatives instruments used in hedge of net investment in a foreign operation, and not attached to a debt on the face of the balance sheet.*

(in Euro million)

| December 31, 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Banking and other activities | | | | TOTAL | | | |
| Net value excluding effect of hedging value [(a)] | Impact of derivative instruments subject to hedge accounting [(b)] | Impact of other derivative instruments [(c)] | Net value including effect of derivatives [(d)] | Net value excluding effect of hedging value [(a)] | Impact of derivative instruments subject to hedge accounting [(b)] | Impact of other derivative instruments [(c)] | Net value including effect of derivatives [(d)] |
| 548 | – | – | 548 | 13,791 | – | – | 13,791 |
| 608 | – | – | 608 | 5,972 | – | – | 5,972 |
| – | – | – | – | – | – | – | – |
| 1,156 | – | – | 1,156 | 19,763 | – | – | 19,763 |
| – | – | – | – | – | – | – | – |
| 5,645 | – | – | 5,645 | 247,297 | (83) | (311) | 246,903 |
| 186 | – | (4) | 182 | 49,706 | – | 67 | 49,772 |
| 1,172 | – | 31 | 1,203 | 1,244 | – | 54 | 1,297 |
| 1 | – | – | 1 | 11 | – | – | 11 |
| 7,005 | – | 26 | 7,031 | 298,258 | (83) | (191) | 297,984 |
| 2,744 | – | (11) | 2,733 | 38,505 | (149) | (19) | 38,337 |
| 123 | – | – | 123 | 22,198 | (25) | – | 22,173 |
| 332 | – | – | 332 | 474 | – | – | 474 |
| 3,199 | – | (11) | 3,187 | 61,178 | (175) | (19) | 60,984 |
| 226 | – | – | 226 | 4,819 | 6 | – | 4,825 |
| 155 | – | – | 155 | 2,476 | 13 | (15) | 2,474 |
| 33 | – | – | 33 | 113 | – | – | 113 |
| 414 | – | – | 414 | 7,407 | 19 | (15) | 7,412 |
| – | – | – | – | 3,145 | – | (1) | 3,144 |
| 875 | – | – | 875 | 701 | – | – | 701 |
| 11,492 | – | 15 | 11,507 | 370,689 | (238) | (226) | 370,225 |
| – | – | – | – | – | – | – | – |
| 26 | – | – | 26 | 845 | – | 5 | 850 |
| 2,815 | – | (48) | 2,768 | 3,194 | – | (47) | 3,146 |
| 227 | – | – | 227 | 227 | – | – | 227 |
| 13 | – | – | 13 | 13,088 | – | 2 | 13,090 |
| 591 | – | – | 591 | 15,179 | – | (11) | 15,168 |
| 8 | – | – | 8 | 8 | – | – | 8 |
| 3,680 | – | (48) | 3,632 | 32,540 | – | (52) | 32,488 |
| – | – | – | – | 176,479 | – | 83 | 176,562 |
| 16,328 | – | (33) | 16,295 | 599,471 | (238) | (195) | 599,039 |
| – | – | – | – | – | – | – | – |

| | Insurance | | | |
|---|---|---|---|---|
| | Net value excluding effect of hedging value [(a)] | Impact of derivative instruments subject to hedge accounting [(b)] | Impact of other derivative instruments [(c)] | Net value including effect of derivatives [(d)] |
| Investment property at amortized cost | 7,832 | – | – | 7,832 |
| Investment property at fair value through profit & loss | 4,979 | – | – | 4,979 |
| Macro hedge and speculative derivatives | – | – | – | – |
| **Investment property** | **12,810** | **–** | **–** | **12,810** |
| Fixed maturities held to maturity | – | – | – | – |
| Fixed maturities available for sale | 189,382 | (166) | 235 | 189,451 |
| Fixed maturities at fair value through profit & loss | 43,403 | – | 10 | 43,413 |
| Fixed maturities held for tradings | 142 | – | – | 142 |
| Non quoted fixed maturities (amortized cost) | 20 | – | – | 20 |
| **Fixed maturities** | **232,948** | **(166)** | **246** | **233,027** |
| Equity securities available for sale | 27,858 | (104) | (73) | 27,680 |
| Equity securities at fair value through profit & loss | 18,804 | – | – | 18,804 |
| Equity securities held for tradings | 101 | – | – | 101 |
| **Equity securities** | **46,762** | **(104)** | **(73)** | **46,585** |
| Non controlled investment funds available for sale | 3,132 | – | 89 | 3,221 |
| Non controlled investment funds at fair value through profit & loss | 1,916 | – | – | 1,917 |
| Non controlled investment funds held for tradings | 195 | – | – | 195 |
| **Non controlled investment funds** | **5,243** | **–** | **89** | **5,333** |
| **Other investments [(f)]** | **1,911** | **–** | **1** | **1,912** |
| **Macro hedge and speculative derivatives** | **(209)** | **–** | **–** | **(209)** |
| **TOTAL FINANCIAL INVESTMENTS** | **286,655** | **(271)** | **263** | **286,647** |
| Loans held to maturity | – | – | – | – |
| Loans available for sale | – | – | – | – |
| Loans at fair value through profit and loss | 125 | – | – | 125 |
| Loans held for tradings | – | – | – | – |
| Mortgage loans | 7,230 | – | – | 7,230 |
| Others [(e)] | 10,976 | – | 1 | 10,977 |
| Macro hedge and speculative derivatives | – | – | – | – |
| **Loans** | **18,332** | **–** | **1** | **18,332** |
| **Financial investments backing contracts where financial risks is borne by policyholders** | **141,397** | **–** | **13** | **141,410** |
| **TOTAL FINANCIAL ASSETS** | **459,194** | **(271)** | **277** | **459,200** |
| **Derivative instruments hedging net investment in a foreign operation (assets) [(g)]** | **–** | **–** | **–** | **–** |

*(a) Net book value, i.e net of impairment, discount premiums and related amortization, including interest accrued but not yet due, but excluding any impact of derivatives.*
*(b) Excluding macrohedge and other derivatives, i.e. excluding economic hedges that do not qualify for hedge accounting under IAS 39, macro-hedging and other derivatives.*
*(c) Macrohedge and other derivatives.*
*(d) Net book value (see (a)), but including effect of hedging instruments (IAS 39), economic hedging instruments not acting as hedging under IAS 39, macrohedge and other derivatives.*
*(e) Notably includes policy loans, lease receivables and other loans.*
*(f) Other investments held through consolidated investment funds at fair value through profit and loss.*
*(g) Derivatives instruments used in hedge of net investment in a foreign operation, and not attached to a debt on the face of the balance sheet.*

(in Euro million)

| December 31, 2005 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Banking and other activities | | | | TOTAL | | | |
| Net value excluding effect of hedging value [(a)] | Impact of derivative instruments subject to hedge accounting [(b)] | Impact of other derivative instruments [(c)] | Net value including effect of derivatives [(d)] | Net value excluding effect of hedging value [(a)] | Impact of derivative instruments subject to hedge accounting [(b)] | Impact of other derivative instruments [(c)] | Net value including effect of derivatives [(d)] |
| 314 | – | – | 314 | 8,146 | – | – | 8,146 |
| – | – | – | – | 4,979 | – | – | 4,979 |
| – | – | – | – | – | – | – | – |
| 314 | – | – | 314 | 13,124 | – | – | 13,124 |
| – | – | – | – | – | – | – | – |
| 5,740 | – | (1) | 5,739 | 195,123 | (166) | 234 | 195,190 |
| 779 | – | (42) | 737 | 44,182 | – | (32) | 44,150 |
| 1,547 | – | – | 1,547 | 1,689 | – | – | 1,689 |
| 2 | – | – | 2 | 22 | – | – | 22 |
| 8,068 | – | (44) | 8,025 | 241,016 | (166) | 202 | 241,052 |
| 571 | – | – | 571 | 28,429 | (104) | (73) | 28,252 |
| 48 | – | – | 48 | 18,852 | – | – | 18,852 |
| 308 | – | – | 308 | 409 | – | – | 409 |
| 928 | – | – | 928 | 47,690 | (104) | (73) | 47,513 |
| 201 | – | – | 201 | 3,333 | – | 89 | 3,422 |
| 73 | – | – | 73 | 1,990 | – | – | 1,990 |
| 22 | – | – | 22 | 217 | – | – | 217 |
| 296 | – | – | 296 | 5,540 | – | 89 | 5,629 |
| – | – | – | – | 1,911 | – | 1 | 1,912 |
| 198 | – | – | 198 | (11) | – | – | (11) |
| 9,491 | – | (44) | 9,447 | 296,146 | (271) | 219 | 296,094 |
| 1 | – | – | 1 | 1 | – | – | 1 |
| 23 | – | – | 23 | 23 | – | – | 23 |
| – | – | – | – | 125 | – | – | 125 |
| 248 | – | – | 248 | 248 | – | – | 248 |
| 20 | (58) | – | (38) | 7,250 | (58) | – | 7,192 |
| 74 | – | – | 74 | 11,051 | – | 1 | 11,051 |
| 15 | – | – | 15 | 15 | – | – | 15 |
| 381 | (58) | – | 323 | 18,712 | (58) | 1 | 18,655 |
| – | – | – | – | 141,397 | – | 13 | 141,410 |
| 10,186 | (58) | (44) | 10,084 | 469,379 | (329) | 233 | 469,284 |
| – | – | – | – | – | – | – | – |

# 19.4. Effect of hedging on liabilities

The impact of derivative instruments is presented in the balance sheet within their related underlying financial liabilities (and assets, see section 19.3.). The tables below set out the impact of derivative instruments on the related underlying liabilities.

## 19.4.1. Liabilities arising from insurance and investment contracts

| | December 31, 2006 | | | |
|---|---|---|---|---|
| | Net carrying value excluding effect of hedging value | Impact of derivative instruments subject to hedge accounting | Impact of other derivative instruments | Value including effect of derivatives |
| Liabilities arising from insurance contracts [(a)] | 323,232 | (21) | (67) | 323,144 |
| Liabilities arising from insurance contracts where the financial risk is borne by policyholders | 108,984 | – | – | 108,984 |
| **Total liabilities arising from insurance contracts** | **432,216** | **(21)** | **(67)** | **432,128** |
| Liabilities arising from investment contracts with discretionary participating features [(a)] | 32,599 | – | – | 32,599 |
| Liabilities arising from investment contracts with no discretionary participating features | 1,121 | – | (62) | 1,059 |
| Liabilites arising from investment contracts where the financial risk is borne by policyholders | 67,673 | – | – | 67,673 |
| **Total liabilites arising from investment contracts** | **101,393** | **–** | **(62)** | **101,331** |
| **Macro hedge derivative instruments on insurance and investment contracts (liabilities)** | **–** | **–** | **(13)** | **–** |

*(a) As described in note 1.12.2 on accounting principles, the adoption of FRS 27 in the United Kingdom led to restatements in all the periods presented (see note 14 for details).*

## 19.4.2. Other financial liabilities

| | December 31, 2006 | | | |
|---|---|---|---|---|
| | Value before effect of derivative instruments | Impact of derivative instruments subject to hedge accounting | Impact of other derivative instruments | Value including effect of derivatives |
| Subordinated debt [(a)] | 6,168 | (648) | 43 | 5,563 |
| Financing debt instruments issued | 3,894 | (127) | (79) | 3,688 |
| Financing debt owed to credit institutions | 95 | – | – | 95 |
| **Financing debt [(b)]** | **10,158** | **(775)** | **(36)** | **9,347** |
| Minority interest of controlled investment funds and puttable instruments held by minority interests holders | 7,224 | – | – | 7,224 |
| Other debt instruments issued, notes and bank overdrafts | 8,714 | (3) | – | 8,711 |
| Payables arising from direct insurance and inward reinsurance operations | 7,947 | – | – | 7,947 |
| Payables arising from outward reinsurance operations | 5,849 | – | – | 5,849 |
| Payables arising from banking activities [(b)] | 16,817 | – | 175 | 16,992 |
| Payables – current tax position | 2,059 | – | – | 2,059 |
| Other payables | 41,071 | (2) | 121 | 41,191 |
| Derivatives relating to other financial liabilities | | | 5 | 5 |
| **Other debts [(c)]** | **89,681** | **(5)** | **301** | **89,978** |
| **Derivative instruments hedging net investment in a foreign operation (liabilities) [(d)]** | **–** | **–** | **–** | **–** |

*(a) As described in note 1.11.2 on accounting principles, reclassification of deeply perpetual subordinated notes to shareholders' equity led to restatements in all the periods presented (see note 13 for details).*
*(b) Financing debt, other debt instruments issued, notes and bank overdrafts, and Payables arising from banking activities issued are disclosed in the balance sheet net of the impact of derivatives. As a result, the amount showin in the column "value including effect of derivatives" is their net book value.*
*(c) Other debts are presented excluding the effect of derivatives on the face of the balance sheet.*
*(d) Derivative instruments used to hedge the net investment in a foreign operation, and not attached to a debt on the face of the balance sheet.*

(in Euro million)

| December 31, 2005 | | | | December 31, 2004 | | | |
|---|---|---|---|---|---|---|---|
| Net carrying value excluding effect of hedging value | Impact of derivative instruments subject to hedge accounting | Impact of other derivative instruments | Value including effect of derivatives | Net carrying value excluding effect of hedging value | Impact of derivative instruments subject to hedge accounting | Impact of other derivative instruments | Value including effect of derivatives |
| 247,717 | (6) | (94) | 247,617 | 229,452 | 22 | (40) | 229,434 |
| 92,888 | – | – | 92,888 | 73,578 | – | – | 73,578 |
| 340,605 | (6) | (94) | 340,505 | 303,030 | 22 | (40) | 303,012 |
| 33,267 | – | – | 33,267 | 31,832 | (10) | (4) | 31,818 |
| 926 | – | (52) | 873 | 869 | – | – | 869 |
| 48,549 | – | – | 48,549 | 39,127 | – | – | 39,127 |
| 82,742 | – | (52) | 82,689 | 71,828 | (10) | (4) | 71,814 |
| | | 5 | | | | – | |

(in Euro million)

| December 31, 2005 | | | | December 31, 2004 | | | |
|---|---|---|---|---|---|---|---|
| Value before effect of derivative instruments | Impact of derivative instruments subject to hedge accounting | Impact of other derivative instruments | Value including effect of derivatives | Value before effect of derivative instruments | Impact of derivative instruments subject to hedge accounting | Impact of other derivative instruments | Value including effect of derivatives |
| 6,210 | (617) | (519) | 5,073 | 6,246 | (654) | (551) | 5,041 |
| 3,025 | (199) | (9) | 2,817 | 3,168 | (255) | (15) | 2,898 |
| 17 | – | – | 17 | 17 | – | 4 | 22 |
| 9,251 | (817) | (528) | 7,906 | 9,431 | (909) | (561) | 7,961 |
| 5,115 | 18 | – | 5,133 | 3,717 | – | – | 3,717 |
| 8,413 | (3) | – | 8,411 | 7,784 | – | 1 | 7,785 |
| 4,680 | – | – | 4,680 | 3,863 | – | – | 3,863 |
| 3,507 | – | – | 3,507 | 3,588 | – | – | 3,588 |
| 11,970 | – | 113 | 12,083 | 12,220 | – | 65 | 12,285 |
| 1,382 | – | – | 1,382 | 954 | – | – | 954 |
| 28,993 | 14 | – | 29,007 | 21,187 | – | – | 21,187 |
| | | 4 | 4 | | | | |
| 64,059 | 30 | 117 | 64,206 | 53,314 | – | 67 | 53,380 |
| – | – | 267 | – | – | – | – | – |

# 19.5. Breakdown of derivative instruments by valuation method

| | December 31, 2006 | |
|---|---|---|
| | Fair value determined directly by reference to an active market | Fair value estimated using valuation technique |
| Derivative instruments on financial assets subject to hedge accounting | 67 | (305) |
| Other derivative instruments on financial assets [(a)] | 64 | (258) |
| Macro hedge and speculative derivatives on financial assets | 7 | 701 |
| **Total – derivative instruments relating to financial assets** | **138** | **138** |
| Derivatives (hedge accounting) – Reinsurance | – | – |
| Other derivatives – Reinsurance [(a)] | – | – |
| Macro hedge – Reinsurance | – | – |
| **Total – derivative instruments relating to insurance and investment contracts** | **–** | **–** |
| Derivatives on other receivables (hedge accounting) | – | (19) |
| Other derivatives on other receivables | – | – |
| **Total derivative instruments relating to other receivables** | **–** | **(19)** |
| **Total net value of derivative instruments – assets (1)** | | |
| Derivatives on insurance & investment contracts (hedge accounting) | (21) | – |
| Other derivatives on insurance & investment contracts [(a)] | 1 | (130) |
| Macro hedge derivatives on insurance and investment contracts | – | (13) |
| **Total derivative instruments relating to insurance and investment contracts** | **(19)** | **(143)** |
| Derivative instruments relating to financing debt and other financial liabilities subject to hedge accounting | 2 | (781) |
| Other derivative instruments relating to financing debt and other financial liabilities [(b)] | 16 | 75 |
| **Derivative instruments relating to financing debt, operating debt and other financial liabilities** | **17** | **(707)** |
| **Macro hedge banking activities and other derivatives (including speculative derivatives)** | **–** | **175** |
| **Total net value of derivative instruments – liabilities (2)** | | |
| **Net fair value (1) – (2)** | | |

*(a) Other derivatives instruments that do not qualify for hedge accounting according to IAS39.*
*(b) Including speculative derivatives, if any, relating to financing debt and other financial liabilities.*

(in Euro million)

| Total | December 31, 2005 Fair value determined directly by reference to an active market | Fair value estimated using valuation technique | TOTAL |
|---|---|---|---|
| (238) | (2) | (326) | (329) |
| (195) | 19 | 214 | 233 |
| 708 | 11 | (8) | 3 |
| 276 | 28 | (120) | (92) |
| – | | | |
| – | | | |
| – | | | |
| – | | | |
| (19) | | | |
| – | | | |
| (19) | | | |
| 257 | – | – | (92) |
| (21) | (6) | – | (6) |
| (129) | – | (147) | (147) |
| (13) | 5 | – | 5 |
| (163) | (1) | (146) | (148) |
| (780) | – | (784) | (784) |
| 90 | 7 | (267) | (260) |
| (689) | 7 | (1,051) | (1,044) |
| 175 | – | 113 | 113 |
| (677) | – | – | (1,079) |
| 933 | – | – | 987 |

# Note 20 : Revenues by segment and net revenues from banking activities

## 20.1. Total Revenues

(in Euro million)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|---|---|---|---|
| LIFE & SAVINGS | 50,479 | 45,116 | 42,344 |
| *of which direct premiums* | *46,516* | *41,063* | *39,461* |
| *of which reinsurance assumed* | *2,270* | *2,433* | *1,642* |
| *of which fees and charges on investment contracts with no participation features* | *608* | *509* | *417* |
| *of which revenues from other activities* | *1,084* | *1,111* | *824* |
| France | 14,797 | 13,228 | 11,538 |
| United States | 15,389 | 13,940 | 12,847 |
| United Kingdom | 4,292 | 2,395 | 2,420 |
| Japan | 5,027 | 4,735 | 5,526 |
| Germany | 3,681 | 3,585 | 3,499 |
| Belgium | 2,512 | 2,734 | 2,188 |
| Other countries | 4,781 | 4,498 | 4,326 |
| PROPERTY & CASUALTY | 19,793 | 18,874 | 17,852 |
| *of which direct premiums* | *19,568* | *18,588* | *17,521* |
| *of which reinsurance assumed* | *173* | *244* | *288* |
| *of which revenues from other activities* | *52* | *43* | *42* |
| France | 5,187 | 5,070 | 4,895 |
| Germany | 2,745 | 2,785 | 2,796 |
| United Kingdom and Ireland | 4,721 | 4,393 | 4,469 |
| Belgium | 1,511 | 1,451 | 1,430 |
| Other countries | 5,629 | 5,174 | 4,262 |
| INTERNATIONAL INSURANCE | 3,716 | 3,813 | 3,363 |
| *of which direct premiums* | *1,792* | *1,711* | *920* |
| *of which reinsurance assumed* | *1,780* | *1,957* | *2,320* |
| *of which revenues from other activities* | *144* | *145* | *123* |
| AXA RE | – | 1,451 | 1,056 |
| AXA Corporate Solutions Assurance | 1,689 | 1,605 | 1,506 |
| AXA Cessions | 56 | 60 | 94 |
| AXA Assistance | 621 | 549 | 467 |
| Other | 1,351 | 147 | 240 |
| ASSET MANAGEMENT | 4,406 | 3,440 | 3,084 |
| AllianceBernstein | 2,961 | 2,472 | 2,325 |
| AXA Investment Managers | 1,445 | 968 | 759 |
| OTHER FINANCIAL SERVICES | 381 | 428 | 387 |
| French banks | 57 | 64 | 101 |
| German banks | 21 | 24 | 24 |
| AXA Bank Belgium | 293 | 336 | 258 |
| Other | 10 | 4 | 4 |
| ***TOTAL*** | ***78,775*** | ***71,671*** | ***67,030*** |

## 20.2. Segment information

### 20.2.1. Life & Savings

(in Euro million)

| | December 31, 2006 | | | December 31, 2005 | | | December 31, 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross written premiums | Liabilities arising from insurance contracts [b] | Liabilities arising from investment contracts [b] | Gross written premiums | Liabilities arising from insurance contracts [b] | Liabilities arising from investment contracts [b] | Gross written premiums | Liabilities arising from insurance contracts [b] | Liabilities arising from investment contracts [b] |
| Retirement/annuity/investment contracts (individual) [d] | 26,319 | 172,276 | 34,705 | 22,783 | 157,061 | 34,580 | 20,368 | 136,037 | 33,234 |
| Retirement/annuity/investment contracts (group) [d] | 3,031 | 22,859 | 7,438 | 2,609 | 16,904 | 8,119 | 2,259 | 16,363 | 7,033 |
| Life contracts (including endowment contracts) [d] | 13,031 | 152,432 | 1,464 | 11,775 | 97,532 | 280 | 11,891 | 87,130 | 1 |
| Health contracts | 4,468 | 12,772 | – | 4,387 | 7,794 | – | 4,552 | 6,787 | – |
| Other | 1,938 | 14,014 | – | 1,942 | 13,445 | – | 2,033 | 12,831 | – |
| SUB-TOTAL | 48,786 | 374,353 | 43,606 | 43,496 | 292,737 | 42,979 | 41,103 | 259,148 | 40,268 |
| Fees and charges relating to investment contracts with no particpating features [c] | 608 | – | 57,243 | 509 | – | 39,762 | 417 | – | 31,560 |
| Fees, commissions and other revenues | 1,084 | – | – | 1,111 | – | – | 824 | – | – |
| *TOTAL* | *50,479* | *374,353* | *100,849* | *45,116* | *292,737* | *82,742* | *42,344* | *259,148* | *71,828* |
| Asset backing contracts with financial risk borne by policyholders (unit-linked) [a] | 18,793 | 108,984 | 67,129 | 13,216 | 92,888 | 48,549 | 7,696 | 73,578 | 39,127 |
| *UK "With-Profit" business* | *941* | *20,358* | *10,323* | *953* | *16,652* | *9,986* | *1,034* | *15,641* | *10,274* |

*(a) Relates to contracts where the financial risk is borne by policyholders.*
*(b) Excludes liabilities relating to unearned revenues and fees, and policyholder bonuses, along with derivatives relating to insurance and investment contracts.*
*(c) Relates to liabilities arising from investment contracts without discretionary participation and investment contracts without discretionary participation where the financial risk is borne by policyholders.*
*(d) As described in note 1.12.2 on accounting principles, the adoption of FRS 27 in the United Kingdom led to restatements in all the periods presented (see note 14 for details).*

At December 31, 2006, liabilities arising from insurance and investment contracts amounted to €374,353 million and €100,849 million respectively.

Excluding Winterthur's contribution (€68,462 million and €14,669 million respectively), these liabilities totaled €305,892 million and €86,181 million respectively versus €292,737 million and €82,742 million at end 2005.

### 20.2.2. Property & Casualty

(in Euro million)

| | Gross written premium | | | Liabilities arising from insurance contracts | | |
|---|---|---|---|---|---|---|
| | December 31, 2006 | December 31, 2005 | December 31, 2004 | December 31, 2006 | December 31, 2005 | December 31, 2004 |
| Personal lines | 12,153 | 11,564 | 10,877 | 23,656 | 18,686 | 17,465 |
| Motor | 6,595 | 6,213 | 5,891 | 14,835 | 11,330 | 10,432 |
| Property damage | 3,042 | 2,815 | 2,626 | 3,059 | 2,501 | 2,313 |
| Health | 1,000 | 947 | 794 | 1,488 | 1,305 | 1,149 |
| Other | 1,516 | 1,589 | 1,565 | 4,274 | 3,550 | 3,570 |
| Commercial lines | 7,312 | 6,930 | 6,602 | 21,574 | 15,912 | 14,621 |
| Motor | 1,427 | 1,368 | 1,244 | 2,679 | 2,255 | 2,066 |
| Property damage | 2,244 | 2,096 | 2,031 | 2,748 | 2,332 | 2,173 |
| Liability | 1,404 | 1,359 | 1,320 | 7,136 | 5,523 | 4,999 |
| Health | 854 | 794 | 760 | 2,757 | 848 | 649 |
| Other | 1,383 | 1,312 | 1,247 | 6,254 | 4,954 | 4,734 |
| Other | 275 | 336 | 331 | 872 | 1,400 | 1,439 |
| SUB-TOTAL | 19,741 | 18,831 | 17,810 | 46,102 | 35,998 | 33,525 |
| Fees, commissions and other revenues | 52 | 43 | 42 | – | – | – |
| *TOTAL* | *19,793* | *18,874* | *17,852* | *46,102* | *35,998* | *33,525* |

At December 31, 2006, liabilities arising from property & casualty insurance contracts amounted to €46,102 million.

Excluding Winterthur's contribution (€9,359 million), these liabilities totaled €36,744 million versus €35,998 million at end 2005 and €33,525 million at end 2004.

### 20.2.3. International Insurance

(in Euro million)

| | Gross written premium | | | Liabilities arising from insurance contracts | | |
|---|---|---|---|---|---|---|
| | December 31, 2006 | December 31, 2005 | December 31, 2004 | December 31, 2006 | December 31, 2005 | December 31, 2004 |
| Property damage | 1,132 | 1,273 | 1,302 | 2,288 | 3,172 | 2,810 |
| Motor, Marine, Aviation | 977 | 1,010 | 848 | 3,294 | 3,541 | 3,194 |
| Casualty/Liability | 493 | 488 | 581 | 3,935 | 3,069 | 3,385 |
| Other | 969 | 897 | 509 | 2,786 | 2,089 | 968 |
| SUB-TOTAL | 3,572 | 3,668 | 3,240 | 12,304 | 11,870 | 10,356 |
| Fees, commissions and other revenues | 144 | 145 | 123 | – | – | – |
| *TOTAL* | *3,716* | *3,813* | *3,363* | *12,304* | *11,870* | *10,356* |

At December 31, 2006, liabilities arising from international insurance contracts amounted to €12,304 million.

Excluding Winterthur’s contribution (€1,163 million), these liabilities totaled €11,141 million versus €11,870 million at end 2005 and €10.356 million at end 2004.

### 20.2.4. Liabilities arising from insurance contracts in the Property & Casualty and International Insurance segments

(in Euro million)

| | December 31, 2006 | | | | | |
|---|---|---|---|---|---|---|
| | Claims reserves | IBNR | Claim expense reserves | TOTAL Claim reserves including IBNR and expenses | Unearned premium reserves & others | TOTAL Technical Liabilities |
| Personal lines | | | | | | |
| Motor | 9,382 | 1,720 | 442 | 11,544 | 3,291 | 14,835 |
| Physical damage | 1,147 | 428 | 87 | 1,661 | 1,398 | 3,059 |
| Other | 2,446 | 1,072 | 166 | 3,684 | 2,079 | 5,762 |
| Sub-total Personal lines | 12,975 | 3,220 | 694 | 16,889 | 6,767 | 23,656 |
| Commercial lines | | | | | | |
| Motor | 1,688 | 499 | 72 | 2,259 | 420 | 2,679 |
| Physical damage | 1,435 | 327 | 63 | 1,825 | 923 | 2,748 |
| Professional liability | 4,756 | 1,570 | 260 | 6,586 | 550 | 7,136 |
| Other | 5,408 | 1,025 | 188 | 6,620 | 2,390 | 9,011 |
| Sub-total Commercial lines | 13,287 | 3,421 | 582 | 17,290 | 4,284 | 21,574 |
| Other | 550 | 171 | 30 | 752 | 120 | 872 |
| Total – Property & Casualty excluding International insurance | 26,812 | 6,813 | 1,306 | 34,931 | 11,171 | 46,102 |
| | | | | | | |
| Physical damage | 1,193 | 742 | 59 | 1,994 | 294 | 2,288 |
| Motor, Marine, Aviation | 1,829 | 1,217 | 61 | 3,107 | 187 | 3,294 |
| Professional liability | 1,987 | 1,702 | 99 | 3,788 | 147 | 3,935 |
| Other | 1,090 | 513 | 41 | 1,644 | 1,142 | 2,786 |
| Total – International Insurance | 6,099 | 4,175 | 259 | 10,534 | 1,770 | 12,304 |
| Total – Property & Casualty including International insurance | 32,911 | 10,988 | 1,566 | 45,465 | 12,941 | 58,406 |

(in Euro million)

| | December 31, 2005 | | | | | | December 31, 2004 |
|---|---|---|---|---|---|---|---|
| | Claims reserves | IBNR | Claim expense reserves | TOTAL Claim reserves including IBNR and expenses | Unearned premium reserves & others | TOTAL Technical Liabilities | TOTAL Technical Liabilities |
| **Personal lines** | | | | | | | |
| Motor | 6,460 | 1,751 | 330 | 8,541 | 2,790 | 11,330 | 10,432 |
| Physical damage | 928 | 315 | 76 | 1,319 | 1,182 | 2,501 | 2,313 |
| Other | 1,928 | 874 | 139 | 2,940 | 1,914 | 4,855 | 4,719 |
| **Sub-total Personal lines** | **9,316** | **2,939** | **545** | **12,800** | **5,886** | **18,686** | **17,465** |
| **Commercial lines** | | | | | | | |
| Motor | 1,266 | 555 | 59 | 1,880 | 375 | 2,255 | 2,066 |
| Physical damage | 1,236 | 286 | 51 | 1,572 | 759 | 2,332 | 2,173 |
| Professional liability | 3,427 | 1,502 | 168 | 5,097 | 426 | 5,523 | 4,999 |
| Other | 3,112 | 715 | 124 | 3,952 | 1,850 | 5,802 | 5,383 |
| **Sub-total Commercial lines** | **9,041** | **3,058** | **403** | **12,502** | **3,410** | **15,912** | **14,621** |
| Other | 1,046 | 214 | 40 | 1,300 | 100 | 1,400 | 1,439 |
| **Total – Property & Casualty excluding International insurance** | **19,403** | **6,211** | **988** | **26,602** | **9,396** | **35,998** | **33,525** |
| | | | | | | | |
| Physical damage | 1,654 | 1,175 | 59 | 2,889 | 284 | 3,172 | 2,810 |
| Motor, Marine, Aviation | 1,635 | 1,685 | 65 | 3,385 | 156 | 3,541 | 3,194 |
| Professional liability | 1,448 | 1,381 | 95 | 2,923 | 145 | 3,069 | 3,385 |
| Other | 841 | 547 | 38 | 1,426 | 663 | 2,089 | 968 |
| **Total – International Insurance** | **5,578** | **4,788** | **257** | **10,623** | **1,247** | **11,870** | **10,356** |
| **Total – Property & Casualty including International insurance** | **24,980** | **10,999** | **1,245** | **37,225** | **10,644** | **47,868** | **43,881** |

## 20.3. Net revenues from banking activities

(in Euro million)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|---|---|---|---|
| Interest received and equivalent | 579 | 552 | 500 |
| Interest paid and equivalent | (429) | (386) | (328) |
| **Net interest and equivalent** | **150** | **166** | **172** |
| Commissions received | 66 | 57 | 42 |
| Commissions paid | (23) | (23) | (21) |
| **Net commissions** | **43** | **34** | **20** |
| Investment income | 183 | 169 | 230 |
| Realized investment gains and losses | 36 | 55 | 49 |
| Change in fair value of financial instruments at fair value through profit & loss | (31) | 7 | (17) |
| Change in financial instruments impairment | – | (1) | (2) |
| **Net investment result** | **188** | **230** | **264** |
| **Net other bank operating income** | **1** | **(2)** | **(67)** |
| **Net revenues from banking activities** | **381** | **428** | **386** |

# Note 21: Net investment result excluding financing expenses

Net investment result (excluding financing expenses) from the financial assets of insurance companies and companies in other business segments (excluding revenues from the financial assets of banks included in net revenues from banking activities) was as follows:

(in Euro million)

| | December 31, 2006 | | | | |
|---|---|---|---|---|---|
| | Net investment income | Net realized investment gains and losses | Change in fair value of financial instruments at fair value through profit & loss | Change in financial instruments impairment | Net investment result |
| Investment property at amortized cost | 511 | 361 | – | 38 | 910 |
| Investment property at fair value through profit & loss | 278 | 336 | 384 | – | 998 |
| Investment property | 789 | 698 | 384 | 38 | 1,909 |
| Fixed maturities held to maturity | – | – | – | – | – |
| Fixed maturities available for sale | 8,552 | (55) | – | (78) | 8,419 |
| Fixed maturities designated at fair value through profit & loss [(a)] | 2,077 | 195 | (1,319) | – | 952 |
| Fixed maturities held for trading | 71 | (10) | (9) | – | 52 |
| Fixed maturities at amortized cost | 3 | 1 | – | – | 4 |
| Fixed maturities | 10,703 | 130 | (1,329) | (78) | 9,426 |
| Equity securities available for sale | 862 | 2,228 | 127 | (145) | 3,072 |
| Equity securities designated at fair value through profit & loss [(b)] | 639 | 1,072 | 869 | – | 2,580 |
| Equity securities held for trading | 49 | – | 35 | – | 84 |
| Equity securities | 1,550 | 3,300 | 1,031 | (145) | 5,736 |
| Non controlled investment funds available for sale | 82 | 213 | – | (5) | 291 |
| Non controlled investment funds designated at fair value through profit & loss | 192 | 42 | (13) | – | 221 |
| Non controlled investment funds held for trading | – | 3 | – | – | 3 |
| Non controlled investment funds | 274 | 258 | (13) | (5) | 515 |
| Other assets held by consolidated investment funds designated at fair value through profit & loss | 208 | (7) | 16 | – | 217 |
| Loans held to maturity | – | – | – | – | – |
| Loans available for sale | 33 | 1 | – | – | 34 |
| Loans designated at fair value through profit & loss | – | – | (166) | – | (166) |
| Loans held for trading | 16 | – | – | – | 16 |
| Mortgage loans | 455 | (3) | – | (2) | 450 |
| Other loans | 502 | – | – | – | 503 |
| Loans | 1,005 | (2) | (166) | (2) | 836 |
| Assets backing contracts where the financial risk is borne by policyholders | 527 | – | 15,370 | – | 15,897 |
| Hedge accounting derivatives | – | – | (460) | – | (460) |
| Other derivatives | (162) | 140 | (492) | – | (514) |
| Investment management expenses | (900) | – | – | – | (900) |
| Other | 467 | (258) | 208 | (2) | 415 |
| NET INVESTMENT RESULT | 14,461 | 4,260 | 14,550 | (194) | 33,077 |

*(a) Including fixed income maturities held by consolidated investment funds, designated at fair value through profit & loss.*
*(b) Including equity securities maturities held by consolidated investment funds, designated as at fair value through profit & loss.*

(in Euro million)

| | December 31, 2005 | | | | |
|---|---|---|---|---|---|
| | Net investment income | Net realized investment gains and losses | Change in fair value of financial instruments at fair value through profit & loss | Change in financial instruments impairment | Net investment result |
| Investment property at amortized cost | 513 | 190 | – | (19) | 684 |
| Investment property at fair value through profit & loss | 283 | 99 | 375 | – | 757 |
| **Investment property** | **796** | **289** | **375** | **(19)** | **1,441** |
| Fixed maturities held to maturity | – | – | – | – | – |
| Fixed maturities available for sale | 8,133 | 443 | – | (23) | 8,553 |
| Fixed maturities designated at fair value through profit & loss [(a)] | 2,037 | 297 | 175 | – | 2,510 |
| Fixed maturities held for trading | 90 | 120 | 27 | – | 236 |
| Fixed maturities at amortized cost | 3 | – | – | – | 3 |
| **Fixed maturities** | **10,263** | **861** | **202** | **(23)** | **11,303** |
| Equity securities available for sale | 753 | 1,485 | – | (136) | 2,102 |
| Equity securities designated at fair value through profit & loss [(b)] | 690 | 1,120 | 1,320 | – | 3,130 |
| Equity securities held for trading | (7) | 15 | 172 | – | 180 |
| **Equity securities** | **1,436** | **2,620** | **1,492** | **(136)** | **5,412** |
| Non controlled investment funds available for sale | 35 | 147 | – | (10) | 173 |
| Non controlled investment funds designated at fair value through profit & loss | 160 | 34 | 47 | – | 241 |
| Non controlled investment funds held for trading | – | 3 | 1 | – | 4 |
| **Non controlled investment funds** | **194** | **185** | **47** | **(10)** | **417** |
| **Other assets held by consolidated investment funds designated at fair value through profit & loss** | **141** | **(1)** | **93** | **–** | **234** |
| Loans held to maturity | – | – | – | – | – |
| Loans available for sale | 1 | – | – | – | 1 |
| Loans designated at fair value through profit & loss | (3) | – | 75 | – | 72 |
| Loans held for trading | – | (122) | (12) | – | (134) |
| Mortgage loans | 482 | (4) | – | (12) | 466 |
| Other loans | 538 | 11 | – | (7) | 541 |
| **Loans** | **1,018** | **(115)** | **63** | **(19)** | **947** |
| **Assets backing contracts where the financial risk is borne by policyholders** | **590** | **–** | **13,978** | **–** | **14,568** |
| **Hedge accounting derivatives** | **–** | **–** | **(195)** | **–** | **(195)** |
| **Other derivatives** | **(337)** | **(94)** | **(101)** | **–** | **(532)** |
| **Investment management expenses** | **(578)** | **–** | **–** | **–** | **(578)** |
| **Other [(c)]** | **428** | **(188)** | **155** | **(3)** | **393** |
| **NET INVESTMENT RESULT** | **13,951** | **3,557** | **16,110** | **(210)** | **33,408** |

*(a) Including fixed income maturities held by consolidated investment funds, designated at fair value through profit & loss.*
*(b) Including equity securities maturities held by consolidated investment funds, designated as at fair value through profit & loss.*
*(c) As described in Note 1.11.2 on accounting principles, subordinated perpetual notes have been reclassified in shareholders' equity in all the periods presented (see note 13 for details).*

(in Euro million)

| | December 31, 2004 | | | | |
|---|---|---|---|---|---|
| | Net investment income | Net realized investment gains and losses | Change in fair value of financial instruments at fair value through profit & loss | Change in financial instruments impairment | Net investment result |
| Investment property at amortized cost | 521 | 345 | – | (90) | 776 |
| Investment property at fair value through profit & loss | 255 | 106 | 403 | – | 764 |
| **Investment property** | **776** | **451** | **403** | **(90)** | **1,540** |
| Fixed maturities held to maturity | 1 | – | – | – | 1 |
| Fixed maturities available for sale | 7,275 | 491 | 207 | (32) | 17,190 |
| Fixed maturities designated at fair value through profit & loss [(a)] | 2,152 | 27 | 524 | – | (6,546) |
| Fixed maturities held for trading | 86 | (1) | 17 | – | 102 |
| Fixed maturities at amortized cost | 4 | – | – | – | 4 |
| **Fixed maturities** | **9,518** | **517** | **748** | **(32)** | **10,752** |
| Equity securities available for sale | 639 | 1,365 | 63 | (285) | 7,550 |
| Equity securities designated at fair value through profit & loss [(b)] | 502 | 962 | 223 | – | (4,080) |
| Equity securities held for trading | – | 96 | 140 | – | 237 |
| **Equity securities** | **1,141** | **2,423** | **426** | **(285)** | **3,706** |
| Non controlled investment funds available for sale | 63 | 189 | – | (13) | 239 |
| Non controlled investment funds designated at fair value through profit & loss | 164 | (12) | (15) | – | 137 |
| Non controlled investment funds held for trading | – | 3 | 2 | – | 5 |
| **Non controlled investment funds** | **227** | **179** | **(13)** | **(13)** | **380** |
| **Other assets held by consolidated investment funds designated at fair value through profit & loss** | **–** | **–** | **1** | **–** | **1** |
| Loans held to maturity | – | – | – | – | – |
| Loans available for sale | 1 | – | – | – | 1 |
| Loans designated at fair value through profit & loss | – | – | (49) | – | (49) |
| Loans held for trading | – | – | 2 | – | 2 |
| Mortgage loans | 480 | 5 | – | (14) | 470 |
| Other loans | 545 | (4) | – | (17) | 524 |
| **Loans** | **1,025** | **1** | **(47)** | **(31)** | **948** |
| **Assets backing contracts where the financial risk is borne by policyholders** | **234** | **–** | **10,543** | **–** | **10,778** |
| **Hedge accounting derivatives** | **–** | **–** | **269** | **–** | **269** |
| **Other derivatives** | **–** | **(39)** | **(373)** | **–** | **(412)** |
| **Investment management expenses** | **(588)** | **–** | **–** | **–** | **(588)** |
| **Other [(c)]** | **606** | **(249)** | **572** | **6** | **935** |
| **NET INVESTMENT RESULT** | **12,941** | **3,282** | **12,529** | **(444)** | **28,308** |

*(a) Including fixed income maturities held by consolidated investment funds, designated at fair value through profit & loss.*
*(b) Including equity securities maturities held by consolidated investment funds, designated as at fair value through profit & loss.*
*(c) As described in Note 1.11.2 on accounting principles, subordinated perpetual notes have been reclassified in shareholders' equity in all the periods presented (see note 13 for details).*

***Net investment revenues*** are presented net of depreciation charges on directly-owned investment properties, and net of amortization of bond premiums/discounts. All investment management fees are also included in the aggregate figure.

***Realized investment gains and losses*** include post-disposal releases of valuation allowances for impairment.

***The change in fair value of investments at fair value through profit & loss*** consists mainly of adjustments relating to investments backing contracts where the financial risk is borne by policyholders.

***The change in financial instruments impairment*** includes all additional impairment reserves on investments, and releases of impairment reserves only following revaluation. Releases of impairment reserves following disposals are included in net realized capital gains or losses on investments.

Changes in the fair value of financial instruments designated at fair value through profit & loss, relating to available-for-sale equities and fixed maturities, correspond to the change in fair value of underlying items in fair value hedges (as defined by IAS 39) in Japan.

# Note 22: Net result of reinsurance ceded

(in Euro million)

| | December 31, 2006 | | | | |
|---|---|---|---|---|---|
| | Life & Savings | Property & Casualty | International Insurance | Intersegment eliminations | TOTAL |
| Premiums ceded and reinsurer's share in claims paid | (929) | (1,043) | (1,965) | 158 | (3,779) |
| Claims ceded (included change in claim reserves) | 860 | 315 | 777 | (63) | 1,890 |
| Commissions received from reinsurers | 41 | 95 | 294 | 3 | 434 |
| Net result of reinsurance ceded | (28) | (632) | (893) | 99 | (1,455) |

(in Euro million)

| | December 31, 2005 | | | | |
|---|---|---|---|---|---|
| | Life & Savings | Property & Casualty | International Insurance | Intersegment eliminations | TOTAL |
| Premiums ceded and reinsurer's share in claims paid | (944) | (986) | (1,122) | 146 | (2,907) |
| Claims ceded (included change in claim reserves) | 864 | 312 | 1,273 | (13) | 2,436 |
| Commissions received from reinsurers | 73 | 93 | 166 | (3) | 329 |
| Net result of reinsurance ceded | (7) | (581) | 317 | 130 | (141) |

(in Euro million)

| | December 31, 2004 | | | | |
|---|---|---|---|---|---|
| | Life & Savings | Property & Casualty | International Insurance | Intersegment eliminations | TOTAL |
| Premiums ceded and reinsurer's share in claims paid | (820) | (998) | (1,172) | 209 | (2,782) |
| Claims ceded (included change in claim reserves) | 746 | 203 | 667 | (212) | 1,405 |
| Commissions received from reinsurers | 91 | 131 | 105 | (13) | 314 |
| Net result of reinsurance ceded | 17 | (663) | (401) | (15) | (1,063) |

In 2006, the decrease in net result of reinsurance ceded was mainly attributable to the International Insurance operations, which fell by €1,210 million (€–893 million compared to €317 million in 2005). The decrease was mainly due to the following factors:

– at AXA RE, a decrease of €938 million to €–491 million following the transfer to Paris Ré of the gross technical result for the year, compared with a positive result of €447 million in 2005 due to strong loss recovery on major claims during the year (particularly Hurricanes Katrina, Rita and Wilma);

– at AXA Corporate Solutions, a decline of €209 million (from €–222 million to €–431 million) due to lower loss recovery following an improvement in claims gross of reinsurance.

In Property & Casualty operations, the decrease of €52 million in 2006 (from €–581 million to €–632 million) was mainly attributable to the United Kingdom (down from €–99 million to €–152 million) due to lower loss recovery following an improvement in claims gross of reinsurance.

# Note 23: Financing debt expenses

As described in note 1.11.2 on accounting principles, subordinated perpetual notes and related interest have been reclassified in shareholders' equity, which had the effect of decreasing financing debt expenses by €121 million and €144 million respectively at end 2005 and 2004.

Financing debt expenses (€474 million in 2006, €481 million in 2005 and €439 million in 2004) include incomes and expenses relating to hedging derivative instruments on financing debt, mainly for AXA SA (€142 million in 2006, €176 million in 2005 and €248 million in 2004).

# Note 24: Expenses by type

## 24.1. Acquisition Costs

| | Life & Savings | Property & Casualty | International Insurance | Total Insurance |
|---|---|---|---|---|
| Acquisition costs – gross [(a)] | (4,480) | (3,821) | (301) | (8,603) |
| Change in deferred acquisition costs and equivalents [(b)] | 1,378 | 34 | 1 | 1,413 |
| **Net acquisition costs** | **(3,103)** | **(3,787)** | **(300)** | **(7,190)** |

*(a) Includes all acquisition expenses relating to insurance and investment contracts before capitalization/amortization of deferred acquisition costs and equivalents.*
*(b) Change (capitalization and amortization) in deferred acquisition costs relating to insurance and investment contracts with discretionary participation features and changes in net rights to future management fees relating to investment contracts with no discretionary participation features.*

## 24.2. Expenses by type

| | Life & Savings | Property & Casualty | International Insurance | Total Insurance |
|---|---|---|---|---|
| Acquisition costs – gross [(a)] | 4,480 | 3,821 | 301 | 8,603 |
| Claims handling expenses [(b)] | 365 | 887 | 391 | 1,642 |
| Investment management expenses [(c)] | 386 | 46 | 19 | 451 |
| Administrative expenses | 2,871 | 1,860 | 345 | 5,076 |
| Banking expenses | – | – | – | – |
| Write back of depreciation for tangible assets | (7) | (11) | – | (17) |
| Other income/expenses | 88 | 2 | (4) | 86 |
| ***TOTAL EXPENSES BY DESTINATION*** | ***8,183*** | ***6,606*** | ***1,052*** | ***15,841*** |
| **Breakdown of expenses by type** | | | | |
| Staff costs [(d)] | 2,214 | 1,809 | 295 | 4,319 |
| Outsourcing and professional services | 328 | 105 | 25 | 459 |
| IT costs | 294 | 232 | 40 | 566 |
| Increase / (write back) of provisions for risk and charges | 34 | (46) | 31 | 18 |
| Charges relating to owner occupied properties | 231 | 168 | 50 | 449 |
| Commissions paid | 3,506 | 3,481 | 459 | 7,445 |
| Other expenses | 1,577 | 856 | 152 | 2,586 |

*(a) Includes all acquisition expenses relating to insurance and investment contracts before capitalization/amortization of deferred acquisition costs and equivalents.*
*(b) Claims handling expenses are included in the "Technical charges relating to insurance activities" profit & loss caption.*
*(c) Investment management expenses are included in the "Net investment income" profit & loss caption.*
*(d) Amount detailed in note 25.*

(in Euro million)

| December 31, 2006 | | | | | December 31, 2005 | December 31, 2004 |
|---|---|---|---|---|---|---|
| Asset Management | Other Financial Services | Holdings | Inter-segment eliminations | TOTAL | TOTAL | TOTAL |
| – | – | – | (2) | (8,605) | 8,076 | 7,643 |
| – | – | – | – | 1,413 | (1,538) | (1,687) |
| – | – | – | (2) | (7,191) | 6,537 | 5,957 |

(in Euro million)

| December 31, 2006 | | | | | December 31, 2005 | December 31, 2004 |
|---|---|---|---|---|---|---|
| Asset Management | Other Financial Services | Holdings | Inter-segment eliminations | TOTAL | TOTAL | TOTAL |
| – | – | – | 2 | 8,605 | 8,076 | 7,643 |
| – | – | – | – | 1,643 | 1,575 | 1,433 |
| – | – | – | (88) | 363 | 126 | 691 |
| 3,288 | 321 | 393 | (290) | 8,788 | 8,596 | 7,906 |
| – | 78 | – | – | 78 | 61 | – |
| – | – | (1) | – | (18) | 3 | – |
| 245 | (23) | (19) | 3 | 292 | (32) | – |
| 3,533 | 375 | 374 | (372) | 19,750 | 18,405 | 17,673 |
| | | | | | | |
| 1,721 | 149 | 320 | – | 6,509 | 6,036 | 5,738 |
| 164 | 20 | 25 | (10) | 657 | 527 | – |
| 100 | 11 | 215 | – | 892 | 857 | – |
| 26 | (19) | (3) | – | 23 | (195) | 190 |
| 243 | 7 | 18 | (2) | 714 | 651 | – |
| 802 | 77 | – | (258) | 8,066 | 7,599 | 6,574 |
| 477 | 130 | (201) | (103) | 2,889 | 2,931 | 5,171 |

# Note 25: Employees

## 25.1. Breakdown of staff costs

Breakdown of staff costs was as follows:

(in Euro million)

| | December 31, 2006 | December 31, 2005 |
|---|---|---|
| Wages and benefits | 5,043 | 4,685 |
| Social contributions | 687 | 626 |
| Employee benefit costs | 257 | 275 |
| Share based compensation | 185 | 116 |
| Other staff costs and employees' profit sharing [(a)] | 337 | 334 |
| *TOTAL STAFF COSTS* | *6,509* | *6,036* |

*(a) Including redundancies and early retirement costs (triggering event = set up of the plan), and employees' profit sharing in France.*

## 25.2. Employee benefits

### 25.2.1. Defined contribution plans

The cost of the contributions paid was recognized as an expense in the income statement, and amounted to €88 million for the year ended December 31, 2006 (€72 million in 2005).

### 25.2.2. Defined benefit plans

The assumptions for each plan are consistent with the economic features of the countries in which the liabilities lie. The weighted-average assumptions used by AXA for pension plans in the principal regions in which AXA operates were as follows:

| DECEMBER 2006 ASSUMPTIONS | Europe | North America | Japan | Other |
|---|---|---|---|---|
| **Pension benefit obligation – assumptions at end 2006** | | | | |
| Discount rate | 4.3% | 5.7% | 2.0% | 6.3% |
| Salary increase for future years | 2.9% | 5.8% | 0.0% | 4.5% |
| Inflation | 1.9% | 2.5% | 0.0% | 2.5% |
| **Net periodic benefit cost – assumptions at beginning of 2006** | | | | |
| Discount rate | 4.3% | 5.6% | 1.9% | 5.4% |
| Expected return on plan assets | 6.2% | 7.2% | 1.1% | 6.9% |
| Salary increase for future years | 2.7% | 5.2% | 0.0% | 5.0% |

The assumptions used for 2005 and 2004 were as follows:

| DECEMBER 2005 ASSUMPTIONS | Europe | North America | Japan | Other |
|---|---|---|---|---|
| Pension benefit obligation – assumptions at end 2005 | | | | |
| Discount rate | 4.3% | 5.6% | 1.9% | 5.4% |
| Salary increase for future years | 2.7% | 5.2% | 0.0% | 5.0% |
| Net periodic benefit cost – assumptions at beginning of 2005 | | | | |
| Discount rate | 5.1% | 5.8% | 1.9% | 6.6% |
| Expected return on plan assets | 6.5% | 5.2% | 1.3% | 6.6% |
| Salary increase for future years | 3.5% | 5.6% | 0.0% | 3.6% |

| DECEMBER 2004 ASSUMPTIONS | Europe | North America | Japan | Other |
|---|---|---|---|---|
| Pension benefit obligation – assumptions at end 2004 | | | | |
| Discount rate | 5.1% | 5.8% | 1.9% | 6.6% |
| Salary increase for future years | 3.5% | 5.6% | 0.0% | 3.6% |
| Net periodic benefit cost – assumptions at beginning of 2004 | | | | |
| Discount rate | 5.5% | 6.3% | 1.1% | 6.6% |
| Expected return on plan assets | 6.4% | 8.3% | 1.3% | 7.5% |
| Salary increase for future years | 3.6% | 6.2% | 0.0% | 3.6% |

The acquisition of Winterthur in 2006 had a significant impact on the assumptions used by introducing a significant Swiss weighting into the European economic mix.

### 25.2.3. Annual change in pension benefit obligation

The annual change in the projected benefit obligation (PBO) is calculated on the basis of:

- Service cost for the period (representing the increase in the PBO attributable to one year of additional service).
- Interest cost (cost of one year less discounting).
- Benefits paid.
- Actuarial gains and losses (change in long-term assumptions, change in staff, etc.)
- Change in plans.

### 25.2.4. Balance sheet information

The balance sheet information for employee benefits captures the difference between the projected benefit obligation (PBO), the market value of the corresponding invested plan assets, and any unrecognized prior service cost. When this difference is positive, a contingency and loss reserve is recognized in the balance sheet as a liability. When it is negative, a prepaid asset is recognized in the balance sheet.

In addition, in accordance with IAS 19, a category of assets referred to as “separate assets” is also recorded in the balance sheet. As defined by IFRS, separate assets are assets that may not be used to offset the PBO. Separate assets are insurance contracts issued by AXA to back its defined benefit pension plans. The accounting consequence of these separate assets is a potential increase in the accrued liability or decrease in the prepaid asset. These assets are shown separately in the following table. The most significant part of the separate assets relates to the United States pension plans, whose funds are largely invested in separate account (unit-linked) insurance contracts written by AXA Equitable. These funds are dedicated to specific insurance contracts and are not available to general creditors, so their economic nature is no different from plan assets. However, as the separate account assets are available to the pension plan through an insurance contract, IFRS requires their categorization as separate assets despite their economic nature.

AXA Group has decided to use the SORIE option available under IAS 19. Under the SORIE option, actuarial gains and losses are recognized in full in the period in which they occurred, but outside of profit or loss, and are presented on a separate line of the Statement Of Recognized Income and Expense in

shareholders' equity (see Statement of consolidated shareholders' equity).
Actuarial gains and losses result from experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and changes in actuarial assumptions. They also include differences between the expected and actual returns on plan assets.
Unrecognized prior service cost represents non-vested benefits on the date of a change in the amount of benefits following an amendment to the plan. It is amortized on a straight-line basis over the average vesting period.

The table below presents the change in benefit obligation and the change in plan assets associated with pension plans and other benefit plans sponsored by AXA, together with an analysis of separate assets as at December 31, 2006. The acquisition of Winterthur took place at 2006 year-end and, accordingly, only had an impact on data relating to acquisitions and on end-of-year balances.

(in Euro million)

| | Pension benefits | | | Other benefits | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Change in benefit obligation** | | | | | | |
| Benefit obligation, beginning of the year | 11,421 | 9,573 | 8,602 | 716 | 581 | 508 |
| Service cost | 229 | 206 | 180 | 13 | 14 | 5 |
| Interest cost | 501 | 517 | 461 | 31 | 36 | 30 |
| Amendments (including acquisitions) | 3,625 | 46 | 385 | (7) | 18 | 83 |
| Actuarial (gains) and losses | (227) | 1,083 | 612 | (35) | 4 | 23 |
| Benefits paid | (419) | (402) | (362) | (49) | (50) | (30) |
| Benefits directly paid by the employer | (128) | (115) | (104) | – | – | – |
| Impact of foreign currency fluctuations | (268) | 513 | (199) | (66) | 113 | (39) |
| **Benefit obligation at the end of the year (A)** | **14,734** | **11,421** | **9,573** | **604** | **716** | **581** |
| **Change in plan assets** | | | | | | |
| Fair value of plan assets, beginning of the year | 4,693 | 3,869 | 3,619 | 14 | 9 | 8 |
| Actual return on plan assets | 395 | 689 | 346 | (4) | 3 | – |
| Employer contributions | 114 | 136 | 114 | 4 | 5 | 3 |
| Employee contributions | 11 | 11 | 10 | – | 2 | 2 |
| Net transfer In (out) (including acquisitions) | 3,220 | 88 | – | – | 1 | – |
| Benefits paid | (246) | (234) | (207) | (4) | (6) | (4) |
| Impact of foreign currency fluctuations | 28 | 135 | (14) | – | – | – |
| **Fair value of plan assets at the end of the year (B)** | **8,216** | **4,693** | **3,869** | **9** | **14** | **9** |
| **Change in separate assets** | | | | | | |
| Fair value of plan assets, beginning of the year | 2,697 | 2,265 | 2,195 | – | – | – |
| Actual return on plan assets | 221 | 206 | 208 | – | – | – |
| Employer contributions | 39 | 197 | 147 | – | – | – |
| Employee contributions | 4 | 4 | 4 | – | – | – |
| Net transfer In (out) (including acquisitions) | (85) | (82) | 3 | – | – | – |
| Benefits paid | (168) | (168) | (155) | – | – | – |
| Impact of foreign currency fluctuations | (227) | 274 | (137) | – | – | – |
| **Fair value of separate assets at the end of the year** | **2,480** | **2,697** | **2,265** | **–** | **–** | **–** |
| **Funded status** | | | | | | |
| Underfunded status (plan by plan) | (6,530) | (6,729) | (5,707) | (595) | (703) | (572) |
| Overfunded status (plan by plan) | 12 | 1 | 3 | – | – | – |
| Funded status (B) – (A) | (6,519) | (6,728) | (5,704) | (595) | (703) | (572) |
| Unrecognized prior service cost | 89 | 74 | 38 | – | – | – |
| **Liability and asset recognized in the balance sheet (excluding separate assets)** | | | | | | |
| Plans with a positive net position (Asset) | 11 | 1 | 3 | – | – | – |
| Plans with a negative net position (Liability) | (6,440) | (6,655) | (5,669) | (595) | (703) | (572) |
| **Net position (excluding separate assets)** | **(6,430)** | **(6,654)** | **(5,666)** | **(595)** | **(703)** | **(572)** |
| **Net economic funding position (including separate assets)** | | | | | | |
| Net position (excluding separate assets) | (6,430) | (6,654) | (5,666) | (595) | (703) | (572) |
| Fair value of separate assets at the end of the year | 2,480 | 2,697 | 2,265 | – | – | – |
| **Net economic funding position (including separate assets)** | **(3,950)** | **(3,957)** | **(3,401)** | **(595)** | **(703)** | **(572)** |

For pension plans where the fair value of plan assets exceeds the benefit obligation, the aggregate fair value of plan assets and aggregate benefit obligation were €122 million and €109 million, respectively, as at December 31, 2006.

For pension plans where the benefit obligation exceeds the fair value of plan assets, the aggregate fair value of plan assets and aggregate benefit obligation were €8,094 million and €14,625 million, respectively, as at December 31, 2006.

### 25.2.5. Net periodic benefit cost

The net periodic benefit cost, that is, the annual expense for employee pension and other benefits recorded in the income statement, for the year ended December 31, 2006 is presented below:

(in Euro million)

| | Pension benefits | | | Other benefits | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Net periodic benefit cost** | | | | | | |
| Service cost | 229 | 206 | 180 | 13 | 14 | 5 |
| Interest cost | 501 | 517 | 461 | 31 | 36 | 30 |
| Expected return on plan assets | (314) | (269) | (363) | (0) | – | – |
| Expected return on separate assets | (172) | (189) | (18) | (0) | – | – |
| Amortization of unrecognized amounts | 6 | (12) | 5 | – | – | – |
| Settlements/curtailments and employee contributions | (24) | 4 | 1 | (20) | 16 | (2) |
| **Net periodic benefit cost** | **225** | **257** | **265** | **23** | **66** | **33** |

### 25.2.6. Net economic funding position

The evolution in the net economic funding position from January 1, 2006 to December 31, 2006 captures both the change in the liability recorded in the Group's balance sheet and the change in separate assets, as presented in the table below:

(in Euro million)

| | Pension benefits | | | Other benefits | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Net economic funding** | | | | | | |
| Opening position | (3,957) | (3,401) | (3,192) | (703) | (572) | (609) |
| Net periodic benefit cost | (225) | (257) | (265) | (23) | (66) | (33) |
| Employer contributions and benefits paid directly | 242 | 328 | 264 | 49 | 49 | 29 |
| Acquisitions and disposals [(a)] | (485) | 121 | 207 | (8) | (23) | – |
| SORIE impact (including exchange rate impact) [(b)] | 392 | (667) | (445) | 24 | (28) | – |
| Exchange rate impact | 83 | (81) | 30 | 66 | (64) | 41 |
| **Closing position** | **(3,950)** | **(3,957)** | **(3,401)** | **(595)** | **(703)** | **(572)** |

*(a) This amount includes the acquisition of Winterthur.*
*(b) The SORIE impact consists in the actuarial gains and losses recorded gross of policyholder benefit and gross of deferred tax. It represents the actuarial gains or losses recorded as a provision with a corresponding amount recognized in shareholders' equity.*

During 2006, the change in the SORIE component of shareholders' equity after deduction of deferred tax and policyholder benefits was €258 million (€–415 million in 2005 and €–319 million in 2004). As at December 31, 2006, the cumulative impact since first time application amounted to €–478 million (€–736 million at the end of 2005).

### *25.2.7. Change in the liability recognized in the balance sheet (excluding separate assets)*

The change in the balance sheet liability from January 1, 2006 to December 31, 2006 captures only the evolution of the liability recorded in the Group's balance sheet. It does not take into account separate assets. The change excluding separate assets is presented in the table below:

(in Euro million)

| | Pension benefits | | | Other benefits | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Change in the liability recognized in the balance sheet** | | | | | | |
| Balance sheet liability, beginning of the year | (6,654) | (5,666) | (4,953) | (703) | (572) | (609) |
| Net periodic benefit cost | (225) | (257) | (265) | (23) | (66) | (33) |
| Adjustment due to separate assets | (232) | (210) | (212) | – | – | – |
| Employer contributions | 114 | 136 | 114 | 4 | 5 | 3 |
| Benefits paid directly | 128 | 115 | 104 | 45 | 44 | 26 |
| Benefits paid through separate assets | 168 | 168 | 155 | – | – | – |
| Acquisitions and disposals (including Winterthur acquisition) | (548) | – | (322) | (8) | (23) | – |
| Net transfer of separate assets to plan assets | 155 | 82 | (3) | – | – | – |
| Actuarial gains and losses recognized in the SORIE component (including exchange rate impact) | 392 | (667) | (445) | 24 | (28) | – |
| Exchange rate impact | 272 | (355) | 161 | 66 | (64) | 41 |
| **Balance sheet liability at the end of the year** | **(6,430)** | **(6,654)** | **(5,666)** | **(595)** | **(703)** | **(572)** |
| Fair value of separate assets at the end of the year | 2,480 | 2,697 | 2,265 | – | – | – |
| **Net economic funding position at the end of the year** | **(3,950)** | **(3,957)** | **(3,401)** | **(595)** | **(703)** | **(572)** |

### *25.2.8. Change in actuarial gains and losses recognized in the balance sheet in the SORIE component of shareholders' equity*

The Statement Of Recognized Income and Expense (SORIE) is an integral part of the statement of changes in shareholders' equity. It includes actuarial gains and losses as well as net income for the period (see Note 13).

The table below shows the change in the SORIE component between January 1, 2004 and December 31, 2006 due to adjustments arising on plan liabilities and adjustments arising on plan assets.

(in Euro million)

| | Pension benefits | | | Other benefits | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Opening actuarial gains and losses recognized in shareholders' equity** | **(1,112)** | **(445)** | **–** | **(28)** | **–** | **–** |
| Experience adjustments on plan liabilities | 226 | (1,053) | (469) | 28 | (30) | – |
| Experience adjustments on plan assets | 141 | 426 | 85 | (5) | 3 | – |
| Exchange rate impact | 24 | (40) | (62) | – | (1) | – |
| **Closing actuarial gains and losses recognized in shareholders' equity** | **(720)** | **(1,112)** | **(445)** | **(4)** | **(28)** | **–** |

## 25.2.9. Near-term cash flows (benefits paid and employer contributions)

### a) Benefits paid

(in Euro million)

| | Pension benefits | Other benefits |
|---|---|---|
| Estimated future benefits paid | | |
| 2007 | 835 | 44 |
| 2008 | 727 | 42 |
| 2009 | 752 | 41 |
| 2010 | 789 | 40 |
| 2011 | 771 | 39 |
| Five years thereafter | 3,900 | 225 |

### b) Employer contributions

The estimated amount of 2007 employer contributions for pension benefits was €280 million (€259 million estimated in 2005 for 2006). The estimated amount for other benefits was €24 million (€28 million estimated in 2005 for 2006). These amounts are subject to uncertainty as they will be driven by 2007 economics.

## 25.2.10. Asset mix at the end of 2006

The table below shows the plan asset mix at end 2006:

| | Total Group | Europe | North America | Other |
|---|---|---|---|---|
| Plan asset mix | | | | |
| Equities | 40.12% | 38.90% | 62.44% | 55.57% |
| Bonds | 43.13% | 43.94% | 35.88% | 25.81% |
| Real estate | 8.54% | 8.76% | 1.56% | 8.56% |
| Other | 8.21% | 8.40% | 0.12% | 10.05% |
| *TOTAL* | *100%* | *100%* | *100%* | *100%* |
| *TOTAL in euro million* | *8,225* | *7,447* | *529* | *249* |

The table below shows the total asset mix i.e., for plan assets and separate assets:

| | Total Group | Europe | North America | Other |
|---|---|---|---|---|
| Total asset mix | | | | |
| Equities | 45.35% | 37.11% | 73.06% | 55.57% |
| Bonds | 39.26% | 45.60% | 18.53% | 25.81% |
| Real estate | 8.34% | 8.42% | 8.02% | 8.56% |
| Other | 7.06% | 8.87% | 0.39% | 10.05% |
| *TOTAL* | *100%* | *100%* | *100%* | *100%* |
| *TOTAL in euro million* | *10,704* | *8,128* | *2,327* | *249* |

As pension liabilities are of a long-term nature, a mixture of bond, equity, and real estate investments is used in the plan assets. The percentage of equities is higher in the Anglo-Saxon countries, where investment strategy is often determined by Plan trustees. This asset mix generates some degree of volatility in returns, but, over the long-term, is expected to provide a higher return than pure bond investments. Higher return is consistent with past experience, but may not be the case in the future.

The asset mix is maintained close to the target level, with minor fluctuations over time due to shifting market values of assets. The acquisition of Winterthur in 2006 had an impact on the evolution of the asset mix between 2005 and 2006.

Various methods are used to determine the expected long-term return on the Group's assets depending on geographic area. Globally, it is based on historic returns adjusted for future expectations in each asset class. In addition, external consultants review or determine these assumptions to guarantee their appropriateness for each country.

### *25.2.11. Other employee benefits*

AXA provides certain medical and life insurance benefits ("post-retirement benefits") to employees, managers and agents who retire after having met certain age and service requirements. The life insurance benefits are related to age and salary at retirement. The expected costs of providing post-retirement benefits are accrued over this vesting period. AXA paid €40 million in post-retirement benefits for the year ended December 31, 2006 (€39 million in 2005 and €30 million in 2004).

### *25.2.12. Balance sheet reconciliation*

(in Euro million)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Balance sheet reconciliation** | | | |
| Net position (excluding separate assets): | | | |
| Employee benefit liabilities | (7,025) | (7,357) | (6,238) |
| Other liabilities | (290) | (375) | (362) |
| ***TOTAL*** | ***(7,315)*** | ***(7,732)*** | ***(6,600)*** |

# 25.3. Share-based compensation

(in Euro million)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Cost by plan** | | | |
| AXA SA stocks options | 33.2 | 27.1 | 19.3 |
| *2003 grants* | *3.0* | *6.3* | *9.7* |
| *2004 grants* | *8.2* | *12.6* | *9.6* |
| *2005 grants* | *10.9* | *8.2* | |
| *2006 grants* | *11.1* | | |
| AXA stock options for US holding company | 24.0 | 16.0 | 11.5 |
| *2005 AXA SA grants* | *4.3* | *3.3* | |
| *2006 AXA SA grants* | *11.2* | | |
| *AXA ADR grants* | *8.5* | *12.7* | *11.5* |
| AXA SA stock options for agents (2004) | | | 6.9 |
| AXA Group shareplan | 16.3 | 10.5 | 19.0 |
| *Classic plan* | *4.3* | *1.7* | *1.5* |
| *Leveraged plan* | *12.0* | *8.8* | *17.6* |
| AXA performance shares | 13.6 | 5.9 | |
| *2005 grants* | *8.4* | *5.2* | |
| *2006 grants* | *4.1* | | |
| *Restricted Shares 2005* | *1.1* | *0.7* | |
| AXA performance unit plans | 48.8 | 14.8 | 5.1 |
| *2004 equity grants* | *0.6* | *0.7* | |
| *2005 equity grants* | *1.7* | *1.1* | |
| *2006 equity grants* | *1.3* | | |
| *2004 cash grants* | *11.8* | *5.7* | *5.1* |
| *2005 cash grants* | *22.0* | *7.3* | |
| *2006 cash grants* | *11.5* | | |
| AXA Financial share-based compensation instruments | 13.0 | 39.4 | 23.5 |
| *AXA Financial SAR* | *8.3* | *29.0* | *13.0* |
| *AXA Financial restricted shares and PARS* | *4.7* | *10.4* | *10.4* |
| AXA APH stock option plan | 5.5 | 4.0 | 2.2 |
| ***TOTAL*** | ***155.3*** | ***117.6*** | ***87.7*** |

The total employee share-based compensation cost of €155.3 million shown above does not include the cost generated by the liquidity guarantee granted by AXA SA to old AXA IM stock option plans, which amounted to a non-recurring cost of €30 million recorded in 2006.
In accordance with IFRS 2, the cost shown above includes equity-settled share-based payment instruments for grants made after November 7, 2002 which had not yet vested at December 31, 2003.
The total share-based compensation cost also includes transaction costs directly related to the issuance of share-based compensation instruments by the Group and by AXA subsidiaries.

**Following the acquisition of Winterthur,** and to avoid the dilution of stock options, performance units and performance shares, the number of outstanding stock options, performance units and performance shares was adjusted to maintain (not increase) the value of these instruments to employees.

### 25.3.1. Share-based compensation instruments issued by the Group

AXA SA STOCK OPTIONS

Executive officers and other key employees may be granted options to purchase ordinary AXA shares under employee stock option plans. While the precise terms and conditions of each option grant may vary, options are currently (i) granted at a price not less than the average closing price of the ordinary share on the Paris Stock Exchange during the 20 trading days preceding the date of grant, (ii) valid for a maximum term of ten years, and (iii) vest in installments of 33.33% per year on each of the second, third and fourth anniversaries of the grant date (generally in March).

For members of the executive committee, the first two installments vest unconditionally at the end of the vesting period. However, the final installment will only vest if AXA shares outperform the DowJones Europe Stoxx Insurance index after a period of four years.

The following table shows AXA SA stock options granted under all plans, and not only the ones granted after November 7, 2002.

| AXA SA STOCK OPTION PLANS | Options (in million) | | | Weighted price (in Euro) | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Options** | | | | | | |
| Outstanding on January 1 | 67.2 | 59.8 | 52.3 | 22.42 | 22.06 | 22.69 |
| Granted | 11.4 | 12.4 | 10.3 | 29.09 | 16.24 | 17.69 |
| Capital increase | 1.2 | – | – | – | – | – |
| Exercised | (1.0) | (3.9) | (1.2) | 24.34 | 11.50 | 9.44 |
| Expired | – | – | – | – | – | – |
| Cancelled | (8.2) | (1.1) | (1.5) | 15.95 | 22.22 | 23.94 |
| **Outstanding at December 31** | **70.6** | **67.2** | **59.8** | **23.71** | **22.42** | **22.06** |

The number of outstanding options and the number of exercisable options as at December 31, 2006 are shown below by maturity date:

in million

| | Outstanding options | | | Exercisable options | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Exercisable until** | | | | | | |
| July 9, 2006 | 0.0 | 0.6 | 1.2 | 0.0 | 0.6 | 1.2 |
| January 21, 2007 | 0.0 | 1.9 | 3.0 | 0.0 | 1.9 | 3.0 |
| September 9, 2007 | 0.1 | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 |
| September 29, 2007 | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 |
| April 19, 2008 | 5.0 | 6.1 | 6.3 | 5.0 | 6.1 | 6.3 |
| June 8, 2009 | 5.0 | 5.2 | 5.2 | 5.0 | 5.2 | 5.2 |
| November 17, 2009 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| July 11, 2010 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| July 4, 2010 | 5.3 | 5.3 | 5.4 | 5.3 | 5.3 | 5.4 |
| November 12, 2010 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| May 8, 2011 | 7.6 | 7.6 | 7.7 | 7.6 | 7.6 | 5.2 |
| February 26, 2012 | 6.8 | 8.5 | 8.7 | 6.8 | 5.2 | 2.9 |
| March 13, 2013 | 7.4 | 9.1 | 10.4 | 5.0 | 1.9 | |
| March 26, 2014 | 9.3 | 9.9 | 10.1 | 3.1 | | |
| March 29, 2015 | 8.3 | 8.4 | | | | |
| March 29, 2015 | 3.5 | 3.5 | | | | |
| June 16, 2015 | 0.0 | 0.0 | | | | |
| June 27, 2015 | 0.2 | 0.2 | | | | |
| July 1, 2015 | 0.0 | 0.0 | | | | |
| September 21, 2015 | 0.1 | 0.1 | | | | |
| March 30, 2016 | 7.3 | | | | | |
| March 30, 2016 | 3.9 | | | | | |
| September 24, 2016 | 0.1 | | | | | |
| November 12, 2016 | 0.0 | | | | | |
| **Total number of options** | **70.6** | **67.2** | **59.8** | **38.4** | **34.5** | **30.9** |

| | Outstanding options Number (in million) | Outstanding options Exercise price (in Euro) | Exercisable options Number (in million) | Exercisable options Exercise price (in Euro) |
|---|---|---|---|---|
| **Price range** | | | | |
| €6.48 – €12.96 | 7.4 | 10.73 | 5.0 | 10.73 |
| €12.96 – €19.44 | 9.4 | 17.29 | 3.2 | 17.24 |
| €19.44 – €25.92 | 24.1 | 20.89 | 11.9 | 21.55 |
| €25.92 – €32.40 | 24.1 | 29.26 | 12.8 | 29.93 |
| €32.40 – €38.87 | 0.2 | 37.74 | 0.2 | 37.74 |
| €38.87 – €45.35 | 5.4 | 39.91 | 5.4 | 39.91 |
| **€6.48 – €45.35** | **70.6** | **23.71** | **38.4** | **25.26** |

Information on options granted after November 7, 2002 is shown in the table below:

| POST NOVEMBER 7, 2002 AXA SA STOCK OPTION PLANS | Options (in million) | | | Weighted price (in Euro) | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Options** | | | | | | |
| Outstanding on January 1 | 31.2 | 20.5 | 10.7 | 16.89 | 14.26 | 10.96 |
| Granted | 11.4 | 12.4 | 10.3 | 29.09 | 20.69 | 17.68 |
| Capital increase | 0.5 | – | – | – | – | – |
| Exercised | (0.6) | (1.0) | – | 14.58 | 10.96 | 10.96 |
| Expired | – | – | – | – | – | – |
| Cancelled | (2.3) | (0.6) | (0.4) | 19.96 | 8.91 | 13.91 |
| **Outstanding at December 31** | **40.2** | **31.2** | **20.5** | **20.14** | **16.89** | **14.26** |

The number of outstanding options and the number of exercisable options at December 31, 2006 are shown below by maturity date for AXA SA plans granted after November 7, 2002 :

in million

| | Outstanding options | | | Exercisable options | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Exercisable until** | | | | | | |
| March 13, 2013 | 7.4 | 9.1 | 10.4 | 5.0 | 1.9 | |
| March 26, 2014 | 9.3 | 9.9 | 10.1 | 3.1 | | |
| March 29, 2015 | 8.3 | 8.4 | | | | |
| March 29, 2015 | 3.5 | 3.5 | | | | |
| June 16, 2015 | 0.0 | 0.0 | | | | |
| June 27, 2015 | 0.2 | 0.2 | | | | |
| July 1, 2015 | 0.0 | 0.0 | | | | |
| September 21, 2015 | 0.1 | 0.1 | | | | |
| March 30, 2016 | 7.3 | | | | | |
| March 30, 2016 | 3.9 | | | | | |
| September 24, 2016 | 0.1 | | | | | |
| November 12, 2016 | 0.0 | | | | | |
| **Total number of options** | **40.2** | **31.2** | **20.5** | **8.0** | **1.9** | |

| | Outstanding | | Exercisable | |
|---|---|---|---|---|
| | Number (in million) | Exercise price (in Euro) | Number (in million) | Exercise price (in Euro) |
| **Price range** | | | | |
| €6.48 – €12.96 | 7.4 | 10.73 | 5.0 | 10.73 |
| €12.96 – €19.44 | 9.3 | 17.31 | 3.1 | 17.31 |
| €19.44 – €25.92 | 12.2 | 20.25 | 0.0 | 0.00 |
| €25.92 – €32.40 | 11.3 | 28.49 | 0.0 | 0.00 |
| **€6.48 – €32.40** | **40.2** | **20.14** | **8.0** | **13.26** |

The fair value of AXA SA stock options is calculated using the Black&Scholes option pricing model. The effect of expected early exercise is taken into account through the use of an expected life assumption based on historical data. AXA SA share price volatility is estimated on the basis of implied volatility, which is checked against an analysis of historical volatility to ensure consistency. The expected AXA SA dividend yield is based on the market consensus. The risk-free interest rate is based on the Euro zone government bond benchmark curve for the appropriate term.

The option pricing assumptions and fair value for plans issued in 2006, 2005 and 2004 are as follows:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Assumptions** | | | |
| Dividend yield | 3.5% | 3.15% | 3.10% |
| Volatility | 28.00% | 25.00% | 28.00% |
| Risk-free interest rate | 3.90% | 3.31% | 3.20% |
| Expected life (in years) | 6.0 | 6.0 | 6.0 |
| Weighted average fair value per option at grant date in Euro | 6.48 | 4.15 | 3.96 |

The total cost of the AXA SA plans is amortized over the vesting period and an estimated 5% pre-vesting forfeiture rate is applied. On that basis, the expense recognized in profit & loss for the year ended December 31, 2006 was €48.7 million (€3 million for the 2003 grants, €8.2 million for the 2004 grants, €15.2 million for the 2005 grants and €22.3 million for the 2006 grants). Among the 2005 and 2006 grants, the expense relating to AXA SA share options granted to AXA Financial employees was €15.5 million.

## AXA ADR STOCK OPTIONS

The US holding company may grant options to purchase AXA ADRs. These options are issued at the market value of AXA ADRs on the date of grant. Options granted prior to 2004 vest over a three-year period, with one third vesting on each anniversary date. However, starting in 2004, new grants generally vest over a four-year period with one third vesting on each of the second, third and fourth anniversary dates (generally in March). Options currently issued and outstanding have a 10-year contractual term from their date of grant.

The following tables show a summary of the US holding company's AXA ADR stock option plans:

| AXA ADR STOCK OPTION PLANS | Options (in million) | | | Weighted price (in US $) | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Options** | | | | | | |
| Outstanding on January 1 | 38.6 | 44.0 | 40.9 | 24.06 | 23.03 | 23.04 |
| Granted | 0.7 | 1.8 | 7.2 | 23.26 | 26.77 | 20.66 |
| Capital increase | 0.0 | – | – | – | – | – |
| Exercised | (9.1) | (5.7) | (2.5) | 22.08 | 15.68 | 14.82 |
| Expired | – | (1.5) | (1.6) | 33.57 | 29.22 | 23.74 |
| Cancelled | (3.4) | – | – | – | – | – |
| **Outstanding at December 31** | **26.8** | **38.6** | **44.0** | **23.40** | **24.06** | **23.03** |

No AXA ADR options were granted in 2006. The 0.7 million options shown in the "granted" line in the table above corresponds to the adjustment made to offset the dilution due to the capital increase done to finance the acquisition of Winterthur.

| | Outstanding options | | Exercisable options | |
|---|---|---|---|---|
| | Number (in million) | Exercise price (in US $) | Number (in million) | Exercise price (in US $) |
| **Price range** | | | | |
| $9.93 – $12.72 | 4.1 | $12.30 | 4.1 | $12.30 |
| $13.10 – $16.35 | 1.0 | $14.38 | 1.0 | $14.38 |
| $17.54 – $22.24 | 9.4 | $19.53 | 4.7 | $18.84 |
| $25.41 – $32.18 | 10.7 | $29.33 | 8.9 | $29.97 |
| $35.10 | 1.5 | $35.10 | 1.5 | $35.10 |
| **$9.93 – $ 35.10** | **26.8** | **$23.40** | **20.2** | **$23.40** |

The following table shows information for grants after November 7, 2002:

| POST NOVEMBER 7, 2002 AXA ADR STOCK OPTION PLANS | Options (in million) | | | Weighted price (in US $) | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Options** | | | | | | |
| Outstanding on January 1 | 14.0 | 14.5 | 8.9 | 18.18 | 16.36 | 12.60 |
| Granted | 0.1 | 1.8 | 7.1 | 34.23 | 26.77 | 20.66 |
| Capital increase | – | (1.9) | – | – | – | – |
| Exercised | (2.5) | (0.4) | (0.9) | 13.85 | 12.82 | 12.56 |
| Expired | (0.3) | (0.4) | (0.6) | 21.29 | 18.59 | 15.49 |
| Cancelled | 0.0 | – | – | 0.00 | – | – |
| **Outstanding at December 31** | **11.3** | **14.0** | **14.5** | **18.70** | **18.18** | **16.36** |

| | Outstanding options | | Exercisable options | |
|---|---|---|---|---|
| | Number (in million) | Exercise price (in US $) | Number (in million) | Exercise price (in US $) |
| **Price range** | | | | |
| $9.93 – $15.12 | 3.5 | $12.26 | 3.5 | $12.26 |
| $19.50 – $27.45 | 7.8 | $21.62 | 2.0 | $20.21 |
| **$9.93 – $27.45** | **11.3** | **$18.70** | **5.5** | **$15.12** |

The fair value of AXA ADR stock options is calculated using the Black&Scholes option pricing model. The effect of expected early exercise is taken into account through the use of an expected life assumption based on historical data. AXA ADR volatility is based on AXA SA ordinary shares volatility, adjusted for the US$/€ exchange rate volatility.

The expected dividend yield on AXA SA shares is based on the market consensus. The risk-free interest rate is based on the US Treasury bond curve for the appropriate maturity.
The option pricing assumptions and fair value for plans issued in 2005 and 2004 are as follows:

| | 2005 | 2004 |
|---|---|---|
| **Assumptions** | | |
| Dividend yield | 3.01% | 3.10% |
| Volatility | 25.00% | 29.00% |
| Risk-free interest rate | 4.27% | 2.90% |
| Expected life (in years) | 5.0 | 5.0 |
| Weighted average fair value per option at grant date (in US $) | 5.65 | 4.44 |

From 2005 on, there are no more AXA ADR grants. US employees now receive AXA SA stock options.

## AXA GROUP SHAREPLAN

AXA offers its employees the opportunity to become shareholders through special employee share offerings. In countries that meet the legal and fiscal requirements, two investments options are available: the traditional plan and the leveraged plan.
In the traditional plan, employees invest in AXA shares at a discount to the market price for unrestricted shares. In the leveraged plan, an independent bank supplements the employees' investment so that the total investment is a multiple of the contribution made by the employees. This total sum is invested in AXA shares at a discount to market price for unrestricted shares. After a period of five years, employees receive a percentage of any gains made on the investment, with a guaranteed minimum equal to the amount of their initial investment.

The cost of this plan is valued taking into account the five-year lock-up period, as recommended by the CNC *(Conseil National de la Comptabilité).* The CNC approach values the restricted shares through a replication strategy whereby the employee would sell the restricted shares forward at the end of the lock-up period, borrow enough money to buy unrestricted shares immediately, and uses the proceeds of the forward sale together with dividends paid during the lock-up period to finance the loan.
For the leveraged plan, the cost also includes the opportunity gain implicitly provided by AXA by enabling its employees to benefit from an institutional price for derivatives as opposed to a retail price.

On September 18, 2006, the AXA Group made an employee share offering at €22.88 per share for the traditional plan (discount of 20% to the reference price of €28.60 representing the average over the twenty trading days preceding the date of announcement) and €24.25 per share for the leveraged plan. Subscriptions amounted to 15.5 million shares, increasing the share capital by €375.5 million. This offering represented a total cost of €16.3 million taking into account the five-year lock-up period.

In 2006, the cost of the lock-up period was measured at 13.41% for the traditional plan and 14.32% for the leveraged plan (different discounts). In addition to the lock-up cost, the opportunity gain offered to the employees under the leveraged plan was measured at 2.26%.

The table below shows the main features of the plan, the amounts subscribed, valuation assumptions, and the cost of the plan for 2006, 2005 and 2004.

| PLAN MAIN FEATURES | | 2004 | | 2005 | | 2006 | |
|---|---|---|---|---|---|---|---|
| | | Traditional | Leveraged | Traditional | Leveraged | Traditional | Leveraged |
| | Plan maturity (in years) | 5 | 5 | 5 | 5 | 5 | 5 |
| [a] | Discount to face value | 20.00% | 20.00% | 20.00% | 17.50% | 20.00% | 15.21% |
| | Reference price (in Euro) | 16.55 | | 22.15 | | 28.60 | |
| | Subscription price (in Euro) | 13.50 | | 18.06 | 18.63 | 22.88 | 24.25 |
| | Amount subscribed by employee (in Euro million) | 43.5 | 21.1 | 33.7 | 26.8 | 51.8 | 32.0 |
| | Total amount subscribed (in Euro million) | 43.5 | 213.3 | 33.7 | 270.6 | 51.8 | 323.7 |
| | Total number of shares subscribed (in million shares) | 3.2 | 15.6 | 1.9 | 14.4 | 2.3 | 13.2 |
| | Interest rate on employee loan | 7.37% | 7.37% | 7.16% | 7.62% | 7.01% | 7.34% |
| | 5-year risk-free rate (euro zone) | 2.97% | | 3.09% | | 3.66% | |
| | Dividend yield | 3.50% | | 2.24% | | 3.96% | |
| | Early exit rate | 1.34% | | 3.20% | | 3.34% | |
| | Interest rate for borrowing securities (repo) | 0.00% | | 0.00% | | 0.20% | |
| | Retail / institutional volatility spread | N/A | 7.00% | N/A | 4.40% | N/A | 4.20% |
| [b] | Cost of the lock-up for the employee | 17.15% | | 16.07% | > 17.50% | 13.41% | 14.32% |
| [c] | Opportunity gain | N/A | 3.75% | N/A | 2.68% | N/A | 2.26% |
| | Total cost for AXA = [a] – [b]+ [c] (equivalent to a discount) | 2.85% | 6.60% | 3.93% | 2.68% | 6.59% | 3.15% |
| | Total cost for AXA (in Euro million) | 1.5 | 17.6 | 1.7 | 8.8 | 4.3 | 12.0 |

#### OTHER SHARE-BASED COMPENSATION

To a lesser extent, AXA issued Performance Units in 2004, 2005 and 2006. During the vesting period, the Performance Units initially granted are subject to non-market performance criteria. The value of each Performance Unit is equal to the average AXA share price before the settlement (which is cash rather than equity-settled in most cases).

The total cost of the Performance Units recorded in earnings in 2006 was €48.8 million (€3.5 million for the equity-settled portion and €45.3 million for the cash-settled portion).

In 2005 and 2006, Performance Shares were issued in France only.

Performance Shares are similar to Performance Units, but the payment is equity-settled rather than cash-settled.

In France, most of the Performance Units granted to employees have been converted into Performance Shares.

The total cost of Performance Shares was €13.6 million in 2006.

### *25.3.2. Share-based compensation instruments issued by local entities*

Only those plans that are material at Group level are described below.

#### AXA ASIA PACIFIC HOLDING STOCK OPTION PLAN

To a lesser extent, AXA APH grants stock options based on APH shares, with both market and non-market performance conditions.

These plans are valued according to the IFRS applicable in Australia. The total cost for this plan in 2006 was €5.5 million.

AXA FINANCIAL SHARE-BASED COMPENSATION PLANS

The total cost of AXA Financial's share-based compensation plans in 2006 included €8.3 million in respect of AXA Financial Stock Appreciation Rights (as they are subject to variations in the basis of recognition due to changes in the market value of AXA ADRs) and €4.7 million in respect of AXA ADR Restricted Shares and Performance Accelerated Restricted Shares granted to senior executives and non-employee directors.

## 25.4. Compensation of Management and officers

In 2006:

– Short-term benefits: compensation paid to members of the Management Board in respect of 2006 totaled €14.9 million, including fixed salary, bonuses, directors' fees and benefits in kind.
– Long-term benefits: amounts provisioned or recognized by AXA SA and its subsidiaries for the payment of pensions or retirement benefits to its corporate officers (members of the Management Board, Chairman of the Supervisory Board and the employees' representative on the Supervisory Board) totaled €33.8 million.
– Share-based compensation: the expense recognized in 2006 in respect of share-based compensation granted to Management Board members was €13 million.

In 2005:

– Short-term benefits: compensation paid to members of the Management Board in respect of 2005 totaled €12.4 million, including fixed salary, bonuses, directors' fees and benefits in kind.
– Long-term benefits: amounts provisioned or recognized by AXA SA and its subsidiaries for the payment of pensions or retirement benefits to its corporate officers (members of the Management Board, Chairman of the Supervisory Board and the employees' representative on the Supervisory Board) totaled €29.4 million.
– Share-based compensation: the expense recognized in 2005 in respect of share-based compensation granted to Management Board members was €11.1 million.

## 25.5. Salaried workforce

At December 31, 2006, the Group, excluding Winterthur, employed 81,025 salaried people on a full-time equivalent basis (78,800 in 2005 and 76,339 in 2004). The total number of full time equivalent employees at December 31, 2006 including Winterthur was 96,009.

The increase, excluding Winterthur, was mainly due to:

– the acquisition of MLC Indonesia and MLC Hong Kong (444 employees) and the launch of the Avanssur platform in Poland in 2006 (164 employees);
– the acquisition of Citadel in Canada (316 employees);
– an increase in administrative staff, the teams that manage customers of financial partners, and the private banking team at AllianceBernstein (602 employees);
– an increase in the Assistance business (600 employees), mainly in Latin America, Central Europe and the Mediterranean basin.

# Note 26: Net income per ordinary share

The Company calculates a basic net income per ordinary share and a diluted net income per ordinary share:

– The calculation of the basic net income per ordinary share assumes no dilution and is based on the weighted average number of ordinary shares outstanding during the period.
– The calculation of diluted net income per ordinary share takes into account shares that may be issued as a result of stock option plans and convertible bonds. The effect of stock option plans on the number of fully diluted shares is taken into account only if options are considered to be exercisable on the basis of the average stock price of AXA share over the period. The effect of convertible bonds (on the number of shares and on income) is integrated in the calculation if it actually generates a dilution of the net income per share.

The share capital increase with preferential subscription rights launched by AXA on June 14, 2006 to finance part of the acquisition of Winterthur has resulted in the issue of 208,265,897 new shares at a price of €19.80 compared to a market price of €24.47. According to IAS 33, share issues carried out at a below-market price may give rise to an adjustment to the average number of shares during the period and in each period presented. As a consequence, the loss of value suffered by existing shares represents the value of the existing shareholders' theoretical subscription right, and the issue can be regarded as a bonus issue in the amount of the total value of the subscription rights. An adjustment factor (1.019456) equal to the pre-transaction share price divided by the theoretical post-transaction value of the shares is applied to the weighted average number of shares outstanding in each period.

As a result of these factors, along with the dilutive effect of convertible bond plans, the fully diluted number of shares at December 31, 2006 was 2,032 million.

In 2006, earnings per share calculation was as follows:

(in Euro million) [c]

| | | December 31, 2006 | December 31, 2005 [d] | December 31, 2004 [d] |
|---|---|---|---|---|
| NET INCOME GROUP SHARE | A | 5,085 | 4,318 | 3,793 |
| Weighted average number of ordinary shares (net of treasury shares) – opening | | 1,855 | 1,921 | 1,782 |
| Increase in capital (excluding stock option exercised) [a] | | 97 | – | 53 |
| Stock option exercised [a] | | 3 | 2 | 1 |
| Treasury shares [a] | | 3 | (1) | 3 |
| Impact of the merger AXA-FINAXA [a] | | – | (2) | – |
| Share purchase program [a] | | (11) | (3) | – |
| WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES | B | 1,948 | 1,917 | 1,839 |
| NET INCOME PER ORDINARY SHARE | C = A / B | 2,61 | 2,25 | 2,06 |
| Potentially dilutive instruments: | | | | |
| – Stock options | | 16 | 8 | 6 |
| – Subordinated convertible Notes – February 8, 2000 | | 28 | 27 | 27 |
| – Subordinated convertible Notes – February 8, 1999 | | 38 | 37 | 37 |
| – ORAN [a] | | – | – | 60 |
| – Other | | 2 | 1 | – |
| FULLY DILUTED – WEIGHTED AVERAGE NUMBER OF SHARES | D | 2,032 | 1,991 | 1,969 |
| NET INCOME [b] | E | 5,199 | 4,428 | 3,899 |
| FULLY DILUTED NET INCOME PER ORDINARY SHARES | F = E / D | 2,56 | 2,22 | 1,98 |

*(a) Weighted average.*
*(b) Taking into account the impact of potential dilutive instruments.*
*(c) Except for number of shares (million of units) and earnings per share (euros).*
*(d) Following any significant capital increase with a stock price lower than the market price, average number of shares and consequently earning per share over each period shall be restated to take into account this event.*

# Note 27: Related-party transactions

In 2006 the Company was party to the following transactions with related parties which may be deemed to have been material to AXA or the related party in question or unusual in their nature or conditions.

**Relationships with the Mutuelles AXA**

The Mutuelles AXA (AXA Assurances IARD Mutuelle and AXA Assurances Vie Mutuelle) are two mutual insurance companies engaged in the Property & Casualty insurance business and Life & Savings insurance business in France. The Mutuelles AXA have no shares outstanding and the business of each Mutuelle is supervised by a board of directors elected by delegates representing policyholders. The Company and the Mutuelles have in common certain members of management and certain members of the Company's Supervisory Board and Management Board serve as directors or executive officers of the Mutuelles AXA.

The insurance businesses of the Mutuelles AXA and the insurance businesses of the Company's French insurance subsidiaries use similar distribution channels and are managed as a single business, subject to legal and management arrangements established to maintain the legal distinctions between their respective businesses. Certain of the costs and expenses of operating these businesses (other than commissions) are shared by these subsidiaries and the Mutuelles AXA and allocated among them through a Groupement d'Intérêt Economique or "GIE" which is a type of French inter-company partnership more fully described below. There are no agreements between the Mutuelles AXA and the Company's insurance subsidiaries that restrict in any way their ability to compete with one another.

The Property & Casualty insurance business generated in France by insurance brokers is underwritten through a coinsurance arrangement between AXA France IARD, a Property & Casualty insurance subsidiary of the Company, and AXA Assurances IARD Mutuelle. Technical results are shared between entities in proportion with their written premiums. Aggregate written premiums recorded in the agreement amounted to €1,522 million in 2006 (of which €1,354 million was attributed to AXA France IARD).

**Groupement d'intérêt économique (GIE)**

From time to time the Company enters into GIE's with certain of its subsidiaries. GIEs are French intercompany partnerships, governed by French law, created to perform various common services for their members and to allocate associated costs and expenses among their members. The allocation of costs and expenses invoiced to GIE members may be based on various agreed criteria including particular cost drivers. In 2006, expenses invoiced by GIEs to the Company, its subsidiaries and affiliates amounted to approximately €151.1 million. These GIEs cover a variety of common services including services performed by the AXA Group's central functions for the benefit of AXA Group companies (such as finance, accounting and reporting, tax, legal, marketing and brand, internal audit, human resources, procurement, information systems, risk management etc.), cash management services for the Company and certain of its subsidiaries and affiliates as well as other services.

**Loans/Guarantees/Capital Contributions**

AXA has given numerous commitments and guarantees, including financing commitments, guarantees given to financial institutional institutions and customers, pledged assets, collateralized commitments and letters of credit. For a detailed description of these commitments and guarantees, see note 28 "Contingent assets and liabilities and unrecognized contractual commitments”. Certain of these guarantees are given by the Company for the benefit of its subsidiaries and affiliates for various business purposes including to promote development of their business, support their credit ratings, and promote efficient use of the Group’s capital resources. In this context, the Company may guaranty repayment of loans extended from one of its subsidiaries to another and/or guarantees other obligations of its subsidiaries to third parties. The beneficiaries of these guarantees are generally required to compensate the Company at a negotiated rate based on prevailing market rates and conditions for guarantees of a similar nature. In addition, from time to time, the Company may provide comfort or similar letters to rating agencies and/or regulators for the benefit of its subsidiaries and affiliates for various business purposes, including facilitating specific transactions, achieving target ratings levels and, more generally, helping develop the business of these subsidiaries.

The Company, from time to time, makes capital contributions and/or loans to its subsidiaries and affiliates to finance their business operations, acquisitions or for other business purposes. Loans bear interest at varying rates that generally reflect prevailing market rates at the respective dates such loans were originated. These transactions may involve the Company acquiring different types of securities from its subsidiaries and affiliates (e.g. ordinary shares, preferred shares, senior debt securities, subordinated debt securities, etc.) from time to time.

### Key Management and Directors

At December 31, 2006, there was one loan outstanding from a banking subsidiary of the Company to a member of AXA’s Management Board. The loan was for an amount of €200,000, bearing interest at a rate of 4.58% annually and had a 10-year term. The loan was made in the ordinary course of business of the Company’s banking subsidiary at prevailing market terms and conditions.

At December 31, 2006, there were no other loans outstanding from the Company to any members of AXA’s Management Board or Supervisory Board.

Various executive officers and directors of the Company may from time to time purchase insurance, wealth management or other products or services offered by AXA in the ordinary course of its business. The terms and conditions of these transactions are substantially similar to the terms and conditions generally available to the public or to AXA employees generally.

# Note 28: Contingents assets and liabilities and unrecognized contractual commitments

## 28.1. Breakdown of commitments received

(in Euro million)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|---|---|---|---|
| Commitments to finance | 8,308 | 8,280 | 7,821 |
| Financial institutions | 8,308 | 8,280 | 7,821 |
| Customers | – | – | – |
| Guarantees | 4,088 | 3,985 | 2,828 |
| Financial institutions | 287 | 252 | 234 |
| Customers | 3,801 | 3,733 | 2,594 |
| Other | 25,304 | 18,174 | 14,011 |
| Pledged assets and Collaterized commitments | 21,665 | 14,241 | 10,191 |
| Letters of credit | 1,233 | 1,075 | 627 |
| Commitments on sales currently processed | 260 | 320 | 262 |
| Commitments related to construction | – | – | – |
| Other engagements | 2,147 | 2,539 | 2,931 |
| *TOTAL* | *37,700* | *30,440* | *24,660* |

Off-balance sheet commitments received by AXA totaled €37,700 million, an increase of €7,260 million compared to 2005.

Off-balance sheet commitments received by Winterthur totaled €2,959 million, mainly corresponding to (i) €2,934 million of collateral for mortgage loans and (ii) €25 million of guarantees received from banks for tax disagreement with the Spanish government.

Excluding Winterthur's contribution, off-balance sheet commitments received by AXA were up €4,302 million, mainly due to pledged securities and real collateral (€+4,490 million) and letters of credit (€+157 million), partially offset by other commitments (€–392 million). These commitments break down as follows:

Financing commitments received totaled €8,308 million at December 31, 2006 and consisted of :

- AXA SA credit lines (€6,315 million),
- AllianceBernstein credit lines (€884 million) mainly comprising credit facilities (€304 million) and revolving credit facilities (€353 million) from various banks and other lenders,
- bank credit lines granted to AXA Life Japan as part of its Life & Savings operations (€362 million),
- the American holding company's share in a Group cash facility since July 9, 2004 (€380 million),
- credit facilities received by AXA RE from ceding companies as part of its reinsurance operations (€367 million).

Financing commitments were almost stable at December 31, 2006 compared to 2005.

Guarantees amounted to €4,088 million (€4,063 million excluding Winterthur's contribution), mainly consisted of (i) guarantees received from customers of AXA Bank Belgium and the Belgian Life & Savings entities (€2,773 million) and from French banks (€995 million) principally in the form of mortgages on buildings that provide security for loans and (ii) €94 million of guarantees received from credit institutions in the case of the failure of general agents of AXA Italian entities.

Excluding Winterthur's contribution, guarantees increased slightly by €78 million in 2006, mainly due to an increase in guarantees received by AXA Bank Belgium (€+169 million), partially offset by a decrease of the Belgian Life & Savings entities ones (€–81 million).

Pledged assets and real collateral totaled €21,665 million at December 31, 2006 (€18,731 million excluding Winterthur's contribution), mainly consisted of:
- Mortgage security interests taken by AXA Bank Belgium for home loans and other business loans (€12,577 million).
- Securities pledged to secure loans (€4,715 million) and short-term securities borrowings (€667 million) received by Japanese entities. Commitments were also given on these products.
- Pledged securities representing technical commitments made by reinsurers, mainly for French Life & Savings companies (€218 million) and AXA Corporate Solutions Assurance (€271 million).

The €4,490 million increase in 2006 resulted mainly from new guarantees received by the Japanese entities under reverse-repo transactions (€+3,181 million), and by AXA Bank Belgium (€+1,213 million) due to higher portfolio of home loans (€+1,027 million) and Money Market activity (€+86 million).

Other commitments totaled €2,147 million at December 31, 2006, broken down as follows:
- €1,117 million of commitments received by AXA France Vie including €953 million in respect of assets belonging to provident societies (third-party management).
- At AXA RE, guarantees relating to forward currency transactions (€684 million) and notional commitments received by AXA RE on derivatives hedging ABR products (€62 million). Commitments were also given in an equivalent amount in relation to these products.
- Commitments received from shareholders of an AXA real estate company, covering the investment period (€150 million).
- Commitments received by AXA Bank Belgium as part of its Money Market activity (€38 million).

The €392 million decrease was mainly due to a decrease in commitments received by AXA France Vie on stock lending activities (€–160 million) and by AXA Bank Belgium on its Money Market activity (€–188 million).

Letters of credit amounted to €1,233 million at December 31, 2006, mainly relating to the life insurance and reinsurance business in the United States (€1,132 million, representing a decrease of €135 million or €268 million at constant exchange rates).

## 28.2. Breakdown of commitments given

(in Euro million)

| | December 31, 2006 Due in one year or less | Due after one year through three years | Due after three years through five years | Due after five years | TOTAL | December 31, 2005 TOTAL | December 31, 2004 TOTAL |
|---|---|---|---|---|---|---|---|
| Commitments to finance | 2,609 | 433 | 592 | 340 | 3,974 | 2,077 | 2,739 |
| Financial institutions | 247 | 429 | 578 | 122 | 1,376 | 85 | 81 |
| Customers | 2,362 | 4 | 14 | 218 | 2,598 | 1,991 | 2,658 |
| Guarantees | 829 | 1,689 | 449 | 2,710 | 5,677 | 6,506 | 6,198 |
| Financial institutions | 160 | 190 | 126 | 2,543 | 3,020 | 2,317 | 1,730 |
| Customers | 669 | 1,499 | 322 | 167 | 2,657 | 4,189 | 4,468 |
| Other | 14,631 | 1,530 | 275 | 6,359 | 22,795 | 17,110 | 10,920 |
| Pledged assets and Collaterized commitments | 13,401 | 361 | 39 | 2,019 | 15,821 | 10,428 | 5,440 |
| Letters of credit | 88 | 2 | 2 | 581 | 673 | 926 | 670 |
| Commitments on sales currently processed | 64 | 196 | – | – | 260 | 257 | 262 |
| Commitments related to construction | 165 | 192 | 15 | – | 372 | 101 | 152 |
| Other engagements | 913 | 779 | 219 | 3,758 | 5,668 | 5,399 | 4,396 |
| *TOTAL* | *18,070* | *3,652* | *1,316* | *9,409* | *32,446* | *25,693* | *19,857* |

Commitments given by AXA totaled €32,446 million, an increase of €6,753 million compared to 2005.

Commitments given by Winterthur totaled €2,217 million, mainly consisted of:

- €709 million of financing commitments to credit institutions including €664 million given by the Swiss entities for future investment by private equity funds.
- €585 million of financing commitments to customers, mainly including commitments related to mortgage loans granted by DBV Finance in the Netherlands (€392 million) and the German life and health entities (€176 million).
- €322 million of other commitments given, mainly including (i) €25 million in credit lines granted by the German holding company to Commerzbank, and (ii) commitments given by the German entities to two real estate funds (€120 million) and to the German insurance guarantee fund "Protektor" that takes over insurance policies if insurance companies fail (€162 million).
- €268 million of construction commitments given by the Swiss entities as part of their real estate management business.
- €143 million of pledged securities including €82 million related to Dutch government bonds pledged to ABN Amro and €59 million of securities pledged by the Swiss entities to third parties.
- €135 million of guarantees given to customers by other international operations, including €75 million related to the sale of the Churchill Group in 2003 to the Royal Bank of Scotland, and €60 million covering letters of indemnity for two former directors of the Australian holding company.
- €29 million in letters of credit given by the Swiss entities.

Excluding Winterthur's contribution, commitments given by AXA rose by €4,536 million. The increase was mainly due to pledged securities and real collateral (€+5.251 million) and financing commitments (€+603 million), partially offset by a decrease in guarantees (€–988 million).

Financing commitments given totaled €3,974 million as at December 31, 2006 (€2,680 million excluding Winterthur's contribution), consisted of:

- **Financing commitments to customers** (€2,013 million excluding Winterthur's contribution), mainly comprising commitments related to home loans granted by AXA Bank Belgium (€1,057 million), and credit lines and overdraft authorizations granted by the French banks to their customers (€953 million). These commitments were almost stable compared to 2005.
- **Financing commitments to credit institutions** (€667 million excluding Winterthur's contribution), mainly comprising financing guarantees (less than €20 million each) granted by AXA Equitable to various partners (€530 million) and a guarantee relating to loans granted to French general agents (€74 million). These commitments increased by €582 million in 2006 following a reclassification of guarantees granted by AXA Equitable as financing commitments (€530 million).

Guarantee commitments totaled €5,677 million (€5,518 million excluding Winterthur's contribution) as at December 31, 2006, and consisted of:

- **Guarantees commitments given to credit institutions** (€2,995 million excluding Winterthur's contribution) mainly including collateral and pledges given by AXA SA to credit institutions (€2,705 million), a financial guarantee given by the German holding companies to a real-estate company (€115 million) and guarantees given by AllianceBernstein to a commercial bank in 2002 to guarantee some of Sanford C. Bernstein's commitments (€95 million).
- **Guarantees commitments given to customers** (€2,522 million excluding Winterthur's contribution) mainly including (i) performance guarantees granted by the French banks to funds managed by AXA Investment Managers (€1,919 million), the fair value of this commitment being zero as at December 31, 2006, and (ii) a guarantee provided by AXA Australia as part of its mutual funds distribution business, guaranteeing that customers will recoup their initial investment in the funds (€508 million).

Guarantee commitments decreased by €988 million overall, mainly due to the decrease in performance guarantees given by the French banks (€–1,604 million) and the reclassification of AXA Equitable's guarantees as financing commitments (€–530 million). This decrease was partially offset by an increase in guarantees given by AXA SA to financial institutions related to credit lines granted to the Group's entities (€+1,153 million).

Pledged assets and real collateral given totaled €15,821 million as at December 31, 2006 (€15,678 million excluding Winterthur's contribution), and mainly consisted of:

- Securities pledged as part of derivatives transactions (€695 million), securities given as guarantees for cash deposits received in securities lending transactions (€8,097 million), securities given as guarantees for short-term securities borrowing by Japanese entities (€809 million) – commitments were also received on these products – and securities pledged in respect of the Japanese insurance guarantee fund (€40 million).
- Securities pledged by Axa Bank Belgium to financial institutions in respect of repo operations (€3,692 million) and security interests given to the National Bank of Belgium as collateral for clearing-house activities (€1,661 million).
- A contribution of AXA Equitable of a real estate asset as collateral for a short-term debt (€349 million).
- Securities pledged by AXA Germany to West LBank to hedge a dollar-denominated reinsurance liability (€69 million).

Overall, pledged assets and real collateral given increased by €5,251 million excluding Winterthur's contribution due to an increase in securities pledged under Japanese stock lending transactions (€+4,566 million), and an increase in commitments given by AXA Bank Belgium in respect of repo transactions (€+699 million).

Letters of credit totaled €673 million as at December 31, 2006 (€642 million excluding Winterthur's contribution), mainly related to the international insurance operations (€606 million). The decrease in letters of credit is mainly due to the fall in gross technical reserves in the international insurance segment and the non-recurrence of commitments related to Hurricanes Katrina, Wilma, Rita and Yvan in 2005.

Other commitments given totaled €5,668 million as at December 31, 2006 (€5,347 million excluding Winterthur's contribution) and consisted mainly of:

- €580 million mainly in commitments due to the Parallel Ventures (€124 million) and AXA Private Equity funds (€393 million) in the UK. These funds are vehicles (partnerships and similar vehicles) that allow exposure to private equity investments in UK, US and European markets.
- €794 million in commitments given by AXA RE mainly relating to forward foreign-exchange transactions (€684 million) and derivative products hedging ABR contracts (€62 million). Commitments were received on these products in equivalent amounts.
- €142 million of commitments given by the French Life & Savings business relating to capital and loans.
- €234 million of commitments given by the French Property & Casualty business, including €215 million of pledges.
- Commitments given by the German entities relating mainly to (i) future acquisitions by private equity funds (€744 million) and a multi-tranche loan (€600 million), and (ii) a commitment given to "Protektor", the German insurance guarantee fund (€263 million) in the case of a bankruptcy of the insurance companies.

Axa has issued the following subordinated convertible debt instruments (i) €1,524 million 2.5% issued in February 1999 and due in 2014, and (ii) €1,099 million 3.75% issued in February 2000 and due in 2017. The difference between the issue price and the redemption price (or in the event of non-conversion for the debt maturing in 2017) is amortized over the life of the instrument at the effective interest rate for each issue. The unamortized balance at December 31, 2006 was €1,083 million.

On January 11, 2007, the meetings of holders of AXA's 2014 and 2017 convertible bonds were held to vote on an amendment of the final conversion dates of the bonds to January 26, 2007 in exchange for a cash payment in respect of the value of the conversion option.
The meeting of holders of the 2014 convertible bonds approved the amendment. Consequently, holders who did not convert their bonds by January 26, 2007, received €16.23 per bond on January 31, 2007. The meeting of holders of the 2017 convertible bonds did not approve the amendment. Consequently, to fully neutralize the dilutive impact of the 2017 convertible bonds AXA has purchased from a banking counterparty, for a total cash amount equivalent to the payment proposed to bondholders, call options on the AXA share with an automatic exercise feature. This feature is such that one option is automatically exercised upon each conversion of a convertible bond. Consequently, each issuance of a new share resulting from the conversion of the bond will be offset by the delivery by the bank to AXA (and subsequent cancellation) of an AXA share ; The issuance of a share in respect of the conversion of the bond and the cancellation by AXA of the AXA share received will offset each other. As a result of this transaction, there will no longer be a change to the outstanding number of AXA shares created by the convertible bond conversion.

The scheme governing the financial reorganization of AXA Sun Life in 2001 (the "Scheme") details arrangements under which assets from the inherited estate, attributed to AXA through the reorganization, may be transferred on a temporary or permanent basis to the "With-Profit" funds as required to support the capital requirements of these funds, as determined under the Scheme. In the case of a temporary transfer, assets and related investment income remain attributable to AXA since they will be returned when they are no longer required to support the capital requirements of the "With-Profit" funds, under the stringent tests set out in the Scheme. If all or part of the assets transferred are unlikely to be returned in the foreseeable future (taking into consideration the duration of in-force “With-Profit” policies), then the relevant part of the transfer would be designated permanent. Only a permanent transfer to the “With-Profit” funds would result in a charge against the profit and loss account. The maximum amount that could be transferred under the Scheme is capped at the market value of surplus assets in the non-profit funds, which was £1.3 billion (€1.9 billion) as at December 31, 2006, however, the actual transfer at this date was nil.

On December 15, 2005 and after authorization on June 29, 2005 by the AXA Supervisory Board, the AXA Group (AXA and its subsidiaries) and the BNP Paribas Group entered into an agreement that replaces the one in force since September 12, 2001 (and amended on October 26, 2004).
The new agreement maintains the existing provisions in terms of minimal and stable cross-shareholdings (the AXA Group undertakes initially to hold at least 43,412,598 shares of BNP Paribas stock; the BNP Paribas Group undertakes initially to hold at least 61,587,465 shares of AXA stock; these amounts will be adjusted thereafter to reflect the impact of capital transactions, including but not limited to free allotments of stock or share tenders involving the same company (stock splits, business re-combinations, etc.), and capital increases involving either BNP Paribas or AXA), and also provides for a reciprocal repurchase option in the event of a hostile takeover attempt on either AXA or BNP Paribas.

In force for a period of five years as of the date of signature, this agreement is renewable automatically for an initial period of two years and for successive periods of one year thereafter, unless one of the two parties decides to terminate beforehand, in which case it is required to give three months notice prior to the next renewal date.

The agreement was made public by the AMF *(Autorité des Marchés Financiers)* on December 21, 2005.

On May 15, 2006, and after authorization on December 21, 2005 by the AXA Supervisory Board, the AXA Group (the AXA Mutuelles, AXA and its subsidiaries) and the Schneider Group entered into an agreement that provides for the maintenance of minimal cross-shareholdings. Under the terms of this agreement, the AXA Group undertakes to hold at least 2,583,300 shares of Schneider stock and the Schneider Group undertakes to hold at least 8,816,681 shares of AXA stock. The number of shares held under this cross-shareholding agreement will be adjusted as needed to reflect the impact of capital transactions, including but not limited to free allotments of stock or share tenders involving the same company (stock splits, business re-combinations, etc.). In addition, the parties have consented to a reciprocal repurchase option in the event of a hostile takeover attempt on either AXA or Schneider.

In force for a period of one year as of the date of signature, this agreement is renewable automatically for successive periods of one year thereafter, unless one of the two parties decides to terminate beforehand, in which case it is required to give three months notice prior to the next renewal date.

The agreement was made public by the AMF on May 31, 2006.

In addition to other employment-related obligations, various AXA subsidiaries are required to indemnify their employees against certain liabilities and costs that they may incur from time to time in performing activities within the scope of their employment duties. These activities may include, for example, service as a director, officer, agent, general partner, or in a similar capacity for (i) an AXA Group company other than the employee’s principal employer or (ii) a company outside the AXA Group where service is at the request of (or for the benefit of) the Group (e.g. joint ventures, partnerships, or special-purpose investment companies or funds). The potential amount of compensation relating to commitments covered by these obligations cannot be evaluated with any certainty.

## 28.3. Other items: Restriction on dividend payments to shareholders

Some AXA subsidiaries, principally insurance companies, are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise.
In most cases, the amounts available for distribution from AXA's insurance subsidiaries are limited to net income for the year and retained earnings calculated in accordance with the accounting policies used by the subsidiaries to prepare their financial statements. Further restrictions may be imposed by the local insurance regulators in countries where AXA operates. In some cases, amounts available for distribution are also subject to regulatory capital adequacy tests or the approval of an independent actuary, or subject to individual provisions contained in a company's by-laws.
In accordance with European Union directives, insurance companies with their registered office in a European Union member country are required to maintain minimum solvency ratios which must be supported by capital, retained earnings and reserves and unrealized capital gains on marketable securities and real estate as reported in regulatory filings in France or subject to approval by local regulators in some countries. AXA's insurance operations in countries outside the European Union are also subject to local capital adequacy and solvency margin regulations. As at December 31, 2006, AXA's subsidiaries complied with the applicable solvency and capital adequacy requirements.

# Note 29: Subsequent events

On January 4, 2007, AXA reached an agreement with QBE Insurance Group for the sale of **Winterthur's US operations** for US$1,156 million (€920 million taking into account hedges put in place by AXA for this transaction at 1 Euro = 1.26 US$). In addition, Winterthur US will repay US$636 million of which US$79 million have been repaid in Q4 2006 (€506 million taking into account hedges put in place by AXA for this transaction at 1 Euro = 1.26 US$) of inter-company loans to Winterthur Group. This transaction follows AXA's decision to put Winterthur US operations under strategic review, as initially announced on June 14, 2006. The transaction is subject to necessary regulatory approvals and is expected to close during the second quarter of 2007.

On January 11, 2007, the meetings of holders of **AXA's 2014 and 2017 convertible bonds** were held to vote on an amendment of the final conversion dates of the bonds to January 26, 2007 in exchange for a cash payment in respect of the value of the conversion option.

The meeting of holders of the 2014 convertible bonds approved the amendment. Consequently, holders who did not convert their bonds by January 26, 2007, received €16.23 per bond on January 31, 2007. The meeting of holders of the 2017 convertible bonds did not approve the amendment. Consequently, to fully neutralize the dilutive impact of the 2017 convertible bonds AXA has purchased from a banking counterparty, for a total cash amount equivalent to the payment proposed to bondholders, call options on the AXA share with an automatic exercise feature. This feature is such that one option is automatically exercised upon each conversion of a convertible bond. Consequently, each issuance of a new share resulting from the conversion of the bond will be offset by the delivery by the bank to AXA (and subsequent cancellation) of an AXA share ; The issuance of a share in respect of the conversion of the bond and the cancellation by AXA of the AXA share received will offset each other. As a result of this transaction, there will no longer be a change to the outstanding number of AXA shares created by the convertible bond conversion.

For AXA shareholders, these transactions resulted in the elimination of the potential dilutive impact of the 2014 and 2017 convertible bonds (i.e. a maximum of 65.8 million shares). The total cash consideration paid by AXA amounts to €245 million.

On January 12, 2007, AXA UK announced that it has reached agreement with **insurance brokers Stuart Alexander and Layton Blackham** to acquire both businesses. AXA UK will be acquiring both firms through its subsidiary Venture Preference Ltd which already owned 38.9% of Layton Blackham. The two companies are to be combined and will have considerable autonomy to develop the business and will maintain independent broking status. Quality accounts with current insurers will be maintained and grown. The total cash consideration paid for 61.1% of Layton Blackham and 100% of Stuart Alexander amounts to £58.5 million.

On February 7, 2007, AXA UK announced that it is to acquire the UK's only 100% online insurer, **Swiftcover,** jointly owned by international insurer Primary Group and Swiftcover's management. The transaction is subject to the satisfaction or waiver of certain conditions including regulatory approval. Swiftcover is a business on the UK personal direct market, with net inflows of 120,000 policies in 2006. The upfront cash consideration for Swiftcover amounts to £75 million, with an additional potential earn out of £195 million maximum over the next 4 years, based on policy volume and combined ratio level.

In connection with **AllianceBernstein**'s acquisition of the business of SCB Inc., formerly known as Sanford C. Bernstein, Inc., in 2000, AXA Financial Inc. entered into a purchase agreement under which certain former shareholders of Sanford C. Bernstein have the right to sell ("Put") to AXA Financial, subject to certain restrictions set forth in the agreement, limited partnership interests in AllianceBernstein L.P. ("AllianceBernstein Units") issued at the time of the acquisition.

As of the end of 2006, AXA Financial, either directly or indirectly through wholly owned subsidiaries, had acquired a total of 24.5 million AllianceBernstein Units for an aggregate price of approximately $885.4 million through several purchases made pursuant to the Put. AXA Financial completed the purchase of another tranche of 8.16 million AllianceBernstein Units pursuant to the Put on February 23, 2007 for a total price of approximately $746 million. This purchase increased the consolidated economic interest of AXA Financial, Inc. and its subsidiaries in AllianceBernstein L.P. by approximately 3% from 60.3% to 63.3%.

On March 16, 2007, AXA reached an agreement with Kyobo Life to acquire its 75% stake in **Kyobo Auto** which has a leading position in the South Korean direct motor insurance market with revenues of KRW 346 billion (€278 million) and a market share above 30%. Following this acquisition, the AXA Group will serve over 2 million clients through its direct distribution P&C operations worldwide. Completion of this transaction was subject to local regulatory approvals.

On March 19, 2007, AXA Holdings Belgium SA reached an agreement with **ELLA** Holdings Ltd and its main shareholder Royalton Capital Investors to acquire 100% of the Hungarian retail bank ELLA and its affiliates. Originally specialized in on-line banking and today the fastest growing bank in Hungary, ELLA is the 6th largest supplier of mortgage loans in the country with total assets of €375 million. The combination of AXA Hungary's operations, the 5th largest company in the pensions market; with those of ELLA Bank shall duplicate the successful business model of AXA in Belgium. Completion of this operation was subject to required regulatory approvals.

On March 23, 2007, **AXA and BMPS** reached an agreement for the establishment of a long term strategic partnership in life and non-life bancassurance as well as pensions business. AXA will acquire:

- 50% of MPS Vita (life and savings) and MPS Danni (P&C);
- 50% of BMPS open pension funds business.

Management of insurance companies assets (€13 billion as of year-end 2006) and open pension funds assets (€0.3 billion as of year-end 2006).

The partnership will be the sole platform for developing AXA's and BMPS's operations in the Italian bancassurance and pensions market including any new distribution channel. The objective of the transaction is to further strengthen and consolidate the competitive position of the joint operations in life and non-life bancassurance and increase their profitability by: i) leveraging AXA specific know-how to capture fully the growth potential and develop a leading position in the Italian pensions market and ii) fully exploiting the potential of BMPS's franchise, improving the product and service offer, and achieving higher efficiency and commercial effectiveness.

Total cash consideration to be paid by AXA in this transaction is €1,150 million and will be financed with internal resources.

The closing of the transaction is subject to regulatory approvals.

PricewaterhouseCoopers Audit
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92208 Neuilly-sur-Seine Cedex

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**Report of Satutory Auditors on the consolidated financial statements**
(for the year ended December 31, 2006)

To the Shareholders of
**AXA S.A.**
25, avenue Matignon
75008 PARIS

*This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, which is presented below in the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole, and not to provide separate assurance on individual account captions or information taken outside of the consolidated financial statements.*

*This report, together with the statutory auditors' report addressing financial and accounting information in the President's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In compliance with the assignment entrusted to us by the shareholders, we have audited the accompanying consolidated financial statements of AXA SA for the year ended December 31, 2006.

The consolidated financial statements are the responsibility of the Management Board. Our role is to express an opinion on these financial statements based on our audit.

### I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements for fiscal year 2006 give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of persons and entities in accordance with the IFRSs adopted by the European Union and applicable to its member states.

### II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we would like to bring the following matters to your attention:

– Perpetual notes are now accounted for in accordance with the methods described in note 1.11.2 of the notes to the consolidated financial statements. Pursuant to IAS 8, comparative information relative to fiscal years 2004 and 2005, presented in the consolidated financial statements, has been restated to

take into consideration, retrospectively, the application of these new methods.
We have examined the rationale behind the classification used, as well as the restatements applied to the consolidated financial statements for fiscal years 2004 and 2005, as well as the information provided on this subject in note 16 of the notes to the consolidated financial statements.

– During the fiscal year just ended, your Company acquired Winterthur (note 5 of the notes) and initially allocated the related acquisition cost by applying the method described in IFRS 3 on business combinations (notes 1.3.2 and 5.3 of the notes to the consolidated financial statements). In connection with the Winterthur acquisition, we reviewed the methods used to identify and measure the value of assets, liabilities and contingent liabilities accounted for at the date of acquisition, as well as the method used to determine the amount of goodwill on this date.
– Certain consolidated balance sheet items that are specific to insurance and reinsurance business are estimated on the basis of statistical and actuarial data, such as actuarial reserves, deferred acquisition costs and their amortization, and the value of business in force. The methods and assumptions used to calculate the carrying values of these items are described in notes 1.6.2, 1.6.4 et 1.12 of the notes to the consolidated financial statements.
We have assessed the reasonableness of the assumptions used to calculate these values, particularly with respect to the Group's experience and its regulatory and economic environments. We also assessed the overall consistency of these assumptions.
– The carrying values of purchase goodwill are tested at each closing for recoverability using the methods described in note 1.6.1 to the consolidated financial statements.
We have assessed whether the valuation approaches used rely on assumptions that are consistent with the forecasts that emerge from the strategic plans established by the AXA Group.
– Deferred tax assets and liabilities are recorded and measured using the methods described in note 1.15.1 of the notes to the consolidated financial statements.
We have verified that the valuation methods used take into account the nature of tax differences, business plans established by the Group and, when accounting policies permit, its intentions.
– Financial assets are recognized and measured using the methods described in note 1.7.2 to the consolidated financial statements.
We have assessed whether the measurement methods and classifications used are consistent with the principles adopted by the AXA Group.
– Derivatives and hedging activities are recognized in accordance with the methods and procedures described in note 1.9 to the consolidated financial statements.
We have assessed whether the hedging activities recognized in this manner have been duly documented, and whether this documentation includes an explanation of the hedging relationship, its efficiency and the Group's objective in terms of risk management and hedging strategy.

The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of our opinion expressed in the first part of this report.

### III. Specific verification

We have also verified, in accordance with professional standards applicable in France, the information given in the Management Board's annual report on Group operations. We have no matter to report with regard to its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, April 10, 2007

The Statutory Auditors

PricewaterhouseCoopers Audit
Yves Nicolas – Eric Dupont

Mazars & Guérard
Patrick de Cambourg – Jean-Claude Pauly

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# MANAGEMENT BOARD'S REPORT
## ORDINARY PART OF THE SHAREHOLDERS' MEETING

## *Parent company financial statements*

### *Net income*

Net income for the year ended December 31, 2006 was €1,433 million, compared with €1,137 million for the year ended December 31, 2005.

**Dividends received from subsidiaries** amounted to €1,581 million, an increase of €161 million from the previous year.

Dividends received from European companies stand to €1,280 million and represent an overall decrease of €24 million compared to 2005. Main contributors are AXA France Assurance for €674 million, AXA Holdings Belgium for €299 million, AXA UK for €114 million, and Southern European companies for €116 million.

In December 2005, AXA France Assurance paid an exceptional interim dividend of €236 million. This negative change is offset by dividends from Belgium which increased by €153 million and those from AXA UK by €106 million, reflecting the growth in their statutory net income.

Dividends from insurance companies outside Europe came to a total of €109 million, up €36 million, mainly due to a €13 million dividend paid by the Morroco subsidiary AXA-ONA, and a €10 million increase in the dividend paid by AXA Asia Pacific Holding.

The income received from financial subsidiaries rose by €149 million to €192 million, mainly due to €121 million from Compagnie Financière de Paris, since improved ratio of "Grands Risques" during 2006 made this exceptional dividend payment possible.

**Net financial expenses,** including interest expense net of income from loans and investments, totaled €334 million, compared to €182 million in 2005.

Financial income fell by €67 million to €301 million:
- Income from swaps dropped by €121 million on the back of the following factors:
  - €30 million due to additional expenses related to the implementation during 2006 of additional hedges of net foreign-currency investments, notably in dollars,
  - €31 million premiums paid during 2006 due to the restructuring of interest-rate swaps,
  - a non recurring income of €57 million received from the unwinding in 2005 of interest-rate swaps relating to €500 million of perpetual subordinated debt securities, following the Company's decision to exercise its early redemption option,
- Income from receivables declined by €28 million following repayment of loans, particularly those granted to AXA Financial.
- Conversely, other interests income rose by €82 million mainly due to €106 million financial income on proceeds from Winterthur financing between the date of issuance (rights issue and TSS), and the closing date of December 22, 2006.

**Financial charges** increased by €83 million to €634 million, including €77 million related to the perpetual deeply subordinated notes issued in 2006 in connection with the financing of the Winterthur acquisition.

**Operating charges** dropped by €7 million to €190 million owing primarily to the end of the amortization of deferred acquisition costs incurred in 2000 on the buyout of minorities in AXA Financial and AXA UK.

**The net gain on capital operations** came to €421 million, versus a net loss of €530 million in the previous year. This steep increase was mainly the result of:

– Foreign-exchange gains of €242 million versus €33 million in 2005, following the renewal of net foreign-currency investment hedges, notably in US dollars, which matured during the year and in respect of which AXA SA benefited from a more favorable exchange rate,
– The release of €286 million in provisions for exchange-rate risk primarily as a result of appreciation in the euro against the US dollar, compared with a €226 million allowance during the previous year.
  Indeed, in the Group's consolidated financial statements, hedge accounting is applied to net investments in subsidiaries, such that exchange rate movements have no impact on Group results. On the other hand, at parent company level, investments in subsidiaries are booked at historical cost in euros. Therefore unrealized foreign exchange losses on debts and currency swaps must be provisioned in full.
– Out of €89 million impairment allowances, compared to €15 million in 2005, €74 million reflected impairment in the value of Compagnie Financière de Paris shares given the exceptional dividend paid out in 2006.
– Capital gains, net of provision release, amounted to €38 million, mainly due to the gain on the sale of Financière Miro securities (formerly held in Albingia's portfolio) and capital gains on its own shares under the liquidity agreement.
– Allowances to provisions for contingent liabilities totaled €104 million, compared to €108 million in 2005. This figure mainly consisted of annual provisions for redemption premiums payable on bonds convertible into AXA shares, which totaled €89 million,
– Finally, the 2005 financial statements reflected a €236 million loss linked to the cancellation of bonds exchangeable into AXA shares issued by Finaxa in 1998 and repurchased by the Company at the end of 2005.

**The provision for income tax** amounted to €46 million, compared with an income tax benefit of €623 million in 2005.
In 2006, depreciation in the US dollar and the yen against the euro gave rise to a tax liability on unrealized gains on foreign currency debt amounting to €1,163 million compared with a tax deduction of €1,064 million in 2005, which was marked by depreciation in the euro.
Accordingly, income tax expense increased by €766 million.
In addition, a release of provisions covering the risk of tax repayments to subsidiaries belonging to the fiscal group was set aside in an amount of €110 million to reflect the effects of AXA RE's disposal on its future taxable income.

## *Balance sheet*

At December 31, 2006, total assets were €51,707 million, versus €41,521 million at December 31, 2005.

### Assets

**Intangible fixed assets** totaled €322 million. This amount mainly included the AXA brand contributed by FINAXA as part of the merger in 2005. The brand is valued at €307 million based on brand royalties billed to Group subsidiaries and to the Mutuelles AXA.

**Investments in subsidiaries** net of valuation allowances, totaled €46,756 million, versus €37,428 million at end-2005, representing an increase of over €9 billion.

– AXA finalized the acquisition of Winterthur shares for €7,870 million or CHF12.3 billion on December 22, 2006,
– the shareholding in Vinci raised by €967 million following two capital increases, enabling the Group to develop Matignon Finance, an intra-group financing and treasury company,
– following the buyout offer for minority interests in its German subsidiary AXA Konzern launched on January 9, AXA SA acquired 1,273,841 shares for €171 million,
– AXA Life Europe, a company intended to write unit-linked insurance contracts with guaranteed minimum benefits in several european countries via its various branches, received a capital injection of €132 million.

**Receivables from subsidiaries** amounted to €3,046 million, up €563 million from €2,483 million at end-2005, €745 million of which derived from the recovery of loans initially granted by the Crédit Suisse Group to Winterthur's subsidiaries, offset in part by the repayment of a €115 million loan granted to AXA Konzern.

**Loans,** totaled €510 million which represent the short term advance granted for €498 million to GIE AXA Trésorerie.

**The tax receivables** showed at end-2005 the surplus tax payments in view of the group's tax loss position. At the end of 2006, AXA has a tax liability of €98 million.

**Miscellaneous receivables** totaled €333 million at December 31, 2006, mainly €136 million of financial receivables and €189 million relating to current tax accounts of companies belonging to tax consolidation group.

**Cash instruments,** which amounted to €60 million, represented the premiums paid upon implementation of currency options for protecting the 2007 foreign currency earnings of the main subsidiaries of AXA SA. It must be noted that €15 million premiums received were recognized under liabilities.

### Liabilities

**Shareholders' equity,** before 2006 net income and after payment of dividends in respect of the prior year was €30,727 million. This represents an increase of €4,302 million, which was due to:

- the July 2006 of €4,091 million capital increase, net of issuance costs, used for the financing of Winterthur acquisition,
- the €516 million increase in shareholders' equity, including €375 million through the issue of shares to employees of the Group (Shareplan), €131 million from the exercise of subscription options and €10 million from the exercise of warrants and conversion of bonds.
- and the cancellation of €305 million (€11.3 million AXA shares) acquired through the share purchase program to control dilution resulting from share-based compensations and employees Shareplan program.

**Other shareholders' equity** included deeply subordinated notes and amounted to €4,824 million to be compared to €892 million in 2005. The increase of €3,932 million reflected the perpetual deeply subordinated notes successively issued to finance the acquisition of Winterthur.

**Provisions for contingent liabilities** were €817 million. The amount consisted principally of provisions for the redemption of premiums on convertible bonds, €421 million, for exchange-rate risks €82 million, and for the possible repayment of tax savings attributable to tax consolidation €266 million.

**Subordinated debt** amounted to €7,976 million, down €238 million from €8,214 million in 2005, as a result of exchange rate effects, mainly US dollar-related.

**Financial debt** increased by €2,506 million to €4,974 million.

- Borrowings from credit institutions increased by €1,462 million, €1,350 million of which derived from year-end issues of commercial paper, primarily related to the closing of the Winterthur acquisition and future restructurings envisaged,
- debts due to Group entities increased by €761 million to €1,952 million primarily as a result of new loans granted by AXA Life Japan, €510 million, and AXA Re Finance, €344 million, and repayments made to AXA France Iard and AXA France Vie by €150 million,
- €290 million in borrowings and financial debt due to payments made by financial institutions affiliated with the Company under collateral agreements. These margin calls are intended to mitigate the counterparty risk and represents the value of derivative instruments at the balance sheet date.

The €98 million in **operating payables** represented the outstanding income tax liability at December 31, 2006.

**Other payables totaled €193 million and mainly** included €113 million of accrued expenses, plus €54 million of remaining capital to be called up on AXA Italia SPA.

**Unrealized foreign exchange gains** were €663 million in 2006, compared to €461 million at December 31, 2005. This item reflects positive impacts derived from the revaluation of denominated foreign currency assets and liabilities at the balance sheet exchange rate. This item recorded an increase on the previous year owing primarily to the appreciation in the euro against the US dollar.

## Appropriation of earnings

The amount available for the appropriation of earnings stands at €2,963,203,072:

| | |
|---|---|
| – net income for the year | €1,432,561,750 |
| – allocation to retained earnings | €1,530,641,322 |

The Management Board proposes that this amount be appropriated as follows:

| | |
|---|---|
| – dividend | €2,218,461,613 |
| – allocation to the legal reserve | €46,138,302 |
| – allocation to retained earnings | €698,603,157 |

In accordance with the foregoing, the Management Board recommends the payment of a dividend of €1.06 for each of the 2,092,888,314 ordinary shares with dividend rights at January 1, 2006, payable as of *May 21, 2007.*

This dividend will give rise as of January 1, 2007 to a 40% tax credit for individuals whose fiscal residence is in France equal to €0.424 per share.

In accordance with the law, there are no distributable income subject to the shareholders approval, other than the dividend mentioned above, eligible or not eligible with the allowance of 40% mentioned in the 2° of the 3 of article 158 of the Code général des impôts.

If, when the dividend is paid, the Company owns some of its own shares, the corresponding dividend will be allocated to retained earnings.

# BALANCE SHEET

## Assets

(in euro millions)

| | December 31, 2006 Gross carrying value | Amortizations and provisions | Net carrying value | Net carrying value as at December 31, 2005 | Net carrying value as at December 31, 2004 |
|---|---|---|---|---|---|
| FIXED ASSETS | | | | | |
| *INTANGIBLE ASSETS* | 322 | – | 322 | 324 | – |
| *TANGIBLE ASSETS* | | | | | |
| Land | – | – | – | 2 | 1 |
| Buildings and other fixed assets | 3 | 1 | 2 | 7 | 2 |
| FINANCIAL ASSETS | | | | | |
| Investments in subsidiaries | 47,255 | 499 | 46,756 | 37,428 | 37,476 |
| Receivables from subsidiaries | 3,056 | 10 | 3,046 | 2,483 | 3,034 |
| Other financial assets | 233 | 5 | 228 | 106 | 16 |
| Loans | 530 | 20 | 510 | 13 | 32 |
| *I* | ***51,400*** | ***536*** | ***50,864*** | ***40,363*** | ***40,560*** |
| CURRENT ASSETS | | | | | |
| *OPERATING RECEIVABLES* | | | | | |
| Tax receivables | 3 | – | 3 | 274 | 60 |
| Receivables and subsidiaries' current accounts | 336 | 3 | 333 | 427 | 409 |
| Securities | – | – | – | – | 3 |
| Cash instruments | 60 | – | 60 | 6 | 36 |
| Cash and cash equivalents | 317 | – | 317 | 320 | 1,005 |
| Prepaid expenses | 8 | – | 8 | 6 | 7 |
| *II* | ***725*** | ***3*** | ***722*** | ***1,033*** | ***1,520*** |
| *PREPAYMENTS AND ACCRUED INCOME* | | | | | |
| Deferred charges | 236 | 179 | 57 | 36 | 55 |
| Bond redemption premiums | 4 | – | 4 | 4 | 4 |
| Unrealized foreign exchange losses | 60 | – | 60 | 85 | 165 |
| ***TOTAL ASSETS*** | ***52,424*** | ***717*** | ***51,707*** | ***41,521*** | ***42,304*** |

# Liabilities

(in euro millions)

| | As at december 31, 2006 | As at december 31, 2005 | As at december 31, 2004 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | |
| *CAPITAL* | | | |
| Ordinary shares | 4,793 | 4,286 | 4,370 |
| *CAPITAL IN EXCESS OF NOMINAL VALUE* | | | |
| Issue premiums | 17,030 | 13,235 | 14,461 |
| Merger and contribution premiums | 1,058 | 1,058 | 887 |
| *RESERVES* | | | |
| Legal reserve | 433 | 433 | 407 |
| Specific reserves for long term capital gains | 2,016 | 2,016 | 2,216 |
| Other reserves | 3,866 | 3,866 | 3,671 |
| Retained earnings | 1,531 | 2,029 | 2,487 |
| Net income for the financial year | 1,433 | 1,137 | 519 |
| *I* | ***32,159*** | ***28,060*** | ***29,018*** |
| *OTHER SHAREHOLDERS' EQUITY* | | | |
| Perpetual subordinated notes | 4,824 | 892 | 628 |
| *II* | ***4,824*** | ***892*** | ***628*** |
| ***PROVISIONS FOR CONTINGENT LIABILITIES*** *III* | ***817*** | ***1,139*** | ***987*** |
| **LIABILITIES** | | | |
| *SUBORDINATED DEBT* | 7,976 | 8,214 | 8,503 |
| *FINANCIAL DEBTS* | 4,974 | 2,468 | 2,101 |
| *OPERATING PAYABLES* | | | |
| Tax payables | 98 | 1 | – |
| Social payables | 1 | 1 | 1 |
| *OTHER PAYABLES* | | | |
| Debts on fixed assets | 54 | 54 | 54 |
| Other | 114 | 229 | 247 |
| Cash instruments | 15 | – | 15 |
| Deferred income | 10 | 2 | 3 |
| *IV* | ***13,242*** | ***10,969*** | ***10,925*** |
| *PREPAYMENTS AND ACCRUED EXPENSE* | | | |
| Unrealized foreign exchange gains | 663 | 461 | 746 |
| ***TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY*** | ***51,707*** | ***41,521*** | ***42,304*** |

# INCOME STATEMENT

(in euro millions)

| | | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| **I. RESULT ON ORDINARY ACTIVITIES** | | | | |
| FINANCIAL & OPERATING REVENUES | | | | |
| Dividends received from subsidiaries | | 1,581 | 1,420 | 970 |
| Revenues on short-term investments | | 301 | 369 | 379 |
| Releases and expense transfers | | – | 1 | – |
| Other revenues | | 7 | 7 | 7 |
| | **I** | **1,889** | **1,796** | **1,356** |
| OPERATING EXPENSES | | | | |
| External expenses and other expenses | | (180) | (178) | (131) |
| Tax expenses | | (1) | (1) | (1) |
| Payroll and compensation | | (6) | (6) | (6) |
| Interest expense | | (635) | (551) | (558) |
| Allowances :<br>for depreciation of buildings and deferred charges | | (10) | (19) | (33) |
| | **II** | **(832)** | **(755)** | **(729)** |
| **OPERATING PROFIT** | **(III = I + II)** | **1,057** | **1,041** | **627** |
| **CONTRIBUTION ON COMMON OPERATIONS** | **IV** | **–** | **–** | **1** |
| FINANCIAL OPERATIONS ON SECURITIES | | | | |
| Net income on sales of short-term securities | | – | 2 | – |
| Charges nettes sur cessions | | – | – | – |
| **Investment result on securities** | **V** | **–** | **2** | **–** |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAX** | **(VI = III + IV + V)** | **1,057** | **1,043** | **628** |
| **II. RESULT ON CAPITAL OPERATIONS** | | | | |
| Proceeds from the sale of fixed assets | | 115 | 16 | 12,025 |
| Releases of provisions for contingent liabilities | | 2 | 21 | 15 |
| Releases of equity shares provisions | | 66 | 36 | 42 |
| Foreign exchange result | | 533 | (220) | (50) |
| Net book value on the sale of fixed assets | | (102) | (29) | (12,038) |
| Allowances to provisions for contingent liabilities | | (104) | (108) | (89) |
| Allowances to equity shares provisions | | (89) | (15) | (49) |
| Exceptional result | | – | (230) | 5 |
| | **VII** | **421** | **(529)** | **(139)** |
| **INCOME TAX BENEFIT / EXPENSE** | **VIII** | **(45)** | **623** | **30** |
| **III. NET INCOME FOR THE FINANCIAL YEAR** | **VI + VII + VIII** | **1,433** | **1,137** | **519** |

# STATEMENT OF CASH – FLOWS

(in euro millions)

| | From 01/01/2006 to 12/31/2006 | From 01/01/2005 to 12/31/2005 | From 01/01/2004 to 12/31/2004 |
|---|---|---|---|
| CASH INFLOWS | | | |
| Profit on ordinary activities before tax | 1,057 | 1,043 | 627 |
| Loss due to cancellation of bonds | – | 236 | – |
| Result on capital operations before tax | 421 | (530) | (138) |
| Income tax expense/benefit | (46) | 623 | 30 |
| Changes in reserves and amortization | (288) | 146 | 161 |
| Cash flow for the year | 1,144 | 1,518 | 680 |
| Increases in shareholders' equity | 4,605 | 356 | 266 |
| New borrowings | 7,074 | 1,075 | 1,051 |
| Sale or decrease in fixed assets | – | – | – |
| – Tangible fixed assets | 8 | 3 | – |
| – Financial assets | 1,934 | 2,373 | 1,487 |
| *TOTAL CASH INFLOWS* | *14,765* | *5,325* | *3,484* |
| CASH OUTFLOWS | | | |
| Dividends paid out during the year | 1,635 | 1,164 | 676 |
| Repayments of financial debts & loans | 835 | 1,033 | 666 |
| Purchase of fixed assets | – | – | – |
| – Tangible fixed assets | – | 3 | – |
| – Financial assets | 12,447 | 1,768 | 2,912 |
| Reduction of capital | 305 | 1,794 | – |
| *TOTAL CASH OUTFLOWS* | *15,222* | *5,762* | *4,254* |
| CHANGE IN WORKING CAPITAL | (457) | (436) | (770) |
| Short-term equivalents | | | |
| Change in: | | | |
| – operating receivables | (307) | 216 | 108 |
| – operating payables | (79) | 72 | (70) |
| – cash and cash equivalents | (71) | (724) | (808) |
| *TOTAL* | *(457)* | *(436)* | *(770)* |

# SUBSIDIARIES AND PARTICIPATING INTERESTS

## (paragraphs 247 and 295 of executive order on trading companies)

| | Share capital 1 | Other shareholders' equity 2 | Percentage of capital held 3 | Gross Book Value of securities held 4 |
|---|---|---|---|---|
| **A. DETAILED INFORMATION CONCERNING SUBSIDIARIES AND INVESTMENTS ACCOUNTING FOR IN EXCESS OF 1% OF AXA'S SHAREHOLDERS' EQUITY** | | | | |
| **1) Subsidiaries (at least 50%-owned)** | | | | |
| **CIE FINANCIERE DE PARIS**<br>137, rue Victor Hugo - 92687 LEVALLOIS-PERRET | 9 | 37 | 100.00% | 184 |
| **AXA GLOBAL RISKS**<br>140, Frenchurch Street EC3M 6BL LONDON | 110 | (69) | 100.00% | 109 |
| **AXA ASSISTANCE**<br>12 bis, boulevard des Frères Voisins - 92130 ISSY-LES-MOULINEAUX | 42 | 15 | 100.00% | 48 |
| **AXA CANADA** (b)<br>2020 rue University - MONTREAL - QUEBEC H 3A 2A5 | 268 | 302 | 100.00% | 104 |
| **AXA LIFE EUROPE**<br>Wolfe Tone Street - DUBLIN - IRLANDE | 1 | 131 | 100.00% | 132 |
| **AXA EQUITY AND LAW PLC**<br>107 cheapside EC2V 6DU LONDON | 2 | 1,551 | 99.96% | 1,133 |
| **AXA OYAK HOLDING AS**<br>Meclisi Mebusan caddasi n 81 Oyak hann - Salipazari 80200 - ISTANBUL | 97 | 3 | 50.00% | 64 |
| **AXA PARTICIPATION 2**<br>23, avenue Matignon - 75008 PARIS | 3 | 497 | 100.00% | 455 |
| **AXA France ASSURANCE**<br>26, rue Drouot - 75009 PARIS | 378 | 4,095 | 100.00% | 3,415 |
| **AXA JAPAN HOLDING COMPANY LIMITED**<br>1-17-3 Shirokane, Minato-ku, 108 - 8020 TOKYO | 1,383 | 1,222 | 97.59% | 3,629 |
| **VINCI B.V.**<br>Graadt van Roggenweg 500 - Postbus 30800 3503 AP UTRECHT - PAYS-BAS | 1,439 | 2,180 | 100.00% | 3,878 |
| **AXA GENERAL INSURANCE HONG KONG**<br>30th F, Hong Kong Telecom Tower, Taikoo Place,<br>979 King's Road QUARRY BAY - HONG KONG | 16 | 28 | 100.00% | 65 |
| **LOR PATRIMOINE**<br>23, avenue Matignon - 75008 PARIS | 53 | – | 99.99% | 53 |
| **AXA RE PARIS** (b)<br>39, rue du Colisée - 75008 PARIS | 444 | 242 | 100.00% | 984 |
| **MOFIPAR**<br>23, avenue Matignon - 75008 PARIS | 13 | 49 | 100.00% | 77 |
| **AXA UK PLC** (b)<br>107 Cheapside LONDON EC2V 6DU | 1,543 | 3,146 | 78.31% | 4,556 |
| **AXA AURORA**<br>Plaza de Federico Moyua n°4, 48009 BILBAO | 260 | 126 | 100.00% | 565 |
| **OUDINOT PARTICIPATIONS**<br>39, rue du Colisée - 75008 PARIS | 9,150 | 3,657 | 100.00% | 12,299 |
| **AXA ITALIA SPA**<br>15, Via Léopardi - 20123 MILANO | 624 | 44 | 98.24% | 715 |
| **AXA LIFE HONG KONG**<br>151 Gloucester Road - Wan Chai - HONG KONG | 6 | 1 | 100.00% | 90 |

*(a) For Insurance companies: gross written premiums.*
*For real estate companies: rental revenues.*
*For holding companies: dividends.*
*For financial services companies: gross banking revenues.*
*(b) Consolidated data.*

(in euro millions)

| Net Book Value of securities held<br>5 | Loans and cash advances given by the company still outstanding<br>6 | Guarantees and commitments given by the company<br>7 | Last closing revenues available [(a)]<br>8 | Last closing result available<br>9 | Dividends received<br>10 | Closing date and other observations<br>11 |
|---|---|---|---|---|---|---|
| | | | | | | |
| 60 | 20 | – | 4 | 32 | 121 | Dec. 31, 2006 |
| 54 | – | – | – | 13 | – | Dec. 31, 2006 |
| 48 | 13 | – | 702 | 22 | 6 | Dec. 31, 2006 |
| 104 | – | – | 1,066 | 123 | – | Dec. 31, 2006 |
| 132 | – | 40 | – | – | – | Dec. 31, 2006 |
| 1,133 | – | – | 24 | 24 | – | Dec. 31, 2006 |
| 64 | – | – | – | – | 5 | Dec. 31, 2006 |
| 455 | – | – | 25 | 27 | 32 | Dec. 31, 2006 |
| 3,415 | 300 | – | 861 | 857 | 674 | Dec. 31, 2006 |
| 3,629 | – | 304 | – | (2) | – | Sept. 30, 2006 |
| 3,878 | – | – | 43 | 36 | 30 | Dec. 31, 2006 |
| 65 | – | – | 73 | 10 | 8 | Dec. 31, 2006 |
| 53 | – | – | – | – | – | Dec. 31, 2006 |
| 984 | 150 | – | – | 96 | – | Dec. 31, 2006 |
| 52 | – | – | – | (8) | 2 | Dec. 31, 2006 |
| 4,556 | – | 721 | 8,438 | 437 | 114 | Dec. 31, 2006 |
| 565 | – | 9 | 103 | 86 | 47 | Dec. 31, 2006 |
| 12,299 | – | – | – | – | – | Dec. 31, 2006 |
| 715 | – | – | 66 | 64 | 57 | Dec. 31, 2006 |
| 7 | – | – | – | – | – | Dec. 31, 2006 |

| | Share capital<br>1 | Other shareholders' equity<br>2 | Percentage of capital held<br>3 | Gross Book Value of securities held<br>4 |
|---|---|---|---|---|
| **AXA ONA**<br>120, avenue Hassan II - CASABLANCA 21000 | 417 | 13 | 51.00% | 229 |
| **AXA Portugal COMPANHIA DE SEGUROS**<br>Rua Gonçalo Sampaio n°39 - 4002-001 PORTO | 37 | 43 | 83.01% | 72 |
| **SAINT-GEORGES RE**<br>9, avenue de Messine - 75008 Paris | 10 | 5 | 99.99% | 81 |
| **AXA HOLDINGS BELGIUM**<br>25 boulevard du Souverain - 1170 BRUXELLES | 453 | 1,427 | 84.30% | 3,885 |
| **AXA TECHNOLOGY SERVICES**<br>Tour Charras 20 ter, rue de Bezon - 92400 COURBEVOIE | 25 | 1 | 99.78% | 73 |
| **WINTERTHUR** [(c)]<br>General Guisan - Str. 40 CH - 8401 WINTERTHUR | 162 | 5,228 | 100.00% | 7,870 |
| **AXA INVESTMENT MANAGERS**<br>Cœur Défense - Tour B - La Défense 4 - 100 Esplanade du Général de Gaulle<br>92932 PARIS LA DÉFENSE | 49 | 604 | 51.85% | 216 |
| **2) Participating interests (10 to 50%-owned)** | | | | |
| **AXA KONZERN AG**<br>Colonia - Allée 10 - 20 51067 KÖLN | 80 | 132 | 31.48% | 885 |
| **AXA ASIA PACIFIC HOLDING** [(b)]<br>447 Collins Street MELBOURNE Victoria 3000 | 604 | 1,032 | 43.50% | 541 |
| ***SUB-TOTAL A*** | | | | ***46,407*** |
| ***B. GENERAL INFORMATION ABOUT OTHER UNITS AND PARTICIPATING INTERESTS*** | | | | |
| **1) Subsidiaries not shown in section A** | | | | |
| a) French subsidiaries (total)<br>b) Foreign subsidiaries (total) | | | | 146<br>39 |
| **2) Participating interests not shown in section A** | | | | |
| a) in French companies (total)<br>b) in foreign companies (total) | | | | 60<br>208 |
| ***TOTAL A+B*** | | | | ***46,860*** |

*(a) For Insurance companies: gross written premiums.*
*For real estate companies: rental revenues.*
*For holding companies: dividends.*
*For financial services companies: gross banking revenues.*
*(b) Consolidated data.*

(in euro millions)

| Net Book Value of securities held<br>5 | Loans and cash advances given by the company still outstanding<br>6 | Guarantees and commitments given by the company<br>7 | Last closing revenues available [(a)]<br>8 | Last closing result available<br>9 | Dividends received<br>10 | Closing date and other observations<br>11 |
|---|---|---|---|---|---|---|
| 229 | – | – | 47 | 49 | 13 | Dec. 31, 2006 |
| 72 | – | – | 384 | 22 | 12 | Dec. 31, 2006 |
| 30 | – | – | 1 | 14 | 18 | Dec. 31, 2006 |
| 3,885 | – | – | 379 | 366 | 299 | Dec. 31, 2006 |
| 25 | – | 272 | – | 1 | 4 | Dec. 31, 2006 |
| 7,870 | – | – | 13,707 | 883 | – | Dec. 31, 2006 |
| 216 | – | – | 52 | 108 | 26 | Dec. 31, 2006 |
| | | | | | | |
| 885 | 235 | – | 253 | 184 | 16 | Dec. 31, 2006 |
| 541 | 638 | – | – | 373 | 68 | Dec. 31, 2006 |
| ***46,021*** | ***1,356*** | ***1,346*** | ***26,228*** | ***3,817*** | ***1,552*** | |
| | | | | | | |
| | | | | | | |
| 107<br>35 | 3 | <br>16 | | | 6<br>3 | |
| | | | | | | |
| 46<br>151 | 1<br>73 | | | | 11<br>3 | |
| ***46,360*** | ***1,433*** | ***1,362*** | | | ***1,575*** | |

# FINANCIAL RESULTS OVER THE PAST FIVE YEARS

(in euro millions)

| | 01/01/2002 12/31/2002 | 01/01/2003 12/31/2003 | 01/01/2004 12/31/2004 | 01/01/2005 12/31/2005 | 01/01/2006 12/31/2006 |
|---|---|---|---|---|---|
| **1 - CLOSING BALANCE SHEET SUMMARY** | | | | | |
| a) Ordinary shares (nominal value) | 4,035 | 4,072 | 4,370 | 4,286 | 4,793 |
| b) Ordinary shares (numbers in million) | 1,762 | 1,778 | 1,908 | 1,872 | 2,093 |
| c) Bonds mandatorily convertible into ordinary shares (numbers in million) | 16 | 126 | 16 | 16 | 16 |
| **2 - INCOME STATEMENT SUMMARY** | | | | | |
| a) Gross revenues before sales tax | 1,980 | 1,474 | 1,349 | 1,788 | 1,882 |
| b) Pre-tax income from continuing operations, before depreciation, amortization and changes in reserves | 1,223 | 846 | 660 | 1,061 | 1,067 |
| c) Total pre-tax income, including capital gains and losses before depreciation, amortization and changes in reserves | 1,222 | 934 | 603 | 598 | 1,613 |
| d) Income tax expense / benefit | (134) | (32) | 30 | 623 | (46) |
| e) Net after-tax income after depreciation, amortization and changes in reserves | 1,066 | 863 | 519 | 1,137 | 1,433 |
| f) Net dividend distribution | 599 | 676 | 1,164 | 1,647 | 2,218 |
| **3 - PER SHARE DATA** | | | | | |
| a) After tax income, before depreciation, amortization and changes in reserves | 0.62 | 0.51 | 0.33 | 0.65 | 0.75 |
| b) After tax income, after depreciation, amortization and changes in reserves | 0.61 | 0.49 | 0.27 | 0.61 | 0.68 |
| c) Net dividend per share | 0.34 | 0.38 | 0.61 | 0.88 | 1.06 [a] |
| **4 - PERSONNEL** | | | | | |
| a) Number of employees | – | – | – | – | – |
| b) Payroll expenditures | – | – | – | – | – |
| c) Employer contribution to employee benefits and social charges | – | – | – | – | – |

*(a) Dividend of €1,06 per share proposed to the shareholders meeting on May 14, 2007, based on 2,092,888,314 outstanding shares.*

# LIFE AND SAVINGS

## EUROPEAN EMBEDDED VALUE PLUS OTHER BUSINESS TANGIBLE NET ASSET VALUE

Euro million - Group share

| | ANAV | VIF | EEV |
|---|---|---|---|
| Opening Life & Savings EEV at 12/31/05 | 13,568 | 15,921 | 29,489 |
| Market calibration adjustments | – | 608 | 608 |
| Other Modeling changes and opening adjustments | (368) | 805 | 437 |
| Adjusted opening Life & Savings EEV | 13,200 | 17,334 | 30,534 |
| Total Return on Life & Savings EEV | 2,316 | 3,747 | 6,063 |
| Capital Flows | (1,162) | – | (1,162) |
| Exchange rate movements impact | (421) | (960) | (1,381) |
| Life & Savings EEV of Winterthur | 1,588 | 2,546 | 4,134 |
| Life & Savings EEV of other acquired business | 41 | 161 | 202 |
| Closing Life & Savings EEV at 12/31/06 | 15,562 | 22,828 | 38,390 |
| *OPERATING RETURN ON LIFE & SAVINGS EEV* | | | *12%* |
| *TOTAL RETURN ON LIFE & SAVINGS EEV* | | | *20%* |
| Change | 15% | 43% | 30% |
| Change at constant FX | 18% | 49% | 35% |
| Change at constant FX and scope | 6% | 32% | 20% |

Euro million, except when otherwise noted Group share

| | 2005 | 2006 | 2006 Change | Change at constant FX | Change at constant FX & scope |
|---|---|---|---|---|---|
| Annual Premium Equivalent (APE) | 5,476 | 6,234 | 14% | 15% | 15% |
| Present Value of Expected Premiums (PVEP) | 50,375 | 57,994 | 15% | 16% | 16% |
| New Business Value (NBV) | 1,138 | 1,501 | 32% | 34% | 34% |
| NBV/APE | 20.8% | 24.1% | + 3.3 pts | + 3.5 pts | + 3.5 pts |
| NBV/PVEP | 2.3% | 2.6% | + 0.3 pt | + 0.4 pt | + 0.3 pt |

*Constant scope eliminates the impact of acquisitions/divestitures in 2005 and 2006.*

AXA publishes EEV only for its life and savings business. The value can be considered in two pieces:

1) “Adjusted Net Asset Value” (ANAV) which measures the current balance sheet wealth,
2) “Value of Inforce” (VIF) which measures the present value of future shareholder profits for business currently in the portfolio, adjusted for the cost of holding capital that can not be distributed while the business is in force.

“Life & Savings New Business Value” (NBV) measures the value of new business sold during the year. It includes the VIF on new business, and also the upfront costs associated with acquiring new business (often called “strain”). Therefore NBV combines elements which increase VIF balances from one year to the next and elements which reduce the ANAV from one year to the next. Life & Savings EEV does not include any value for future sales.

"Life & Savings Annualized Premium Equivalent" (APE) is a measure of new business volume which includes sales of regular recurring premium business at 100% but sales of single premium business at only 10%. The "APE Margin" is the ratio of NBV to APE.

"Life & Savings Present Value of Expected Premium" (PVEP) is a measure of new business volume which includes the present value of the future premiums expected to be received over time for business sold in the current year. The "PVEP Margin" is the ratio of NBV to PVEP.

In addition to Life & Savings EEV, AXA calculates a "Group EV" which adds to the Life & Savings EEV the Tangible Net Asset Value for other-than-life businesses.

The Group EV is not an estimate of AXA's "fair value", regardless of how one might define "fair value." It does not include the value of business to be sold in the future, nor does it include any value for future profits from existing business for other-than-life businesses i.e. Property & Casualty, International Insurance, Asset Management and Other Financial Services.

The Group EV can be reconciled to Life & Savings IFRS Shareholder's equity as follows (in euro million):

Euro million, Group share

| | 2006 | | |
|---|---|---|---|
| | Life & Savings | Other than Life & Savings | Total |
| **IFRS Shareholders' equity at December 31, 2006** | **35,497** | **11,729** | **47,226** |
| Net URCG not included in Shareholders' equity | 576 | 1,359 | 1,935 |
| Excluded TSS/TSDI | | (7,253) | (7,253) |
| Mark to Market debt | | 616 | 616 |
| Excluded Intangibles | (18,013) | (8,589) | (26,602) |
| UCG projected in PVFP & other Stat-GAAP adjustments | (2,497) | | (2,497) |
| **Life & Savings Adjusted Net Asset Value (ANAV) and Other Business Tangible Net Asset Value (TNAV)** | **15,562** | **(2,138)** | **13,424** |
| **Life & Savings VIF** | **22,828** | | **22,828** |
| **AXA Life & Savings EEV + Other business TNAV at December 31, 2006** | **38,390** | **(2,138)** | **36,252** |

The Life & Savings ANAV is is derived by aggregating the local regulatory (statutory) balance sheets and reconciling with the Life & Savings IFRS shareholders' equity on the following main adjustments:
- Addition of unrealized capital gains/losses not included in Shareholders' equity.
- Elimination of the value of intangibles.
- Subtraction of unrealized capital gains included in the projection of future cash-flows (VIF).
- Adjustment for the differences between AXA's consolidated accounting basis and local regulatory bases.

Adding the Life & Savings VIF to the Life & Savings ANAV completes the Life & Savings EEV.

The Tangible Net Asset Value ("TNAV") for other-than-life business is reflecting the consolidated IFRS shareholders' equity adjusted for the elimination of all intangible assets and all debt (TSS/TSDI) that are treated as equity in IFRS.

The TNAV for other-than-life business is adjusted also for any unrealized capital gains or losses not already included in equity and the impact of the mark to market of debt.

The Group EV equals the Life & Savings EEV plus the Other Business TNAV.

## Life & Savings EEV

The Life & Savings ANAV can be further segmented into two pieces: 1) the Required Capital which represents an amount consistent with obtaining a AA rating at each operation, net of implicit items that can support capital requirements, and 2) the Free Surplus, which represents the excess of ANAV over the Required Capital.

Euro million, Group share

| | 2005 | 2006 |
|---|---|---|
| Required Capital | 9,824 | 12,675 |
| Free Surplus | 3,744 | 2,887 |
| **Life & Savings Adjusted Net Asset Value (ANAV)** | **13,568** | **15,562** |

The Life & Savings VIF calculation by its nature involves many assumptions about the future. For Life & Savings EEV, AXA has adopted a "market-consistent" approach to setting asset return assumptions. Each cash flow is discounted at an appropriate discount factor, so that starting with Euro 1 of bond or of equity, projecting expected cash flows, and discounting, will simply give you Euro 1 of value. Mechanically, this can be described in a short-cut as assuming that all assets will earn the risk-free rate defined by the current market in the future. However, cash flows are projected not only in a single scenario, but rather a stochastic set of scenarios is created, with the set maintaining the market-consistent condition that Euro 1 of any asset projected into the future gives a present value of 1. Future earnings available to shareholders are assessed across this range of stochastic scenarios, with the present value being the Life & Savings VIF. Our major assumptions include:

- Actuarial assumptions reflect best estimates based on recent experience.
- No productivity gains in the future are assumed, while inflation averaging 2.15% was assumed in 2005 and 1.98% in 2006.
- Expenses are adjusted for non-recurring expenses and one-time strategic spending.
- Some benefit from future mortality improvement on Life business is included, while annuity business does have an allowance for the costs of longevity increasing in all markets.
- Non-financial risks are provided for through the cost of holding capital consistent with the level to obtain a AA rating at each operation.
- A weighted average tax rate of 33.8% in 2005 and 33.4% in 2006.

As describe above, the Life & Savings VIF valuation under AXA's market-consistent framework does not depend on assumed future asset returns, but rather on the actual risk-free yield curves observable in the market on each valuation date. The Life & Savings VIF valuation also depends on stochastic projections of multiple scenarios, rather than a single scenario. For comparison to traditional Embedded Values and other techniques, AXA performs a calculation that determines the "Implied Risk Discount Rate" (IDR) which would equate the cashflows from a single scenario with "real world" economic assumption to the Life & Savings VIF. The following table summarizes the "real world" assumptions for 2005 and 2006 used in determining the IDRs:

| FI Return | | Equity Return | | Cash Return | | Real Estate Return | |
|---|---|---|---|---|---|---|---|
| 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 |
| 5.32% | 5.49% | 8.53% | 7.83% | 3.32% | 3.07% | 6.50% | 6.27% |

Separate IDRs are calculated for the total inforce portfolio at the end of the year and the new business sold during the year:

| VIF IDR | |
|---|---|
| 2005 | 2006 |
| 7.97% | 7.08% |

| NBV IDR | |
|---|---|
| 2005 | 2006 |
| 6.22% | 6.32% |

2005 IDR shown in this table are for AXA alone. 2006 IDR are for the VIF AXA including Winterthur while for the NBV AXA excluding Winterthur. The NBV risk discount rate for Winterthur is 6.39%.

In addition to providing a comparison basis to other valuation techniques, the VIF IDR for 2005 also provides an element of the movement analysis between 2005 and 2006.

The following table presents an analysis of the movement of Life & Savings EEV between 2005 and 2006:

Euro million - Group share

| | Life & Savings EEV |
|---|---|
| **Opening Life & Savings EEV at 12/31/05** | **29,489** |
| Market calibration adjustments | 608 |
| Other Modeling changes and opening adjustments | 437 |
| **Adjusted opening Life & Savings EEV** | **30,534** |
| Operating performance from existing business: | 2,252 |
| *Expected return on VIF + Req Capital (Unwind of Implied RDR)* | *1,965* |
| *Expected return on surplus* | *84* |
| *Operational experience and assumption changes* | *204* |
| 2006 New Business Value | 1,501 |
| **Operating Return on Life & Savings EEV** | **3,752** |
| Current year investment experience | 2,311 |
| Change in investment assumptions | – |
| **Total Return on Life & Savings EEV** | **6,063** |
| Capital Flows | (1,162) |
| Exchange rate movements impact | (1,381) |
| Life & Savings EEV of Winterthur | 4,134 |
| Life & Savings EEV of other acquired business | 202 |
| **Closing Life & Savings EEV at 12/31/06** | **38,390** |

**Market calibration adjustments** is driven by improved methodology reflecting risk-free rates based on swaps rather than government bonds and equity and interest rate volatilities more closely linked to market conditions.

**Underlying performance from existing business** considers the movements in EEV related to the business inforce at the beginning of the year, excluding the investment impacts that are shown below. The total operating performance of €2,252 million is analyzed in several components:

– **Expected return on VIF + Required Capital (Unwind of IDR)** of €1,965 million is the mechanical effect of rolling forward the beginning of year VIF at the prior year Implied Risk Discount Rate (the unwind calculation is based on IDR multiplied by VIF + Required Capital).

– **Expected return on surplus** of €84 million is the expected after-tax profit on surplus assets (using the illustrative real world investment scenarios used to calculated IDR for the prior year) in excess of those supporting the VIF. The expected return is not large because (i) AXA generally does not retain large free surplus balances within its Life & Savings operations and (ii) the expected return on surplus is lower than the IDR.

– **Operational experience and assumption changes** of €204 million is the impact of actual versus expected experience and changes in future assumptions for items like mortality, expenses, lapse rates, etc.

**2006 New Business Value** reflects the strain (first year loss) and VIF impacts described above.

**Underlying Return on Life & Savings EEV** of €3,752 million is the combination of the New Business Value and the underlying performance from existing business as just outlined. It represents 12% of the Opening Life & Savings EEV.

**Current year investment experience** of €2,311 million includes 1) the variance in experience during 2006 from that expected in the illustrative real world investment scenario at the end of 2005, and 2) the change in value created by reflecting yearend 2006 yield curves and investment conditions in the EEV rather than those of yearend 2005.

**Change in investment assumptions** is zero. This line would reflect changes to investment assumptions such as volatilities and correlations between asset classes, which are not directly driven by investment market data observed at yearend. For 2006 no such changes were made.

**Total Return on Life & Savings EEV** before currency effects and capital flows of €6,063 million combines the Underlying Return with the Investment impacts. It represents 20% of the Opening Life & Savings EEV.

**Capital flows** of €–1,162 million reflect net transfers out of the Life segment in 2006.

**Exchange rate movements impact** of €–1,381 million is predominantly due to the strengthening of the Euro versus the US dollar. This amount does not reflect the impact of AXA's foreign currency hedging program which is in the Holdings segment.

**Life & Savings EEV of Winterthur** at the end of 2006 calculated consistently with AXA methodology and segmentation amounted to €4,134 million.

**Life & Savings EEV of other acquired business** of €202 million was mainly related to the acquisition of MLC in Hong Kong.

**Closing Life & Savings EEV** of €38,390 million is the total value at the end of the year, representing the prior year balance plus opening adjustments, plus Total Return, plus capital flows, plus EEV of acquired business and the exchange rate impact.

The following table provides an analysis of movement of the **Group EV** between 2005 and 2006:

Euro million - Group share

| | Life & Savings EEV | Other business TNAV | Total |
|---|---|---|---|
| Group EV at 12/31/05 | 29,489 | (1,923) | 27,565 |
| Modeling changes and opening adjustments | 1,045 | 180 | 1,224 |
| Adjusted opening Group EV | 30,534 | (1,744) | 28,790 |
| Operating return | 3,752 | 1,901 (a) | 5,654 |
| Current year investment experience | 2,311 | 71 | 2,382 |
| Total Return on Group EV | 6,063 | 1,973 | 8,036 |
| Dividends paid – received | (1,472) | (137) | (1,609) |
| Capital Flows | 310 | (915) | (605) |
| Exchange rate movements impact | (1,381) | 1,121 | (259) |
| Acquired business | 4,336 | (2,802) | 1,534 (b) |
| Other issued capital | | 366 | 366 |
| Group EV at 12/31/06 | 38,390 | (2,138) | 36,252 |
| Change | 30% | – 11% | 32% |
| Change at constant FX and scope | 20% | 76% | 27% |
| Operating Return on Group EV | | | 20% |
| Total Return on Group EV | | | 28% |

*(a) Other Business operating return = underlying earnings (€1,685 million) + normative 4.5% capital growth on equity investments (€328 million) – Net interest charge on TSS&TSDI (€161 million) + other (€49 million).*
*(b) Of which €1,665 million from Winterthur Group EV.*

The Other Business Tangible Net Asset Value's decrease of 11% (76% increase at constant FX and scope) to €–2,138 million was due to the elimination of intangibles, principally Winterthur related, which more than offset the positive contribution of the operating return and exchange rates movements of other business.

The 20% **operating return on Group EV** was driven by the very solid business performance of the year in all business segments (Life & Savings, Property & Casualty and Asset Management). **Group EV return,** unlike Life & Savings EEV return, benefits from debt leverage as the debt is allocated to the Other Business segment.

In addition, the favorable financial market environment contributed to the Life & Savings total return and by **consequence to the 28% total return on Group EV.**

## *Life and Savings European Embedded Value and NBV Sensitivities*

The sensitivity of the Life & Savings EEV and NBV to changes in major assumptions has been calculated as follows for the 2006 values (measured in Euro million, group share):

(Euro million, Group share)

| LIFE & SAVINGS EEV SENSITIVITIES | Life & Savings EEV Impact | Life & Savings NBV Impact |
|---|---|---|
| Estimated upward parallel shift of 100 bp in risk-free rates | (44) | 164 |
| Estimated downward parallel shift of 100 bp in risk-free rates | (1,453) | (306) |
| 10% higher value of equity markets at start of projection | 1,929 | 154 |
| 10% lower value of equity markets at start of projection | (1,959) | (159) |
| 10% higher value of real estate at start of projection | 549 | 15 |
| 10% lower value of real estate at start of projection | (572) | (13) |
| Overall 10% decrease in the lapse rates | 1,261 | 175 |
| Overall and permanent decrease of 10% in expenses | 1,238 | 123 |
| 5% lower mortality rate for annuity business | (143) | (4) |
| 5% lower mortality rate for life business | 579 | 57 |
| Upward parallel shift of 10% of the volatility on equity markets | (320) | (41) |
| Upward parallel shift of 10% of the volatility on bonds | (163) | (20) |

An independent actuarial consultancy, Tillinghast, was hired by AXA to perform a review on the Life & Savings EEV, and has issued the following statement of opinion:

"Tillinghast has assisted AXA in developing the methodology and reviewing the assumptions used in the Life and Savings Embedded value at December 31, 2006, and the 2006 new business value for the principal life operations of the AXA Group. Our review included the analysis of movement in embedded value from December 31, 2005, and the sensitivities shown above.

Tillinghast has concluded that the methodology and assumptions comply with the EEV Principles. In particular:

- The methodology makes allowance for the aggregate risks in the covered business through the market consistent methodology as described in [Section V] of the Report, which includes a stochastic allowance for the cost of financial options and guarantees.
- The operating assumptions have been set with appropriate regard to past, current and expected future experience.
- The economic assumptions used are internally consistent and consistent with observable market data; and
- For participating business, the assumed bonus rates, and the allocation of profit between policyholders and shareholders, are consistent with the projection assumptions, established company practice and local market practice.

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

Tillinghast has also performed limited high-level checks on the results of the calculations and has confirmed that any issues discovered do not have a material impact on the disclosed embedded values, new business values, analysis of movement, and sensitivities. Tillinghast has not, however, performed detailed checks on the models and processes involved.

In arriving at these conclusions, Tillinghast relied on data and information provided by AXA."

# SALARIED EMPLOYEES

| SALARIED EMPLOYEES (Full Time Equivalent) | As at December 31, 2004 | As at December 31, 2005 | As at January 1, 2006 (a) | As at December 31, 2006 |
|---|---|---|---|---|
| **Insurance** | **66,869** | **68,684** | **69,163** | **69,528** |
| – France (b) | 16,124 | 15,503 | 15,503 | 15,310 |
| – United States | 6,415 | 6,104 | 6,104 | 6,090 |
| – Japan | 3,020 | 3,028 | 2,994 | 3,011 |
| – United Kingdom (d) | 12,228 | 14,055 | 14,055 | 14,017 |
| – Germany | 7,483 | 7,302 | 7,302 | 7,360 |
| – Belgium (including AXA Bank Belgium) (c) | 4,814 | 4,787 | 4,787 | 4,606 |
| – Southern Europe | 4,649 | 4,565 | 4,449 | 4,430 |
| – Other countries | 6,526 | 7,624 | 8,618 | 8,757 |
| *Of which Australia/New Zealand* | *2,210* | *2,274* | *2,344* | *2,530* |
| *Of which Hong Kong* | *823* | *1,043* | *1,125* | *1,067* |
| *Of which Canada* | *1,818* | *1,884* | *2,200* | *2,182* |
| *Of which Netherlands* | *700* | *639* | *639* | *657* |
| *Of which Turkey* | – | *606* | *606* | *573* |
| *Of which Morocco* | *511* | *504* | *504* | *504* |
| *Of which Luxembourg* | *161* | *166* | *166* | *170* |
| *Of which Switzerland* | *197* | *194* | *194* | *201* |
| *Of which Singapore* | *106* | *314* | *314* | *347* |
| *Of which South East Asia* | – | – | *362* | *362* |
| *Of which Central and Eastern Europe* | – | – | *164* | *164* |
| – International Insurance | 5,610 | 5,716 | 5,351 | 5,947 |
| *AXA RE* | *445* | *463* | – | – |
| *AXA Corporate Solutions Assurance* | *1,167* | *1,159* | *1,159* | *1,171* |
| *AXA Cessions* | *110* | *130* | *130* | *122* |
| *AXA Assistance* | *3,560* | *3,639* | *3,639* | *4,239* |
| *Other transnational activities* | *328* | *325* | *423* | *415* |
| **Asset management** | **6,258** | **6,760** | **6,760** | **7,577** |
| – AllianceBernstein | 4,118 | 4,330 | 4,330 | 4,932 |
| – AXA Investment Managers | 2,140 | 2,430 | 2,430 | 2,645 |
| **Other Financial services (excluding AXA Bank Belgium) (c)** | **559** | **568** | **568** | **625** |
| – France | 481 | 488 | 488 | 547 |
| – Germany | 78 | 80 | 80 | 78 |
| **Services Group** | **638** | **625** | **625** | **646** |
| **AXA Technology, AXA Consulting and e-business** | **2,015** | **2,163** | **2,313** | **2,649** |
| ***TOTAL AXA (excluding Winterthur)*** | ***76,339*** | ***78,800*** | ***79,429*** | ***81,025*** |
| ***TOTAL WINTERTHUR*** | – | – | – | ***14,984*** |
| ***TOTAL*** | ***76,339*** | ***78,800*** | ***79,429*** | ***96,009*** |

*Personnel of non-consolidated companies or companies accounted for using the equity method are not included in the above table. Personnel of companies proportionally consolidated are included, pro-rata, in accordance with the percentage of consolidation.*

*(a) The personnel at January 1, 2006 are included on a constant structural basis in relation to personnel at December 31, 2006. The main restatements are:*
*– Acquisition of MLC Indonesia and MLC Hong Kong entities with respectively 362 and 82 salaried employees.*
*– AXA RE business disposal (–365 salaried employees taking into account 98 salaried employees transferred to AXA Liability Managers (other transnational activities)).*
*– Acquisition of Citadel (316 salaried employees).*
*– The launch of the Avanssur platform in Poland (164 salaried employees).*
*– Tynan McKenzie minority interests' buyout and BNZ acquisition in Australia (70 salaried employees).*
*– Transfer of some salaried employees of Southen Europe and Japan entities to AXA Tech (respectively 116 and 34 salaried employees).*

*(b) A portion of the personnel of AXA's French affiliates are included in GIEs. In addition, the personnel included in insurance and financial services activities in France are included in the "cadre de convention" of 4 not consolidated "mutuelles".*

*(c) Employees of AXA Belgium provide services in common for both the insurance activities and the bank activities. Consequently, split is not available.*

*(d) Including Ireland since January 1, 2004 and AXA Business Services in India.*



# PERSON RESPONSIBLE FOR THE ANNUAL REPORT AND STATUTORY AUDITORS

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PERSON RESPONSIBLE FOR THE ANNUAL REPORT

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CORRESPONDENCE TABLE

# PERSON RESPONSIBLE
## FOR THE ANNUAL REPORT
## (DOCUMENT DE RÉFÉRENCE)

### Statement of person responsible

To the best of my knowledge, and after having taken all reasonable steps to this effect, I hereby certify that the information contained in this registration document *(document de référence)* is in accordance with the facts and contains no omissions likely to affect its global meaning.

I have obtained from the Statutory Auditors of the Company a letter attesting to the completion of their assignment, stating that they have verified the information pertaining to the financial condition and financial statements provided in the registration document, (with the exception of information pertaining to European Embedded Value (EEV) which they have not reviewed but which they have checked for consistency with the work performed by the independent actuary Tillinghast and dated April 6, 2007) and have carried out the overall reading of this document.

The historical financial information presented in this document is discussed in a report issued by the Statutory Auditors.

Paris, April 20, 2007

Chairman of the Management Board
Henri de Castries

### Person responsible for investor information

Denis Duverne
Member of the Management Board,
Chief Financial Officer

AXA
25, avenue Matignon, 75008 Paris

# STATUTORY
## AUDITORS

The Statutory Auditors are:

### Incumbent auditors

**PRICEWATERHOUSECOOPERS AUDIT:**
63, rue de Villiers – 92208 Neuilly-sur-Seine, represented by Mr. Yves Nicolas and Mr. Eric Dupont, first appointed on February 28, 1989. The current appointment is for a term of 6 years, until the Annual General Meeting of the shareholders called to approve the financial statements for the fiscal year 2012.

**Membership in a professional body:**
PricewaterhouseCoopers Audit is registered as a statutory auditor with the *Compagnie Régionale des Commissaires aux Comptes de Versailles.*

**MAZARS & GUÉRARD:**
Exaltis – 61, rue Henri Régnault – 92075 Paris-La Défense Cedex represented by Mr. Patrick de Cambourg and Mr. Jean-Claude Pauly, first appointed on June 8, 1994. The current appointment is for a term of 6 years, until the Annual General Meeting of the shareholders called to approve the financial statements for the fiscal year 2009.

**Membership in a professional body:**
Mazars & Guérard is registered as a statutory auditor with the *Compagnie Régionale des Commissaires aux Comptes de Paris.*

### Alternate auditors

Mr. Patrick Frotiée: 63, rue de Villiers – 92208 Neuilly-sur-Seine, first appointed on May 17, 1995. The current appointment is for a period of 6 years, until the Annual General Meeting of the shareholders called to approve the financial statements for the fiscal year 2012.

Mr. Jean Louis Simon: 61, rue Henri Régnault – 92075 Paris-La Défense Cedex, first appointed on April 21, 2004. The current appointment is for a period of 6 years, until the Annual General Meeting of the shareholders called to approve the financial statements for the fiscal year 2009.

## Table of compensation paid to Statutory Auditors in 2006 and 2005

(in euro thousand)

| | PricewaterhouseCoopers | | Mazars & Guérard | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Audit** | **54,134** | **32,601** | **5,185** | **4,635** |
| Statutory audit and certification of local and consolidatedc financial statements | 48,417 | 23,770 | 4,830 | 4,010 |
| Other specific audit assignement | 5,718 | 8,831 | 355 | 625 |
| **Other services** | **4,717** | **3,984** | **266** | **247** |
| Legal, tax and employment consulting | 4,474 | 3,491 | 33 | 50 |
| Information, technology and services | – | – | – | – |
| Internal audit | 70 | 157 | – | 79 |
| Other | 173 | 335 | 233 | 118 |
| **TOTAL** | **58,851** | **36,585** | **5,451** | **4,882** |
| Affiliated Companies/Mutual funds | 8,930 | 7,468 | 1,635 | 1,218 |
| **TOTAL** | **67,781** | **44,054** | **7,086** | **6,100** |

Expenses and VAT were excluded in 2006 and 2005. In 2005, these fees included VAT and amounted to €48,269 million for PricewaterhouseCoopers and €6,839 million for Mazars & Guérard.

# CORRESPONDENCE
TABLE

Annual Report
*(Document de référence)*
filed with the AMF on April 20, 2007

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* Pursuant to Article 28 of Commission Regulation (EC) n° 809/2004 of April 29, 2004, the following items are incorporated by reference:
- AXA's consolidated financial statements for the year ended December 31, 2005 and the Statutory Auditors' report on them, respectively presented on pages 232-396 and on pages 397-398 of the Annual Report *(Document de Référence)* n° D06-0267 filed with the AMF (Autorité des Marchés Financiers) on April 13, 2006;
- AXA's consolidated financial statements for the year ended December 31, 2004 and the Statutory Auditors' report on them, respectively presented on pages 196-275 and on pages 276-277 of the Annual Report *(Document de Référence)* n° D05-0313 filed with the AMF (Autorité des Marchés Financiers) on March 31, 2005.

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Pursuant to AMF regulations no. 212-13, this shelf registration document was registered
with the Autorité des Marchés Financiers (AMF) on April 20, 2007. It may be used in connection with a financial transaction
only if accompanied by a transaction memorandum registered with the Autorité des Marchés Financiers.

**Design**
PUBLICORP. 13, rue Rosenwald – 75015 Paris – France

**Publication**
Design Media – 33, rue Bayen – 75017 Paris – France

**Photos**
Laureen March/Corbis, Randy Faris/Corbis, Simon Marcus/Corbis, Gettyimages, Emely/zefa/Corbis

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Reference: 951893/04-07

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