# Registration Document

Annual Report 2011

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AXA

SUMMARY

# REGISTRATION DOCUMENT
**ANNUAL REPORT 2011**

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This registration document was filed with the *Autorité des marchés financiers* (AMF) on March 15, 2012, in accordance with the provisions of Article 212-13 of its General Regulations. It may be used in support of a financial transaction if supplemented by an information memorandum approved by the AMF. This document has been prepared by the issuer, and its signatories are responsible for its content.

This Annual Report also includes (i) all the components of the Annual Financial Report (*Rapport Financier Annuel*) referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) as well as in Article 222-3 of the AMF General Regulations (*Règlement Général de l'AMF*) (please refer to the table on page 520 of this Annual Report which indicates the relevant sections of this Registration Document corresponding to disclosures required under Article 222-3 of the AMF General Regulations), (ii) all disclosure matters required to be included in the Board of Directors' Report to AXA's Shareholders' Meeting to be held on April 25, 2012, established pursuant to Articles L.225-100 and L.225-100-2 of the French Commercial Code (*Code de commerce*) (the relevant sections of this Registration Document corresponding to these required disclosures have been approved by AXA's Board of Directors and are presented in the table on page 517 of this Annual Report), and (iii) all information required under Article R.225-83 of the French Commercial Code.

## CERTAIN PRELIMINARY INFORMATION ABOUT THIS ANNUAL REPORT

### Presentation of the Information

In this Annual Report unless provided otherwise, (i) the "Company", "AXA" and/or "AXA SA" refer to AXA, a *Société Anonyme* organized under the laws of France, which is the publicly traded parent company of the AXA Group, and (ii) "AXA Group", the "Group" and/or "we" refer to AXA SA together with its direct and indirect consolidated subsidiaries. The Company's ordinary shares are referred to in this Annual Report as "shares", "ordinary shares" or "AXA ordinary shares". The principal trading market for the Company's ordinary shares is the Compartment A of NYSE Euronext Paris, which we refer to in this Annual Report as "Euronext Paris". The Company's American Depositary Shares are referred to in this Annual Report as "ADS". Since the delisting of AXA's ADS from the New York Stock Exchange on March 26, 2010, AXA's ADS are traded on the U.S. over-the-counter market and are quoted on the OTCQX platform under the ticker symbol AXAHY. Each ADS represents one AXA ordinary share.

This Annual Report includes AXA's Consolidated Financial Statements for the year ended December 31, 2011, as well as, by reference, AXA's Consolidated Financial Statements for the years ended December 31, 2010 and 2009[(1)]. AXA's Consolidated Financial Statements, including the notes there to, are included in Part 4 – "Consolidated Financial Statements" of this Annual Report and have been prepared in accordance with International Financial Reporting Standards (referred to in this Annual Report as "IFRS") and interpretations from the International Financial Reporting Interpretations Committee (referred to in this Annual Report as "IFRIC") that were definitive and effective on December 31, 2011, as adopted by the European Union prior to the annual financial statements date. The Group does not, however, use the "carve out" option to avoid applying all the hedge accounting principles required by IAS 39. In addition, the adoption of IFRS 9 published by the IASB in November 2009, and subsequently amended in October 2010 and December 2011, has not yet been formally submitted to the European Union. The Group, however, would not have used the earlier adoption option of the standard. Consequently, AXA's Consolidated Financial Statements also comply with IFRS as issued by the International Accounting Standards Board ("IASB").

Unless otherwise specified, various amounts in this document are shown in million for presentation purposes. Such amounts have been rounded. Rounding differences may also exist for percentages.

*(1) For further details on the Consolidated Financial Statements for the years ended December 31, 2010 and December 31, 2009, please refer to the 2010 Annual Report (Registration Document), the French version of which was filed with the AMF on March 18, 2011 under reference n° D11-0147, and to the 2009 Annual Report (Registration Document), the French version of which was filed with the AMF on March 17, 2010 under reference n° D10-0117.*

# CERTAIN PRELIMINARY INFORMATION ABOUT THIS ANNUAL REPORT

## Exchange Rate Information

The Company publishes its Consolidated Financial Statements in Euro (“Euro”, “euro” or “€”). Unless otherwise stated, all amounts in this Annual Report are expressed in Euro. The currency of the United States will be referred to as “U.S. dollars” or “USD” or “U.S.$” or “$”. For historical exchange rate information, please refer to Part 1 – “The AXA Group: Our global business operations, recent financial performance and financial condition”, Section 1.1 “Exchange Rate Information” of this Annual Report. For a discussion of the impact of foreign currency fluctuations on AXA’s financial condition and results of operations, please see Part 1 – “The AXA Group: Our global business operations, recent financial performance and financial condition”, Section 1.3 “Activity Report” of this Annual Report.

## Cautionary Statements concerning the use of non-gaap measures and forward-looking statements

This Annual 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 Section 1.3 in Part 1 – “The AXA Group: Our global business operations, recent financial performance and financial condition” of this Annual Report.

Certain statements contained herein are forward-looking statements including, but not limited to, statements that are predictions of, or indicate, future events, trends, plans or objectives. Undue reliance should not be placed on such statements because they are by nature 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 Part 3 – “Regulation, risk factors, certain disclosures about market risks and related matters” of this Annual Report for a description of certain important factors, risks and uncertainties that may affect AXA’s business and/or results of operations. 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.

# 1 THE AXA GROUP

# 1.1 SELECTED CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data presented below have been derived from AXA's consolidated financial statements and related notes for the years ended December 31, 2011 and 2010 in accordance with IFRS.

The table of historical data set out below is only a summary. You should read it in conjunction with the consolidated financial statements and related notes for the years ended December 31, 2011 and 2010 included in Part 4 – "Consolidated Financial Statements" of this Annual Report.

The consolidated financial statements are prepared in compliance with IFRS standards and interpretations of the IFRS Interpretations Committee, that are definitive and effective on December 31, 2011, as adopted by the European Union before the annual financial statements date. However, the Group does not use the "carve out" option to avoid applying all the hedge accounting principles required by IAS 39. In addition, the adoption of the new IFRS 9 standard published by the International Accounting Standards Board (IASB) in November 2009, then amended in October 2010 and December 2011, has not been yet formally submitted to the European Union. However, the Group would not have used the early adoption option of the standard as of today. As a consequence, the consolidated financial statements also comply with IFRSs as issued by the IASB.

| *(in Euro million except per share data)* | 2011 | 2010 restated [b] |
|---|---|---|
| **Income Statement Data in accordance with IFRS:** [a] | | |
| **Total Revenues** | **86,107** | **89,412** |
| Net investment result excluding financing expenses [c] | 16,199 | 31,886 |
| Net income from operating activities befor tax | 4,589 | 3,826 |
| Income from operating activities before tax | 4,856 | 4,228 |
| Result from discontinued operations net of tax | 1,002 | 160 |
| Net consolidated income | 4,516 | 3,091 |
| **Net income Group share** | **4,324** | **2,749** |
| Net income per share: [d] | - | - |
| – basic | 1.75 | 1.08 |
| – diluted | 1.75 | 1.08 |
| Net income per share from discontinued operations: | - | - |
| – basic | 0.44 | 0.07 |
| – diluted | 0.44 | 0.07 |
| **Other data:** | **-** | **-** |
| Number of outstanding shares | 2,357 | 2,320 |
| Dividend pet share [e] | 0.69 | 0.69 |

*(a) As described in Notes 1.10, 1.12.2 and 1.13.2 of Part 4 – "Consolidated Financial Statements" of this Annual Report, these amounts take into account, in line with accounting FRS27, the reclassification in the United Kingdom of some with-profits technical reserves to allow for all future terminal bonuses payable to with-profits policyholders within the allocated policyholder reserves, previously held in the unallocated policyholder bonus reserve, without any impact on earnings.*

*(b) As described in Note 1.10 of Part 4 – "Consolidated Financial Statements" of this Annual Report, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

*(c) Includes investment income net of investment management costs, impairment, net realized investment gains and losses and net unrealized investment gains and losses on assets with financial risk borne by the policyholders and on assets designated as at fair value through profit & loss, including assets backing the UK with-profits business.*

*(d) The calculation of net income per share is based on the weighted average number of outstanding shares for each period presented. The calculation of net income per share from discontinued operations or not for the year ended December 31, 2011 is presented in Note 27 "Net Income per Ordinary Share" to AXA's consolidated financial statements.*

*(e) An annual dividend is generally paid each year in respect of the prior year after the Annual General Shareholders' Meeting (customarily held in April or May) and before September of that year. Dividends are presented in this table in the year to which they relate and not in the year in which they are declared and paid. A dividend of €0.69 per share will be proposed at AXA's Shareholders' Meeting that will be held on April 25, 2012. The dividend will be payable on May 9, 2012, with an ex-dividend date of May 4, 2012.*

| *(in Euro million except per share data)* | 2011 | 2010 |
|---|---|---|
| **Balance sheet data in accordance with IFRS:** | | |
| Total assets | 730,085 | 731,390 |
| Shareholders' equity - Group share | 48,562 | 49,698 |
| Shareholders' equity per share [(a)] | 20.8 | 21.7 |

*(a) (i) Includes investment income net of investment management costs, impairment, net realized investment gains and losses and net unrealized investment gains and losses on assets with financial risk borne by the policyholders and on assets designated as at fair value through profit & loss. (ii) Shareholders' equity per share is calculated based on the actual number of outstanding shares at each period-end presented. The calculations deduct shares held by AXA and its subsidiaries (i.e. treasury shares) in the calculation of weighted average number of outstanding shares (for net income per share) and outstanding shares (for shareholders' equity per share).*

# Exchange Rate Information

The average and closing exchange rates used in the preparation of the consolidated financial statements, to translate into Euro the results of operations of the principal subsidiaries that are not denominated in Euro, are set out in the table below:

| | Year End Exchange Rate | | Average Exchange Rate | |
|---|---|---|---|---|
| | 2011 (for €1) | 2010 (for €1) | 2011 (for €1) | 2010 (for €1) |
| U.S. Dollar | 1.30 | 1.34 | 1.39 | 1.34 |
| Japanese Yen (x100) | 1.00 | 1.09 | 1.13 | 1.22 |
| British Sterling Pound | 0.84 | 0.86 | 0.87 | 0.86 |
| Swiss Franc | 1.21 | 1.25 | 1.24 | 1.39 |

# Dividends

The Company pays dividends in Euro. Future dividends will depend on AXA's earnings, financial condition as well as various other factors. Proposals for dividend payments are made at the discretion of the Board of Directors based upon the recommendation of its Finance Committee, and are submitted for final approval to the Shareholders' Meeting.

AXA determines its dividend policy on the basis of its adjusted earnings minus interest charges on its outstanding undated debt securities, and, in each of the past several years, with the exception of 2009, AXA has paid aggregate dividends in a general range of 40% to 50% of this amount. While Management currently intends to maintain this dividend policy over the long-term, the dividend proposed by Management in any particular year depends on a variety of factors (including the Company's performance, prevailing financial market conditions and the general economic environment) and, consequently, may fall outside the target 40% to 50% range in certain years. In assessing the dividend to be paid in any given year, Management tries to strike the appropriate balance between (i) prudent capital management, (ii) reinvestment of previous results to support business development and (iii) an attractive dividend for shareholders.

A dividend of €0.69 for the 2011 fiscal year will be proposed to the Shareholders' Meeting to be held on April 25, 2012.

The following table sets forth information on the dividends declared and paid during the last five years:

| *Fiscal year* | **Distribution** (in Euro million) | **Number of shares (as of December 31)** | **Net dividend per share** (in Euro) | **Dividend per share eligible for a tax relief** (in Euro) | **Gross dividend per share** (in Euro) |
|---|---|---|---|---|---|
| 2007 | 2,473 | 2,060,753,492 | 1.20 [b] | 1.20 [b] | 1.20 [b] |
| 2008 | 836 | 2,089,158,169 | 0.40 [c] | 0.40 [c] | 0.40 [c] |
| 2009 | 1,259 | 2,289,965,124 | 0.55 [d] | 0.55 [d] | 0.55 [d] |
| 2010 | 1,601 | 2,320,105,237 | 0.69 [e] | 0.69 [e] | 0.69 [e] |
| 2011 | 1,626 [a] | 2.357.197.520 | 0.69 [f] | 0.69 [f] | 0.69 [f] |

(a) *Proposal to be submitted to the Shareholders' Meeting to be held on April 25, 2012.*
(b) *Individual shareholders who were residents of France for tax purposes were eligible for a tax relief of 40% on the dividend, i.e. €0.48 per share for fiscal year 2007.*
(c) *Individual shareholders who were residents of France for tax purposes were eligible for a tax relief of 40% on the dividend, i.e. €0.16 per share for fiscal year 2008.*
(d) *Individual shareholders who were residents of France for tax purposes were eligible for a tax relief of 40% on the dividend, i.e. €0.22 per share for fiscal year 2009.*
(e) *Individual shareholders who were residents of France for tax purposes were eligible for a tax relief of 40% on the dividend, i.e. €0.28 per share for fiscal year 2010.*
(f) *Proposal to be submitted to the Shareholders' Meeting to be held on April 25, 2012. Individual shareholders who are residents of France for tax purposes will be eligible for a tax relief of 40% on the dividend, i.e. €0.28 per share for fiscal year 2011.*

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

For further information on AXA's dividend policy, see Part 4 – "Consolidated Financial Statement" and Part 5 – "Certain Additional Information", Section "Dividends" of this Annual Report.

# 1.2 INFORMATION ON THE COMPANY



## Introduction

AXA is a French "*Société Anonyme*" (a form of limited liability company) existing under the laws of France. The Company's registered office is located at 25 avenue Matignon, 75008 Paris, France and its telephone number is +33 (0) 1 40 75 57 00. AXA was incorporated in 1957 but the origin of its activities goes back to 1852. The Company's corporate existence will continue, subject to dissolution or prolongation, until December 31, 2059. The Company's number in the Paris Trade and Companies Register is 572 093 920.

## History and development

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

### 1982

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

### 1986

AXA acquired the Groupe Présence.

### 1988

AXA transferred its insurance businesses to Compagnie du Midi which operated under the name of AXA Midi and subsequently changed its name to AXA.

### 1992

AXA acquired a controlling interest in The Equitable Companies Incorporated following the demutualization of its subsidiary Equitable Life. The Equitable Companies Incorporated, based in the United States, changed its name in 1999 to AXA Financial, Inc. ("AXA Financial").

### 1995

AXA acquired a majority interest in National Mutual Holdings following its demutualization. National Mutual Holdings, based in Australia, subsequently changed its name to AXA Asia Pacific Holdings Ltd.

### 1997

AXA merged with its French competitor Compagnie UAP. This transaction enabled AXA to significantly increase its size and reinforce its strategic position in a number of important markets, particularly in Europe.

### 1998 and 1999

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

### 2000

AXA (i) acquired a majority interest in a Japanese life insurance company, Nippon Dantaï Life Insurance Company, through a new Japanese holding company, AXA Nichidan, (ii) increased its interest in SLPH from 56.3% to 100%, (iii) sold its interest in Donaldson Lufkin & Jenrette ("DLJ") to Credit Suisse Group, (iv) acquired Sanford C. Bernstein through its US asset management subsidiary Alliance Capital (which subsequently changed its name to AllianceBernstein), and (v) acquired the minority interest in AXA Financial, which is now a 100% owned subsidiary of AXA.

### 2001 and 2002

AXA acquired 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.

### 2003

AXA sold all its activities in Argentina and Brazil.

### 2004

AXA acquired the American insurance group MONY, which increased its life insurance distribution capacity in the United States by approximately 25%. In addition, AXA sold (i) its insurance activities in Uruguay (AXA Seguros Uruguay) thereby finalizing its disengagement from South America, (ii) its Dutch insurance broking operations (Unirobe), (iii) its Dutch Health insurance operations, and (iv) its mortgage lending activities in Germany (AXA Bausparkasse AG).

**2005**

FINAXA, a listed holding company that was AXA's principal shareholder, merged into AXA. Prior to the merger, FINAXA owned the "AXA" brand which, upon consummation of the merger, became the property of AXA. This merger resulted in a simplification of AXA's shareholding structure and an increase in the proportion of its publicly traded shares.

**2006**

AXA acquired the Winterthur Group, which was then active in 17 countries and served approximately 13 million clients worldwide. This operation gave AXA the opportunity to strengthen its leading position in several European markets and to increase its presence in a number of high growth markets including in Central and Eastern Europe and Asia. During 2006, AXA also acquired (i) Citadel in Canada, (ii) Thinc Destini (subsequently renamed Thinc Group) in the United Kingdom, and (iii) MLC Hong Kong and Indonesia via its subsidiary AXA Asia Pacific Holdings. In addition, in December, AXA completed the sale of AXA RE's (now named "Colisée RE") reinsurance business.

**2007**

AXA (i) acquired a 90% stake in Kyobo Auto (now called "AXA General Insurance") which has a leading position in the South Korean Motor direct insurance market, (ii) established a joint-venture in the Ukrainian P&C insurance market with UkrSibbank (the Ukrainian banking subsidiary of BNP Paribas) and subsequently acquired (together with UkrSibbank) 99% of the share capital of Vesko, Ukraine's 6th largest P&C insurer, (iii) completed the sale of its principal Dutch operations, comprising 100% of AXA Netherlands, Winterthur Netherlands and DBV Netherlands, and (iv) finalized a long-term partnership agreement with the Italian bank BMPS for the distribution of life, non-life and pension business in Italy.

**2008**

AXA (i) completed the acquisition of 36.7% of the share capital of RESO, Russia's 2nd largest P&C insurer (June), (ii) completed the acquisition of Seguros ING (subsequently renamed "AXA Seguros, SA de Compañia de Valores"), the 3rd largest Mexican insurer with leading positions in key markets such as Motor or Health and also active on the Life market (July), and (iii) acquired OYAK's 50% share in AXA OYAK, Turkey's 1st largest P&C insurer (August).

**2009**

AXA strengthened its position in Central and Eastern Europe with the acquisition of minority interests held by the European Bank for Reconstruction and Development (EBRD) in AXA's Hungarian, Czech and Polish subsidiaries.

**2010**

AXA voluntarily delisted from the New York Stock Exchange in March and deregistered with the SEC in June. Since its NYSE delisting, AXA's ADS have been traded on the U.S. over-the-counter market and are quoted on the OTC QX platform under the symbol AXAHY. In April, AXA's Shareholders' Meeting approved the change of the Company's corporate governance structure from a dual board structure (Supervisory Board and Management Board) to a unitary board structure (Board of Directors). Finally, in September, AXA UK sold to Resolution Ltd its traditional life and pensions businesses, its IFA protection and corporate pension businesses, and its annuity businesses for a consideration of £2.75 billion.

**2011**

In April, AXA successfully completed the AXA Asia Pacific Holdings Limited ("AXA APH") transaction pursuant to which, it disposed of its Australian & New Zealand operations and acquired the AXA APH Asia Life operations. In June, AXA's senior management team presented "Ambition AXA", the Group's 5-year strategic plan defining the financial and operational priorities for each of its business lines: Life & Savings, Property & Casualty, and Asset Management. Finally, in September, AXA announced that it had successfully completed the sale of its Canadian operations in Property & Casualty and Life & Savings insurance to Intact Financial Corporation for a total cash consideration of CAD 2.6 billion (or ca. Euro 1.9 billion).

# Recent developments

For a description of significant acquisitions and disposals undertaken by AXA during the fiscal year, please see Part 1 – "The AXA Group: Our global business operations, recent financial performance and financial condition", Section 1.3 "Activity Report" – "Operating highlights" and Note 5 "Goodwill" to the Consolidated Financial Statements included in Part 4 – "Consolidated Financial Statements" of this Annual Report.

## General information

The Company is the holding company for the AXA Group, a worldwide leader in financial protection. Based on available information at December 31, 2011, the AXA Group was one of the world's largest insurance groups, with consolidated gross revenues of €86 billion for the year ended December 31, 2011. The AXA Group was also one of the world's largest asset managers, with total assets under management on December 31, 2011 of €1,079 billion. Based on available information at December 31, 2010 and taking into account companies engaged in the asset management business, AXA was the world's 7th largest asset manager [1].

For information concerning the ownership structure of the Group, see Part 2.4 – "Major shareholders and Related Party Transactions" of this Annual Report.

AXA operates primarily in Europe, North America, the Asia-Pacific Region and, to a lesser extent, in other regions including the Middle East, Africa, and Latin America. AXA has five operating business segments: Life & Savings, Property & Casualty, International Insurance, Asset Management, and Banking. In addition, various holding companies within the AXA Group conduct certain non-operating activities.

The diversification of the AXA Group – both by geography and by business – is designed to mutualize the different types of risks to which the Group is exposed. For example, mortality risks are partly offset by longevity risks, and Life & Savings risks by Property & Casualty risks. In addition, geographic diversification helps reducing the concentration of risk and volatility of claims experience.

## Table of principal subsidiaries with Group share of interests and voting rights percentages

Set forth below is a simplified organization chart of AXA as of December 31, 2011. For additional information, please see Note 2 "Scope of consolidation" included in Part 4 – "Consolidated Financial Statements" of this Annual Report.

Please note that the percentages shown in the third column ("Group share of interests") represent the economic interest and the percentages shown in the fourth column ("Voting rights percentage") represent the percentage of the Company's total voting rights held by AXA.

*(1) Source: Tower Watson, "The world's 500 largest asset managers ranking", 2010.*

## PRINCIPAL SUBSIDIARIES AS OF DECEMBER 31, 2011

| | | Group share of interests | Voting rights percentage |
|---|---|---|---|
| **International Insurance** | | | |
| AXA Assistance SA | | 100% | 100% |
| AXA Corporate Solutions Assurance | | 98.75% | 98.75% |
| AXA Corporate Solutions Life Reinsurance Company | | 100% | 100% |
| Colisée RE [(a)] | | 100% | 100% |
| **Asset Management** | | | |
| AXA Investment Managers | | 95.54% | 95.55% |
| AllianceBernstein [(b)] | | 64.60% | 64.60% |
| NORTH AMERICA | | | |
| | **United States** | | |
| Insurance | AXA Financial, Inc. [(c)] | 100% | 100% |
| | **Mexico** | | |
| Insurance | AXA Seguros, S.A. de C.V. [(d)] | 99.94% | 99.94% |
| AFRICA | | | |
| | **Morocco** | | |
| Insurance | AXA Holding Maroc S.A. [(e)] | 100% | 100% |
| EUROPE | | | |
| | **Belgium** | | |
| Insurance | AXA Holdings Belgium [(f)] | 100% | 100% |
| Financial Services | AXA Bank Europe [(g)] | 100% | 100% |
| | **Czech Republic** | | |
| Insurance | AXA Czech Republic Insurance | 100% | 100% |
| | AXA Czech Republic Pension Funds | 99.99% | 99.99% |
| | **France** | | |
| Insurance | AXA France Assurance [(h)] | 100% | 100% |
| Financial Services | AXA Banque | 99.89% | 100% |
| | **Greece** | | |
| Insurance | AXA Insurance A.E. [(i)] | 99.89% | 99.89% |
| | **Hungary** | | |
| Insurance | AXA Hungary | 100% | 100% |

*(a) Formerly AXA RE.*
*(b) AXA also holds indirectly 100% of the general partner of AllianceBernstein L.P.*
*(c) Holding company that owns AXA Equitable Life Insurance Company, Mony Companies, AXA Financial Bermuda Ltd.*
*(d) Company owned by AXA Mediterranean Holding, SA (Spain).*
*(e) Holding company that owns AXA Assurance Maroc.*
*(f) Holding company that owns AXA Belgium.*
*(g) The main branches of AXA Bank Europe include AXA Bank Hungary, AXA Bank Europe Czech Republic, AXA Bank Europe Slovakia.*
*(h) Holding company that owns AXA France Vie, AXA France IARD, AVANSSUR, Juridica, AXA Epargne Entreprise and Natio Assurance.*
*(i) Company owned by AXA Mediterranean Holding, SA (Spain).*

| | | Group share of interests | Voting rights percentage |
|---|---|---|---|
| | **Italy** | | |
| Insurance | AXA Italia S.p.A. (j) | 100% | 100% |
| | AXA MPS Vita (i) | 50% | 50% + 1 voting right |
| | AXA MPS Danni (i) | 50% | 50% + 1 voting right |
| | **Ireland** | | |
| Insurance | AXA Holdings Ireland Limited (k) | 99.98% | 100% |
| | AXA Life Europe Limited | 100% | 100% |
| | **Germany** | | |
| Insurance | AXA Konzern AG (l) | 100% | 100% |
| | AXA Versicherung AG | 100% | 100% |
| | AXA Lebensversicherung AG | 100% | 100% |
| Financial Services | AXA Bank AG | 100% | 100% |
| | **Luxembourg** | | |
| Insurance | AXA Luxembourg SA (m) | 100% | 100% |
| | **Poland** | | |
| Insurance | AXA Poland Pension Funds | 100% | 100% |
| | AXA Poland | 100% | 100% |
| | **Portugal** | | |
| Insurance | AXA Portugal Companhia de Seguros SA | 99.49% | 99.73% |
| | AXA Portugal Companhia de Seguros de Vida SA | 94.89% | 95.09% |
| | Seguro Directo (i) | 100% | 100% |
| | **Spain** | | |
| Insurance | AXA Mediterranean Holding SA (n) | 100% | 100% |
| | **Switzerland** | | |
| Insurance | AXA Life | 100% | 100% |
| | AXA Insurance (o) | 100% | 100% |
| | **Turkey** | | |
| Insurance | AXA Turkey Holding A.S. (p) | 100% | 100% |
| | **United Kingdom** | | |
| Insurance | AXA UK Plc (q) | 99.98% | 100% |
| **ASIA-PACIFIC** | | | |
| | **Hong Kong** | | |
| Insurance | AXA China Region Limited | 100.00% | 100% |
| | **Japan** | | |
| Insurance | AXA Japan Holding (r) | 98.94% | 98.94% |
| | **Singapore** | | |
| Insurance | AXA Financial Services (Singapore) (s) | 100% | 100% |
| | **South Korea** | | |
| Insurance | Kyobo AXA General Insurance Co. Ltd. | 94.13% | 94.13% |

*(j) Holding company that owns AXA Assicurazioni S.p.A. and AXA Interlife S.p.A.*

*(k) Holding company that owns AXA Ireland Limited and AXA Insurance Limited.*

*(l) Holding company that owns AXA Versicherung AG, AXA Lebensversicherung AG, AXA ART Versicherung AG and AXA Krankenversicherung AG.*

*(m) Holding company that owns AXA Assurances Luxembourg and AXA Assurances Vie Luxembourg.*

*(n) Holding company that owns Hilo Direct de Seguros y Reaseguros, AXA Seguros Generales, SA de Seguros y Reaseguros, AXA Vida, S.A. de Seguros y Reaseguros, AXA MedLa IT & Local Support Services, SA, AXA Aurora Vida, SA de Seguros y Reaseguros and AXA Pensiones, SA E.G.F.P.*

*(o) Holding company that owns 66.67% of AXA-ARAG Rechtsschutz AG.*

*(p) Holding company that owns 100% of AXA ve Emeklilik A.S. and 72.59% of AXA Sigorta A.S.*

*(q) Holding company that owns directly AXA Sun Life Direct Limited, Sun Life Corporation plc, AXA Portfolio Services Limited, Winterthur UK Financial Services Group Limited, Guardian Royal Exchange plc, Bluefin Group Limited, and indirectly AXA Insurance UK plc and AXA PPP healthcare Limited.*

*(r) Holding company that owns AXA Life Insurance Co. Ltd, AXA Non-Life Insurance Co. Ltd.*

*(s) Holding company that owns AXA Life Insurance Singapore Pte Ltd.*

# Ratings

## PRINCIPAL RATINGS OF THE GROUP AS AT MARCH 15, 2012

The Company and certain of its insurance subsidiaries are rated by recognized rating agencies. The significance and the meaning of individual ratings vary from agency to agency.

At March 15, 2012, the relevant ratings for the Company and its principal insurance subsidiaries were as follows:

| | Agency | Rating | Outlook |
|---|---|---|---|
| **Insurer Financial Strength Ratings** | | | |
| The Company's principal insurance subsidiaries | Standard & Poor's | AA- | Negative |
| | Moody's | Aa3 | Negative |
| | Fitch Ratings | AA- | Stable |
| **Ratings of the Company's Long Term and Short Term Debt** | | | |
| Counterparty credit rating/Senior Debt | Standard & Poor's | A | Negative |
| | Moody's | A2 | Negative |
| | Fitch Ratings | A- | |
| Short Term Debt | Standard & Poor's | A 1 | |
| | Moody's | P-1 | |
| | Fitch Ratings | F 1 | |

The ratings set forth above may be subject to revision or withdrawal at any time by the assigning rating agency. None of these ratings is an indication of the historic or potential performance of AXA's ordinary shares, ADS, ADR or debt securities and should not be relied upon for purpose of making an investment decision with respect to any of these securities. The Company accepts no responsibility for the accuracy or reliability of the ratings.

### SRI ratings

AXA's social, societal, environmental and governance performance is rated by a number of specialists, including investors, brokers and rating agencies that focus specifically on the socially responsible investment (SRI) market. AXA is ranked above the average for its industry and is included in the three major global ethical indices:

- DJSI STOXX and DJSI World (based on SAM research);
- FTSE4GOOD (based on EIRIS [(1)] research);
- ASPI Eurozone (based on Vigeo research).

(1) *EIRIS does not publish public ratings.*

AXA's current ratings, which are subject to change, are set forth below:

| Agency | Theme | AXA rating |
|---|---|---|
| **SAM (November 2011)** | General score | 74% (sector avg.: 48%) |
| | Economy | 79% (sector avg.: 61%) |
| | Social | 63% (sector avg.: 39%) |
| | Environment | 85% (sector avg.: 44%) |
| | "Sustainability Yearbook" category | Bronze |
| **Vigeo [a] ( April 2010)** | Human Resources | 51% (rating: +) |
| | Human rights | 55% (rating: +) |
| | Community involvement | 42% (rating: +) |
| | Environment | 57% (rating: +) |
| | Business behaviour | 55% (rating: +) |
| | Corporate governance | 56% (rating: =) |

*(a) Definition of Vigeo ratings:*
*--: least advanced;*
*-: companies that fall below the average for their sector;*
*=: companies that are within the average for their sector;*
*+: active companies;*
*++: the most committed companies in the sector.*

# Business overview

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

## AXA ACTIVITY INDICATORS AND EARNINGS

| | Years ended December 31, | | | | |
|---|---|---|---|---|---|
| | | | 2010 [e] | | |
| *(in Euro million, except percentages)* | 2011 [e] | | Restated [f] | | Published |
| **Consolidated gross revenues** | | | | | |
| – Life & Savings | 52,431 | 61% | 56,792 | 64% | 56,923 |
| – Mature | 49,814 | 58% | 54,307 | 61% | 54,439 |
| – High Growth | 2,617 | 3% | 2,485 | 3% | 2,485 |
| – Property & Casualty | 27,046 | 31% | 25,986 | 29% | 27,413 |
| – Mature | 21,609 | 25% | 21,067 | 24% | 22,495 |
| – Direct | 2,102 | 2% | 1,928 | 2% | 1,928 |
| – High Growth | 3,335 | 4% | 2,990 | 3% | 2,990 |
| – International Insurance | 2,876 | 3% | 2,847 | 3% | 2,847 |
| – Asset management | 3,269 | 4% | 3,328 | 4% | 3,328 |
| – Banking | 485 | 1% | 459 | 1% | 459 |
| – Holdings and other companies | | 0% | | 0% | |
| **Consolidated gross revenues** | **86,107** | **100%** | **89,412** | **100%** | **90,972** |
| **Annual Premium Equivalent (APE)** [a] | **5,733** | | **5,780** | | **5,780** |
| **New Business Value (NBV)** [b] | **1,444** | | **1,290** | | **1,290** |
| **Underlying earnings** [c] | | | | | |
| – Life & Savings | 2,267 | 58% | 2,445 | 66% | 2,455 |
| – Property & Casualty | 1,848 | 47% | 1,553 | 42% | 1,692 |
| – International Insurance | 276 | 7% | 290 | 8% | 290 |
| – Asset management | 321 | 8% | 269 | 7% | 269 |
| – Banking | 32 | 1% | 9 | 0% | 9 |
| – Holdings and other companies | (843) | -22% | (836) | -22% | (836) |
| **Underlying earnings** | **3,901** | **100%** | **3,731** | **100%** | **3,880** |
| Net capital gains | (312) | | 419 | | 437 |
| **Adjusted earnings** [d] | **3,589** | | **4,150** | | **4,317** |
| Exceptional operations (including discontinued operations) | 2,069 | | (1,456) | | (1,616) |
| Goodwill and other related intangible impacts | (1,167) | | (81) | | (87) |
| Profit or loss on financial assets (under fair value option) & derivatives | 114 | | 212 | | 210 |
| Integration and restructuring costs | (281) | | (76) | | (76) |
| **Net income** | **4,324** | | **2,749** | | **2,749** |
| – Life & Savings | 2,193 | 54% | 1,396 | 37% | 1,396 |
| – Property & Casualty | 1,700 | 42% | 1,750 | 46% | 1,750 |
| – International Insurance | 276 | 7% | 378 | 10% | 378 |
| – Asset management | 153 | 4% | 255 | 7% | 255 |
| – Banking | (237) | -6% | 9 | 0% | 9 |

| *(in Euro million, except percentages)* | Years ended December 31, 2011 [e] | | 2010 [e] Restated [f] | | 2010 [e] Published |
|---|---|---|---|---|---|
| **Net income from operating segments** | **4,084** | **100%** | **3,788** | **100%** | **3,788** |
| – Holdings and other companies | 240 | | (1,040) | | (1,040) |
| **NET INCOME** | **4,324** | | **2,749** | | **2,749** |

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

*(b) New Business Value (NBV): The value of new business issued during the current year which 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. NBV is Group share.*

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

*(d) Adjusted earnings represent the net income (Group share) before the impact of:*

*(i) Exceptional operations (primarily change in scope and discontinued operations)*

*(ii) Integration and restructuring costs related to material newly acquired companies as well as restructuring and associated costs related to productivity improvement plans*

*(iii) Goodwill and other related intangibles, and*

*(iv) Profit or loss on financial assets accounted for under fair value option (excluding assets backing liabilities for which the financial risk is borne by the policyholder) and derivatives related to invested assets, including all foreign exchange rate impacts on assets, liabilities and derivatives.*

*(e) Net of intercompany eliminations.*

*(f) Restated: the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement to present a comparable basis.*

## OTHER FINANCIAL DATA

| | 2011 [a] | 2010 restated [a] [b] | 2010 published [a] |
|---|---|---|---|
| **For the years ended December 31,** | | | |
| Net income per ordinary share (in Euro) | | | |
| Basic | 1.75 | 1.08 | 1.08 |
| Diluted | 1.75 | 1.08 | 1.08 |
| Adjusted earnings per share [c] | 1.43 | 1.69 | 1.77 |
| Average share price (in Euro) | 12.9 | 14.0 | 14.0 |
| **At December 31,** | | | |
| Shareholders' equity (in Euro million) | 48,562 | 49,698 | 49,698 |
| Share price (in Euro) | 10.0 | 12.5 | 12.5 |

*(a) Net of intercompany eliminations.*

*(b) Restated: the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement to present a comparable basis.*

*(c) Fully diluted bases.*

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

## AXA'S TOTAL ASSETS UNDER MANAGEMENT

| *(in Euro million)* | At December 31, 2011 | 2010 |
|---|---|---|
| AXA: | | |
| General account assets | 510,118 | 493,791 |
| Assets backing contracts with financial risk borne by policyholders (Unit-linked) | 134,230 | 149,066 |
| **Subtotal** | **644,348** | **642,858** |
| Managed on behalf of third parties [a] | 420,297 | 453,238 |
| **TOTAL ASSETS UNDER MANAGEMENT** | **1,064,645** | **1,096,095** |

*(a) Includes assets managed on behalf of 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

| | Years ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 (b) | | 2010 | | | |
| | | | Restated (c) | | Published | |
| | 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) (a)** | | 86,107 | | 89,412 | | 90,972 |
| **Life & Savings** | 61% | | 64% | | 63% | |
| France | | 26% | | 26% | | 26% |
| United States | | 18% | | 17% | | 17% |
| United Kingdom | | 1% | | 4% | | 4% |
| Japan | | 11% | | 10% | | 10% |
| Germany | | 13% | | 12% | | 12% |
| Belgium | | 4% | | 4% | | 4% |
| Mediterranean & Latin American Region | | 9% | | 12% | | 12% |
| Switzerland | | 12% | | 9% | | 9% |
| Other countries | | 5% | | 7% | | 7% |
| **Property & Casualty** | 31% | | 29% | | 30% | |
| France | | 21% | | 21% | | 20% |
| Germany | | 13% | | 13% | | 13% |
| United Kingdom (including Ireland) | | 14% | | 14% | | 13% |
| Belgium | | 8% | | 8% | | 7% |
| Mediterranean & Latin American Region | | 25% | | 25% | | 24% |
| Switzerland | | 10% | | 9% | | 8% |
| Direct (d) | | 8% | | 7% | | 7% |
| Other countries | | 2% | | 2% | | 7% |
| **International Insurance** | 3% | | 3% | | 3% | |
| AXA Corporate Solutions Assurance | | 69% | | 68% | | 68% |
| AXA Global Life and AXA Global P&C | | 2% | | 2% | | 2% |
| AXA Assistance | | 26% | | 27% | | 27% |
| Others (a) | | 2% | | 3% | | 3% |
| **Asset Management** | 4% | | 4% | | 4% | |
| AllianceBernstein | | 60% | | 63% | | 63% |
| AXA Investment Managers | | 40% | | 37% | | 37% |
| **Banking** | 1% | | 1% | | 1% | |
| AXA Banque (France) | | 29% | | 22% | | 22% |
| AXA Bank Europe | | 66% | | 58% | | 58% |
| Others | | 5% | | 20% | | 20% |
| **Holdings and other companies** | 0% | | 0% | | 0% | |

*(a) As described in Note 1.10 of Part 4 – "Consolidated Financial Statements", the contribution of discontinued operations is stated in a separate line of the income statement.*
*(b) Net of intercompany eliminations.*
*(c) Restated: the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement to present a comparable basis.*
*(d) The contribution of Direct operations is stated in a separate line of the income statement for both 2011 and 2010.*

For additional information on AXA's revenues by segments, see Note 21 "Segmental information" included in Part 4 – "Consolidated Financial Statements" of this Annual Report.

For additional information on AXA's business segments, see Part 1.3 – "Activity Report", and Note 3 "Statement of income by segment" included in Part 4 – "Consolidated Financial Statements" of this Annual Report.

# Segment information

## Life & Savings Segment

AXA offers a broad range of Life & Savings products including Individual and Group savings products, as well as life and Health products for both individual and commercial clients. The Life & Savings segment accounted for €52.4 billion or 61% of AXA's consolidated gross revenues for the year ended December 31, 2011 (2010: €56.8 billion or 63%).

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

### LIFE & SAVINGS SEGMENT: GROSS REVENUES BY COUNTRY

| | Gross revenues Years ended December 31, | | | | | Gross insurance liabilities at December 31, 2011 |
|---|---|---|---|---|---|---|
| | | | 2010 | | | |
| *(in Euro million, except percentages)* | 2011 [e] | | Restated [f] | | Published | |
| France | 13.644 | 26% | 14.624 | 26% | 14.624 | 118.216 |
| United States | 9.656 | 18% | 9.458 | 17% | 9.458 | 118.418 |
| Japan | 5.747 | 11% | 5.560 | 10% | 5.560 | 45.109 |
| United Kingdom | 651 | 1% | 2.040 | 4% | 2.040 | 18.683 |
| Germany | 6.985 | 13% | 6.867 | 12% | 6.867 | 60.650 |
| Belgium | 2.142 | 4% | 2.504 | 4% | 2.504 | 28.352 |
| Mediterranean & Latin American Region [a] | 4.789 | 9% | 6.944 | 12% | 6.944 | 36.453 |
| Switzerland | 6.151 | 12% | 5.082 | 9% | 5.082 | 49.713 |
| Others | 2.666 | 5% | 3.712 | 7% | 3.844 | 15.416 |
| of which Australia and New Zealand [b] | 355 | 1% | 1.551 | 3% | 1.551 | 0 |
| of which Hong Kong | 1.465 | 3% | 1.321 | 2% | 1.321 | 8.058 |
| of which Central & Eastern Europe [c] | 513 | 1% | 512 | 1% | 512 | 5.640 |
| **TOTAL** | **52.431** | **100%** | **56.792** | **100%** | **56.923** | **491.011** |
| Of which: | | | | | | |
| *Gross written premiums* | *50.918* | | *54.834* | | *54.962* | |
| *Fees and charges relating to investment contracts with no participating feature* | *350* | | *518* | | *518* | |
| *Fees, commissions and others revenues [d]* | *1.163* | | *1.440* | | *1.444* | |

*(a) Mediterranean & Latin American Region includes Spain, Italy, Portugal, Turkey, Greece, Morocco and Mexico.*
*(b) Following the disposal of the Australia & New Zealand operations on April 1, 2011, Australia & New Zealand only contribute to the first quarter of 2011*
*(c) Includes Poland, Hungary, Czech Republic and Slovakia.*
*(d) Includes revenues from other activities (mainly commissions and related fees on Mutual funds sales).*
*(e) Net of intercompany eliminations.*
*(f) Restated: the contribution of discontinued Canadian operations is reclassified on a separate line of the net income to present a comparable basis.*

## BREAKDOWN OF AXA'S LIFE & SAVINGS APE AND NBV

| *(in Euro million)* | Annual Premium Equivalent [(a)] 2011 | Annual Premium Equivalent [(a)] 2010 | New Business Value [(b)] 2011 | New Business Value [(b)] 2010 |
|---|---|---|---|---|
| France | 1,340 | 1,384 | 190 | 159 |
| United States | 1,018 | 986 | 136 | 122 |
| Japan | 463 | 465 | 346 | 354 |
| United Kingdom [(c)] | 535 | 545 | 29 | 29 |
| Germany | 506 | 464 | 112 | 96 |
| Belgium | 173 | 218 | 19 | 22 |
| Mediterranean & Latin American Region [(d)] | 432 | 553 | 73 | 91 |
| Switzerland | 397 | 283 | 160 | 124 |
| Others | 869 | 882 | 379 | 291 |
| of which Australia and New Zealand [(e)] | 0 | 283 | 0 | 44 |
| of which Hong Kong | 330 | 159 | 208 | 114 |
| of which Central & Eastern Europe | 213 | 274 | 41 | 56 |
| **TOTAL GROUP SHARE** | **5,733** | **5,780** | **1,444** | **1,290** |
| of which mature countries | 4,808 | 5,114 | 1,059 | 1,035 |
| of which high growth countries | 925 | 667 | 386 | 254 |

*(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 (NBV): 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. NBV is Group share.*

*(c) Retained business only for both 2011 and 2010.*

*(d) For APE and NBV: Mediterranean & Latin American Region includes Spain, Italy, Portugal, Turkey, Greece and Mexico.*

*(e) Following the disposal of the Australia & New Zealand operations on April 1, 2011, APE and NBV have not been calculated for Australia & New Zealand at year end 2011.*

## MARKETS AND COMPETITION

In the Life & Savings segment, AXA operates primarily in Western Europe (including France, the United Kingdom, Germany, Belgium, Switzerland and the Mediterranean Region), the United States and Japan. In addition, AXA offers investment and saving products as well as life and Health products in a number of other jurisdictions including Asia (notably Hong Kong, Indonesia, Thailand, China and Singapore), Central and Eastern Europe, Middle East and Latin America (Mexico). The products in these markets are offered through various distribution channels, including exclusive agents, salaried sales forces, brokers, 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 and distribution methods.

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 general account products;
- reputation, visibility and recognition of brand;
- ratings for financial strength and claims-paying ability; and
- changes in regulations that may affect the policy charge structure relating to commission and administrative charges and modify attractiveness to customers.

AXA competes with insurance companies and also with banks, asset management companies, investment advisers and other financial institutions for sales of savings-related investment products and, to a lesser extent, life insurance products.

The table below presents the main Life & Savings insurance markets in which AXA operates ranked by worldwide gross revenues in 2010, along with AXA's estimated ranking (by market share).

## INSURANCE MARKET - LIFE & SAVINGS

| | Based on worldwide gross revenues in 2010 | | | |
|---|---|---|---|---|
| | Country Statistics [a] | | AXA [b] | |
| Countries | Ranking | % revenues | Ranking | Market share |
| France | 4 | 8% | 5 | 7% |
| United States [c] | 1 | 20% | 8 [e] | 4% |
| Japan [c] | 2 | 18% | 11 | 2% |
| United Kingdom | 3 | 8% | 14 | 2% |
| Germany | 7 | 5% | 7 [f] | 5% |
| Belgium [c] | 20 | 1% | 3 | 13% |
| Mediterranean & Latin American Region | | | | |
| - Italy [c] [d] | 6 | 5% | 8 | 5% |
| - Spain [c] | 15 | 1% | 12 | 2% |
| - Portugal [c] | 25 | 1% | 8 | 3% |
| - Turkey [c] | 42 | 0% | 12 | 2% |
| - Mexico [c] | 30 | 0% | 6 | 5% |
| Hong Kong | 22 | 1% | 5 | 9% |
| Indonesia | 34 | 0% | 6 | 7% |
| Switzerland | 19 | 1% | 1 | 27% |

*(a) Source: Swiss Re, Sigma report 2011 «World Insurance in 2010». Percentages of revenues are based on the total of life premium volume.*
*(b) Source: AXA, mainly based on national insurance association data for each specific country.*
*(c) AXA's ranking and market share are based on updated September 2011 figures.*
*(d) Includes AXA MPS.*
*(e) Relates to Variable Annuity products.*
*(f) Considering all companies part of the Group of Public Insurers independently.*

For additional information on markets, see Section "Insurance and Asset Management Markets" included in "Part 1.3 – Activity Report" of this Annual Report.

## PRODUCTS AND SERVICES

AXA's Life & Savings products include a broad range of investment and savings products as well as protection and Health products marketed to individual and commercial clients. 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 generally can be invested either in the general account of the insurer, or in a choice of unit-linked funds. Also known as individual Variable Annuities in the United States, these products often include optional guarantees (for a fee) such as guaranteed minimum income benefit (GMIB), guaranteed minimum death benefit (GMDB) and guaranteed minimum withdrawal benefit (GMWB);

- pure savings products, which generally provide investment return through a crediting rate to policyholders, while AXA bears the investment risk;
- universal savings products, 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 defined period of time;
- whole life products, which provide a death benefit over a person's entire lifetime or up to a certain age, such as age 95 or 100, as long as the required premiums are paid;
- universal life products, which are bundled 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 a beneficiaries' lifetime.

Health products[(1)] generally offer reimbursement of medical expenses or provide medical services.

Mutual funds offered by insurance companies are generally open-ended funds operated by an investment management company, in accordance with a stated set of objectives.

AXA's Life & Savings products may be distinguished between:

- *participating contracts*, in which the policyholders participate in the excess assets over liabilities (the surplus) of – and therefore in the investment return and/or in part of the operating profits earned by – the insurance company issuing the contract by way of an interest or bonus payment;
- *contracts with the financial risk* borne by the policyholders (unit-linked), in which the investment risk (and reward) is generally borne by the policyholder while the issuing company earns fee income from managing the underlying assets.

## New Product Initiatives

To attract and retain clients, especially in the segments identified as strategic, AXA has developed solutions designed 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. AXA also aims to reuse across markets successful products and experiences developed for individual country markets.

*(1) Health products are classified either in Life & Savings or Property & Casualty, depending on the features of the products but also market practice specific to each country. For example Health product providing savings features or rider options are classified in the Life & Savings segment.*

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

## LIFE & SAVINGS SEGMENT

| (in Euro million, except percentages) | Gross written premiums by main product lines Years ended December 31, | | | | | Gross insurance liabilities at December 31, 2011 |
|---|---|---|---|---|---|---|
| | 2011 [b] | | 2010 Restated [c] | | 2010 Published | |
| Investment & Savings | 21,457 | 42% | 25,503 | 47% | 25,507 | 258,198 |
| Individual | 19,178 | 38% | 22,883 | 42% | 22,887 | 221,783 |
| Group | 2,279 | 4% | 2,620 | 5% | 2,620 | 36,415 |
| Life contracts (including endowment contracts) | 20,097 | 39% | 20,276 | 37% | 20,338 | 156,460 |
| Health contracts | 7,304 | 14% | 6,944 | 13% | 7,007 | 21,103 |
| Other | 2,062 | 4% | 2,111 | 4% | 2,111 | 10,025 |
| **Sub-Total** | **50,918** | **100%** | **54,834** | **100%** | **54,962** | **445,786** |
| Fees and charges relating to investment contracts with no participating features | 350 | | 518 | | 518 | 26,716 |
| Fees, commissions and other revenues [a] | 1,163 | | 1,440 | | 1,444 | |
| Liabilities arising from policyholder's participation | | | | | | 17,609 |
| Unearned revenues and unearned fees reserves | | | | | | 2,975 |
| Derivatives relating to insurance and investment contracts | | | | | | (2,076) |
| **TOTAL REVENUES AND LIABILITIES** | **52,431** | | **56,792** | | **56,923** | **491,011** |
| Of which: | | | | | | |
| *Contracts with financial risk borne by policyholders (unit-linked)* | *12,051* | *24%* | *12,285* | *22%* | *12,285* | *134,599* |

*(a) Includes revenues from other activities (mainly commissions and related fees on Mutual funds sales).*
*(b) Net of intercompany eliminations.*
*(c) Restated: the contribution of discontinued Canadian operations is reclassified on a separate line of the net income to present a comparable basis.*

## DISTRIBUTION CHANNELS

AXA distributes its products through exclusive and non-exclusive channels that vary from country to country. Proprietary channels include exclusive agents, salaried sales forces and direct sales. Non-proprietary channels include brokers, independent financial advisors, aligned distributors or wholesale distributors and partnerships.

- Exclusive agents are individuals or firms commissioned by a single insurance company to sell its products exclusively on its behalf. Tied agents are exclusive agents;
- Salaried sales forces are salespeople employed by a single insurance company (or an affiliated company) to sell the Company's products on an exclusive basis;
- Direct sales relate to all sales made through mail, telephone, and internet;
- Brokers are independent firms that negotiate with insurance companies on behalf of customers seeking coverage. As opposed to exclusive agents, brokers usually work with different insurance companies;
- Independent Financial Advisors (IFAs) are individuals or firms that provide financial advice to customers and negotiate related policies with insurance companies on behalf of customers. IFAs usually work with different insurance companies;
- 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;

- Distribution partnerships are generally structured as sales agreements between an insurance company and another company from the financial services industry, especially banks, or from another industry. This may take the form of a joint venture between the insurance company and its partner or a pure contractual distribution arrangement.

AXA's distribution strategy focuses on strengthening traditional channels and developing new ones, such as direct selling and partnerships. Staff hiring, retention of veteran staff, professionalism and commercial performance are the main initiatives to strengthen traditional distribution channels. To serve increasingly sophisticated and demanding customers, AXA believes that the diversification of its distribution channels through the development of new channels improves opportunities for increased penetration and more frequent contact with AXA's target customer base.

The split of distribution channels used by AXA's principal Life & Savings operations, based on consolidated gross revenues for the years ended December 31, 2011 and 2010, is presented below:

## BASED ON GROSS REVENUES IN 2011

| | Proprietary Network | Non Proprietary network |
|---|---|---|
| France | 49% | 51% |
| United States | 75% | 25% |
| Japan | 49% | 51% |
| United Kingdom | 50% | 50% |
| Germany | 57% | 43% |
| Belgium | 0% | 100% |
| Mediterranean & Latin American Region | 25% | 75% |
| Switzerland | 51% | 49% |

## BASED ON GROSS REVENUES IN 2010

| | Proprietary network | Non Proprietary network |
|---|---|---|
| France | 49% | 51% |
| United States | 76% | 24% |
| Japan | 48% | 52% |
| United Kingdom | 23% | 77% |
| Germany | 58% | 42% |
| Belgium | 0% | 100% |
| Mediterranean & Latin American Region | 19% | 81% |
| Switzerland | 52% | 48% |

## SURRENDERS AND LAPSES

For most Life & Savings products, fees and revenues accrue over time, while costs to the issuing company in the first year are generally 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 2011 amounted to €24,717 million and the ratio of surrenders and lapses to 6.2%. Total surrenders and lapses for 2011 and the ratio of surrenders and lapses to gross surrenderable insurance reserves at the beginning of the periods indicated are presented below for the main countries:

## SURRENDERS AND LAPSES

| | Years ended December, 31 | | |
|---|---|---|---|
| | 2011 | 2011 | 2010 |
| | Total surrenders & lapses | Surrenders & lapses ratio | |
| | (in Euro million) | % | % |
| France | 6,865 | 7.0% | 5.9% |
| United States [a] | 5,938 | 6.3% | 6.2% |
| Japan [b] | 2,630 | 6.8% | 7.9% |
| United Kingdom [c] | 1,875 | 11.0% | 14.1% |
| Germany | 639 | 1.8% | 1.7% |
| Belgium | 940 | 3.4% | 2.7% |
| Mediterranean & Latin American Region [d] | 3,965 | 11.3% | 8.5% |
| Switzerland | 838 | 2.4% | 2.4% |

*(a) Amounts and percentages reported for the United States operations exclude surrenders and lapses for corporate separate accounts.*
*(b) Includes conversions in Japan.*
*(c) Retained business only for both 2011 and 2010.*
*(d) Mediterranean & Latin American Region includes Spain, Italy, Portugal, Morocco, Greece, Turkey and Mexico.*

## AXA GLOBAL LIFE & SAVINGS

The Group has built up an organization by Global Business lines since early 2010 to support a new stage of its development. Life & Savings Global Business line, as part of its role to define a common strategy has set the following priorities:

- focus on in force optimization;
- increase productivity and efficiency;
- reshape the Savings business;
- actively grow Protection and Health.

# 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. In certain countries, Health products are classified as Property & Casualty products [1]. The Property & Casualty segment accounted for €27.0 billion, or 31% of AXA's consolidated gross revenues for the year ended December 31, 2011 (2010: €26.0 billion or 29%).

*(1) Some countries classify health activity in the Property & Casualty segment, while other countries classify it in the Life & Savings segment. AXA chooses to follow local classification.*

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 at the indicated dates.

## PROPERTY & CASUALTY SEGMENT

| *(in Euro million, except percentages)* | Gross revenues - Years ended December 31, 2011 [c] | | 2010 [b] Restated [d] | | 2010 [b] Published | Gross insurance liabilities at December 31, 2011 |
|---|---|---|---|---|---|---|
| France | 5,553 | 21% | 5,485 | 21% | 5,485 | 12,420 |
| Germany | 3,607 | 13% | 3,458 | 13% | 3,458 | 6,493 |
| United Kingdom & Ireland | 3,670 | 14% | 3,605 | 14% | 3,605 | 4,869 |
| Belgium | 2,080 | 8% | 2,031 | 8% | 2,031 | 6,238 |
| Mediterranean & Latin American Region [a] | 6,816 | 25% | 6,621 | 25% | 6,621 | 8,542 |
| Switzerland | 2,637 | 10% | 2,327 | 9% | 2,327 | 7,190 |
| Direct | 2,102 | 8% | 1,928 | 7% | 1,928 | 2,709 |
| Other Countries | 581 | 2% | 532 | 2% | 1,959 | 755 |
| **TOTAL** | **27,046** | **100%** | **25,986** | **100%** | **27,413** | **49,215** |
| Of which: | | | | | | |
| *Gross written premiums* | *26,972* | | *25,908* | | *27,335* | |
| *Other revenues* | *74* | | *78* | | *78* | |

*(a) Mediterranean and Latin American Region includes Spain, Italy, Portugal, Greece, Morocco, Turkey, Mexico and Gulf Region.*
*(b) Direct businesses have been excluded and presented on a specific line.*
*(c) Net of intercompany eliminations.*
*(d) Restated: the contribution of discontinued Canadian operations is reclassified on a separate line of the net income to present a comparable basis.*

## MARKETS AND COMPETITION

In the Property & Casualty segment, AXA operates mainly in the largest Western European markets, including France, Germany, the United Kingdom, Belgium, Switzerland and the Mediterranean Region. AXA also offers personal and commercial Property & Casualty insurance products in other countries in Central and Eastern Europe as well as in Asia (notably Singapore, Malaysia, Hong Kong, and Thailand), the Middle East and Latin America (Mexico). In addition, AXA operates at a global in Direct operations mainly in the United Kingdom, France, South Korea, Japan and Spain.

The nature and level of competition vary among the countries where AXA operates. AXA competes with other insurers in each of its Property & Casualty products and in all the markets where it operates. In general, the Property & Casualty insurance industry tends to be cyclical with surplus underwriting capacity leading to lower premium rates.

The principal competitive factors are as follows:

- price;
- quality of service;
- distribution network;
- brand recognition;
- ratings for financial strength and claims-paying ability; 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 2010, along with AXA's ranking (by market share).

## PROPERTY & CASUALTY MARKETS

| | Based on worldwide gross revenues in 2010 | | | |
|---|---|---|---|---|
| | Country Statistics [a] | | AXA [b] | |
| | Ranking | % revenues | Ranking | Market share |
| France | 5 | 5% | 1 | 16% |
| Germany | 2 | 7% | 3 [h] | 6% |
| United Kingdom [c] | 4 | 5% | 4 | 5% |
| Belgium [f] | 16 | 1% | 1 | 21% |
| Mediterranean & Latin American Region | | | | |
| Italy [d] [i] | 9 | 3% | 7 | 4% |
| Spain [f] [i] | 11 | 2% | 3 | 7% |
| Portugal [i] | 33 | 0% | 3 | 8% |
| Turkey [i] | 29 | 0% | 1 | 13% |
| Gulf Region [e] [g] | 19 | 1% | 7 | 8% |
| Mexico [i] | 21 | 1% | 1 | 13% |
| Japan | 3 | 6% | 10 | 0% |
| South Korea | 10 | 2% | 11 | 1% |
| Ireland [g] | 26 | 0% | 3 | 12% |
| Switzerland | 15 | 1% | 1 | 13% |

*(a) Source: Swiss Re, Sigma report 2011 «World insurance in 2010».*
*(b) Source: AXA, mainly based on national insurance association data for each specific country.*
*(c) United Kingdom: excludes Ireland.*
*(d) Includes AXA MPS.*
*(e) Gulf Region: includes Saudi Arabia, United Arab Emirates, Bahrain, Qatar and Oman. Rankings are calculated with the agregation of these 5 countries.*
*(f) Includes Health.*
*(g) AXA's ranking and market share based on December 2009 figures.*
*(h) Considering all companies part of the Group of Public Insurers independently.*
*(i) AXA's ranking and market share based on updated September 2011 figures.*

For more details on market description, refer to Part 1.3 – "Activity Report", Section "Insurance and Asset Management Markets".

## 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 tables below sets forth gross revenues and gross insurance liabilities by major product for the periods and as at the dates indicated:

## PROPERTY & CASUALTY SEGMENT

| | Gross Written Premiums Years ended December 31, | | | | | Gross insurance liabilities at December 31, |
|---|---|---|---|---|---|---|
| | | | 2010 | | | |
| *(in Euro million, except percentages)* | 2011 [a] | | Restated [b] | | Published | 2011 |
| **Personal lines** | | | | | | |
| Motor | 9,793 | 36% | 9,299 | 36% | 9,834 | 15,762 |
| Homeowners/household | 3,754 | 14% | 3,831 | 15% | 4,099 | 3,469 |
| Other | 2,557 | 9% | 2,790 | 11% | 2,806 | 4,134 |
| **Commercial lines** | | | | | | |
| Motor | 2,178 | 8% | 2,085 | 8% | 2,191 | 3,180 |
| Property damage | 2,727 | 10% | 2,392 | 9% | 2,635 | 2,770 |
| Liability | 1,583 | 6% | 1,377 | 5% | 1,538 | 7,565 |
| Other | 3,984 | 15% | 3,781 | 15% | 3,877 | 11,049 |
| **Other** | **396** | **1%** | **355** | **1%** | **355** | **948** |
| **TOTAL** | **26,972** | **100%** | **25,908** | **100%** | **27,335** | **48,879** |
| Liabilities arising from policyholders' participation | | | | | | 329 |
| Derivatives relating to insurance and investment contracts | | | | | | 6 |
| **TOTAL** | | | | | | **49,215** |

*(a) Net of intercompany eliminations.*
*(b) Restated: the contribution of discontinued Canadian operations is reclassified on a separate line of the net income to present a comparable basis.*

## 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 sales and banks and other partnerships, including car dealers. In Continental Europe, the same distribution channels are used by both AXA's Life & Savings and Property & Casualty operations. For a description of these distribution channels, please refer to the "Distribution channels" Section in the Life & Savings segment of this Part 1.2.

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

The split of distribution channels used by AXA's Property & Casualty operations (excluding Direct), based on gross revenues for the year ended December 31, 2011 and 2010, is presented below:

| Based on gross revenues in 2011 | Proprietary network | Non Proprietary network |
|---|---|---|
| France | 70% | 30% |
| Germany | 49% | 51% |
| United Kingdom [a] | 26% | 74% |
| Belgium | 2% | 98% |
| Mediterranean and Latin American Region | 44% | 56% |
| Switzerland | 77% | 23% |

*(a) Including Ireland.*

| Based on gross revenues in 2010 | Proprietary network | Non Proprietary network |
|---|---|---|
| France | 73% | 27% |
| Germany | 50% | 50% |
| United Kingdom [(a)] | 26% | 74% |
| Belgium | 2% | 98% |
| Mediterranean and Latin American Region | 46% | 54% |
| Switzerland | 76% | 24% |

*(a) Including Ireland.*

## AXA GLOBAL PROPERTY & CASUALTY

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, in order to protect Group solvency and reduce volatility on key financial indicators. The majority of AXA's Property & Casualty insurance exposures are ceded internally to AXA Global Property &Casualty (formerly AXA Cessions), which organizes external reinsurance programs. Total gross premiums ceded by AXA's Property & Casualty operations to third party reinsurers in 2011 amounted to€1,462 million (2010: €1,327 million [(3)]).

Since 2010, AXA Global P&C manages the Property & Casualty Global Business line of the Group. In that context, AXA Global P&C defines the common P&C strategy and objectives. AXA Global P&C is responsible for managing activities that have been identified as being critical to the profitability and growth of the Group's property-casualty business: cost control, optimized claims management, creation of a professional family made up of P&C professionals to build up the quality of technical expertise, dedicated offer to small and medium size entities, excellence in underwriting standards and pricing policy.

# International insurance Segment

Operations in this segment are principally focused on large risks, reinsurance and assistance. The insurance products, offered by 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 directors and officer liability. In addition, AXA Liabilities Managers is the Group's specialized unit in charge of managing the AXA Group's Property & Casualty run-off portfolios including risks underwritten by Colisée RE (ex AXA RE) for all periods prior to and including 2005 when Colisée RE's business was sold. Reinsurance operations (Colisée RE) principally focus on property damage, third party liability, marine and aviation property, and third-party liability reinsurance. The reserves corresponding to the ceded business are fully reinsured by Partner RE, with Colisée RE, however, retaining the risk of any deviation (positive or negative) as compared to the reserves constituted as at January 1, 2006 in respect of occurrence years 2005 and prior.

The businesses of the International Insurance activities are described below. The International Insurance segment accounted for €2.9 billion or 3% of AXA's consolidated gross revenues for the year ended December 31, 2011 (2010: €2.8 billion or 3%).

- **AXA Corporate Solutions Assurance** is the AXA Group subsidiary dedicated to worldwide Property & Casualty insurance of large national and multinational corporations, and to Aviation, Marine and Space insurance;
- **AXA Global Life and AXA Global P&C** (ex-AXA Cessions) are two intra-group reinsurance companies in charge of analysis, structure and placement of reinsurance treaties on behalf of AXA Group insurance companies after a selection of third party reinsurers. AXA Global P&C activity is mainly driven by its Property pool which provides AXA entities with cover on natural catastrophes;
- **AXA Assistance** provides assistance services including medical aid for travelers, automobile-related road assistance, home assistance and health-related services mainly to banking and insurance companies, tour operators, telecommunications operators, gas, water and electricity utilities and automobiles manufacturers. AXA Assistance has also developed its expertise in the home services market;

*(3) Excluding amounts ceded by Canada.*

- **AXA Liabilities Managers** is the Group's 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 some Accident and Health run-off portfolios in the US and a number of stand-alone run-off companies in the "Other International Activities" segment. In connection with the disposal of AXA's reinsurance activities, AXA Liabilities Managers also manages the run-off of Colisée RE as noted above;
- **AXA Corporate Solutions Life Reinsurance Company** is a reinsurance company in the United States, in run-off, notably managing a book of reinsurance contracts of Variable Annuities with guaranteed minimum death (GMDB) and income benefits (GMIB).

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 at the dates indicated:

## INTERNATIONAL INSURANCE

| *(in Euro million, except percentages)* | Gross revenues Years ended December 31, 2011 [b] | | 2010 [b] | | Gross insurance liabilities at December 31, 2011 |
|---|---|---|---|---|---|
| AXA Corporate Solutions Assurance | 1,986 | 69% | 1,931 | 68% | 5,844 |
| AXA Global Life and Global P&C [a] | 71 | 2% | 50 | 2% | 456 |
| AXA Assistance | 750 | 26% | 772 | 27% | 271 |
| Other international activities | 69 | 2% | 95 | 3% | 3,044 |
| *of which* | | | | | |
| *P&C Run-off portfolios* [c] | *10* | *0%* | *24* | *1%* | *2,410* |
| *AXA Corporate Solutions Life Reinsurance* | *58* | *2%* | *71* | *2%* | *634* |
| **TOTAL** | **2,876** | **100%** | **2,847** | **100%** | **9,614** |
| *Gross written premiums* | *2,679* | | *2,649* | | - |
| *Other revenues* | *197* | | *199* | | - |

*(a) Formerly AXA Cessions.*
*(b) Net of intercompany eliminations.*
*(c) Includes Colisée RE.*

## MARKET AND COMPETITION

**AXA Corporate Solutions Assurance.** The competitors in the global risks market are acting at a worldwide level with multinational clients placing their risks far beyond their countries of origin via international programs or in key global market places. In this market, AXA Corporate Solutions Assurance, AXA's subsidiary dedicated to worldwide Property & Casualty insurance of large national and multinational corporations, and to Aviation, Marine and Space insurance, is amongst the top five players in Europe.

**AXA Assistance** is one of the three leading worldwide assistance companies, in a market where traditional assistance companies are developing their activities outside their home markets, while new players are focusing on a limited product line.

## PRODUCTS AND SERVICES

**AXA Corporate Solutions Assurance** provides global insurance programs to large international corporations that require coverage for all their worldwide locations. AXA Corporate Solutions Assurance underwrites large insurance risks such as property damage, liability, construction risks, Motor fleet, marine and aviation. AXA also offers loss-prevention and risk management services.

**AXA Assistance** provides both emergency and daily services and health management through a new range of products and claims management. AXA Assistance has developed its expertise in managing crisis situations, whether they are of a political nature, health-related nature or linked to natural disasters.

The table below presents the International Insurance segment's gross revenues and gross insurance liabilities by major product for the periods and at the dates indicated:

## INTERNATIONAL INSURANCE

| | Gross written premiums Years ended December 31, | | | | Gross insurance liabilities at December 31, 2011 |
|---|---|---|---|---|---|
| *(in Euro million, except percentages)* | 2011 [(a)] | | 2010 | | |
| Property damage | 598 | 22% | 557 | 21% | 1,601 |
| Motor, Marine, Aviation | 883 | 33% | 759 | 29% | 2,365 |
| Casualty/Civil Liability | 498 | 19% | 444 | 17% | 4,058 |
| Other | 700 | 26% | 889 | 34% | 1,578 |
| **TOTAL** | **2,679** | **100%** | **2,649** | **100%** | **9,601** |
| Derivatives relating to insurance and investment contracts | | | | | 13 |
| **TOTAL** | | | | | **9,614** |

*(a) Net of intercompany eliminations.*

## 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, Switzerland, Mediterranean and Latin American Region, Belgium, the United Kingdom and Germany, AXA distribution networks offer assistance services among their portfolio of 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 lines of business in order to manage concentration risk. In 2011, AXA Corporate Solutions Assurance ceded €855 million of premiums (2010: €842 million) to third-party reinsurers.

Also, in 2011, approximately €856 million of premiums were placed externally by AXA Global Life and AXA Global Property & Casualty (ex-AXA Cessions) on behalf of AXA's insurance subsidiaries (2010: €815 million), mainly for Property & Casualty business but also for Life & Savings business.

# Asset management Segment

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 where it operates. For the years ended December 31, 2011 and 2010, the Asset management segment accounted for €3.3 billion, or 4% of AXA's consolidated gross revenues.

AXA's principal Asset management companies are AllianceBernstein and AXA Investment Managers. These companies manage assets on behalf of institutional clients, retail investors and private clients, as well as on behalf of companies affiliated with AXA and operate in each of AXA's 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 such companies on these assets for the indicated dates and periods.

## ASSETS MANAGEMENT SEGMENT

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Assets managed by AXA's Assets managers at December 31,** [a] | | |
| Managed on behalf of third parties [b] | 420,297 | 453,238 |
| Assets backing contracts with financial risk borne by policyholders | 34,496 | 39,720 |
| Other invested assets | 392,613 | 384,999 |
| **TOTAL** | **847,406** | **877,957** |
| Of which | | |
| AllianceBernstein | 335,043 | 362,081 |
| AXA Investment Managers | 512,363 | 515,876 |
| **Commissions and fees earned for the years ended December 31,** | | |
| AllianceBernstein | 2,038 | 2,203 |
| AXA Investment Managers | 1,563 | 1,482 |
| **Sub-Total** | **3,601** | **3,685** |
| Intercompany eliminations | (332) | (357) |
| **Contribution to AXA's consolidated gross revenues** | **3,269** | **3,328** |

*(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 €1,064.6 billion as of December 31, 2011.*

*(b) Includes assets managed on behalf of Mutuelles AXA.*

## MARKET AND COMPETITION, PRODUCTS AND SERVICES, AND DISTRIBUTION CHANNELS

### AllianceBernstein

AllianceBernstein, a 64.6% subsidiary, is a leading global investment management firm based 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 and its insurance company subsidiaries (which collectively are AllianceBernstein's largest client). AllianceBernstein Holding L.P.is listed on the New York Stock Exchange under the ticker symbol "AB".

AllianceBernstein provides diversified Asset management and related services globally to a broad range of clients including:

- diversified investment management services through separately managed accounts, hedge funds, Mutual funds, and other investment vehicles to 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
- research portfolio analysis and brokerage-related services for institutional investors and equity capital markets services for issuers of publicly traded securities.

At December 31, 2011, AllianceBernstein had €335.0 billion of assets under management, including €242.2 billion of assets managed on behalf of third party clients (2010: €362.1 billion and €277.2 billion, respectively).

### AXA Investment Managers ("AXA IM")

AXA IM, headquartered in Paris, is a significant 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 Mutual funds 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.

At December 31, 2011, AXA IM had €512.4 billion of assets under management, including €178.1 billion of assets managed on behalf of third party clients (2010: €515.9 billion and €176.0 billion, respectively).

## Banking Segment

The operations in the Banking segment are conducted primarily in Belgium, France, Germany, Switzerland and Central & Eastern Europe. For the years ended December 31, 2011 and 2010, the Banking segment accounted for €0.5 billion each year, or less than 1% of AXA's consolidated gross revenues.

This segment's operations principally include:

### BELGIUM

AXA Bank products and services in Belgium are mainly distributed by a network of 991 exclusive independent bank agents. The bank's products and offers are linked with insurance business and are primarily focused on retail products. AXA Bank Europe is ranked sixth on the Belgian banking market where the four major banks represent approximately 75% of the market.

### FRANCE

Based in Paris, AXA Banque had 746,883 registered customers at the end of 2011, with a retail banking product offer (innovative current accounts with advantages on insurance premiums, savings and credit). Directly linked with the Group's insurance business, banking products are offered to AXA France clients through its distribution networks. AXA Banque also manages direct clients through internet banking relationships.

### GERMANY

AXA Bank targets private customers in retail banking and is an important element of pension and asset management business of AXA Germany. The Bank had approximately 62,000 clients at year-end 2011. The major activities of AXA Bank are deposits and Mutual funds. These products are mainly sold through the tied agent network of AXA Germany.

### SWITZERLAND

The commercial activity of AXA Bank in Switzerland was launched in January 2009 as a branch of AXA Bank Europe. As announced on November 15, 2011, AXA Bank decided to close its Swiss operations as part of a cooperation agreement with bank zweiplus. The agreement will allow AXA to offer and distribute short and mid-term savings and investment products through its own distribution channel more effectively. AXA Bank has transferred its customer deposit portfolio to bank zweiplus.

### HUNGARY

AXA Bank Hungary (formerly Ella Bank) became a branch of AXA Bank Europe in January 2009. Acquired in July 2007, it works in collaboration with AXA's insurance operations in Hungary. Following the recent Hungarian Government legislation, AXA Bank Hungary has stopped its lending activity and refocused solely on retail deposit business.

### CZECH REPUBLIC AND SLOVAKIA

The commercial activity of AXA Bank in Czech Republic and Slovakia was launched in February 2010 and in April 2011 respectively. The bank's product offer consists of savings accounts. These are distributed by existing AXA sales networks in Czech Republic and Slovakia and over the internet.

# 1.3 ACTIVITY REPORT

## Insurance and Asset Management markets

### LIFE & SAVINGS

**France** [1]. The Life & Savings market decreased by -12% in 2011, mainly due to a -14% drop in Savings. General account participating contracts representing 86% of the Savings market dropped by -15%, whereas unit-linked (14% of the Savings market) fell by -9%. The 2011 decrease was both in traditional distribution and in bancassurance channels. The market growth was +1% for Protection & Health. Overall, based on 2011 market data, AXA ranked 3rd with a market share of 8.5%.

In Savings, the level of surrenders increased significantly, leading to net cash flows dropping by -78% but remained positive for the year.

**United States** [2]. After a difficult sales environment for Life Insurance and Annuities in 2009 and 2010, industry sales figures in 2011 stabilized and showed improvements over 2010:

- in the Life Insurance market, total sales grew by 5% in 2011. Variable Life product sales increased by 16%, following a 4% growth in 2010. A good portion of the increase can be attributed to corporate-owned, bank-owned and private placement sales. Overall Universal Life Sales grew by 8% primarily driven by Indexed Universal Life which grew 38% from the previous year. This can be attributed to growth in products featuring long-term secondary guarantees and non-guaranteed products, as well as a notable influx of new carriers. Whole Life sales increased by 7% and remain an attractive offer during uncertainty in the financial markets. Term Insurance sales decreased by 7%, most notably due to price increases and withdrawals in product offerings;
- in the Annuity market, total sales increased by 11% in 2011. Variable Annuity industry sales increased by 17% as guaranteed living benefits continue to drive sales. During 2011 a number of insurers have withdrawn from the marketplace or have reduced benefits or increased charges. The top 3 Variable Annuity players continue to dominate the market, representing 44% market share, compared with 39% one year earlier. Fixed Annuity sales declined by 1% after a 27% decline in 2010 as production remained muted given the low interest rate environment and concerns on new business capital strain.

*(1) Sources: FFSA as of December 2010 for the ranking and FFSA as of December 2011 for the market share.*

*(2) Please note that numbers quoted for market data (Life and Annuity) are for nine months ended September 30, 2011 vs. nine months 2010. Source: LIMRA (annualized first year premiums excluding drop-in premiums) and MARC annuity sales (first year and renewal premiums excluding replacements), Employer Sponsored sales only includes K-12 market.*

In Life, AXA ranked 7th with a 3.8% market share. In Variable Annuities, AXA ranked 8th with a 4.4% market share.

**United Kingdom**. The United Kingdom Life Pensions and Investment market increased by 8% (1) on an Annual Premium Equivalent (APE) basis (2) following equity market gains in the first half of 2011, whilst the Wealth Management market (3) increased by 7% driven by Mutual funds sales volumes. Funds under management on platforms grew by 27% (4) helped by continuing asset inflows.

- Elevate Wrap Platform grew its distribution capability and reputation in its third year of operation, with funds under management increasing by 55% to reach 2.2% market share;
- AXA Wealth Management's IFA business had a market share of 11.3% (5) in terms of APE;
- Sun Life Direct Protection business had a 3.4%(1) market share in terms of total protection APE and 41.0%(5) in terms of Direct Protection market only.

**Japan** (6). The market grew by 1.7% in terms of premiums. General account Savings products drove the market growth, especially in bancassurance, while Variable Annuity shrank, reflecting stagnant Japanese stock market and uncertain global economic outlook. On the other hand, pure Protection segment continued to remain stable. Sum insured per household declined whereas Medical segment remained stable and competition intensified. AXA had a market share of 2.3% and ranked 11th based on premium income (8th in Medical segment).

**Germany** (7). The market (incl. Pension funds) decreased by 5.7%, in 2011, due to a decrease in single premiums (-18.5%), after a strong peak in 2010. German Private Health reforms led to a 4.5% growth in the Health insurance market (8). In 2010, AXA ranked 7th in the Life market with a 5.0% market share and 5th in the Health market with a 6.9% market share (9).

**Switzerland** (10). The market increased by +3.3%, despite volatility in financial markets with lasting record-low interest rates and continuing economic uncertainties. The increase is mainly resulting from substantial growth in Group Life (+5.3%) related to a lasting strong demand from small and medium size enterprises for fully financed solutions. In this context, AXA achieved a growth rate of +9.3% in gross revenues compared to the previous year and confirmed its leader position in Group Life with a market share above 32.0%. The market volume in the Individual Life business decreased by -1.3% mainly as a result of declining single premiums. AXA's decrease in Individual Life gross revenues amounted to -0.8% reflecting the reduction in unit-linked premium volume partly compensated by higher premiums from traditional products with guarantees.

**Belgium** (11). In 2011, the market suffered from the low guaranteed interest rates offer and the fierce competition from short term banking products throughout the year. As a result, Individual product market decreased by -5%, mainly due to lower volumes of general account individual products (-7%) partly offset by increase of individual unit-linked products (+10%). Group Life market kept growing moderately, still limited by legal constraints on pension contracts. AXA maintained its third position with a market share of 13%.

**Central and Eastern Europe** (12). The Life & Savings market increased by 6% in Poland, by 6% in Czech Republic and Slovakia and decreased by 1% in Hungary. AXA's market share in the region increased to 3.3%. AXA ranked 10th in Hungary, 9th in Czech Republic, 8th in Slovakia and 12th in Poland. The Pension Funds market - in term of assets under management - increased by 8% in Czech Republic, by 19% in Slovakia, by 4% in Poland and by 1% in Hungary (voluntary Pension Fund: Pillar III only). AXA's position was stable with a market share of 8% in the region. AXA ranked 2nd in Czech Republic and Slovakia, and 5th in Poland and Hungary. The mandatory Pension Fund in Hungary (Pillar II) has been nationalized by law voted on December 13, 2010, and related existing assets under management were transferred to the State. Thus in 2011, only voluntary Pension Fund (Pillar III) remained. In Poland, 70% of the new employees' contribution has been reallocated from mandatory Pension Funds (Pillar II) to State funds (Pillar I) by law voted in July 2011.

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(1) *Source: ABI/MSE© 2010 Association of British Insurers, nine months ended September 30, 2011 vs. nine months 2010 and Pridham reports to September 30, 2011.*

(2) *Annual Premium Equivalent (APE) is new regular premium plus 10% of single premiums.*

(3) *Includes platform Mutual funds. Excludes annuities.*

(4) *Platform report September 30, 2011, AXA estimates.*

(5) *Source: ABI/MSE© 2010 Association of British Insurers, nine months to September 30,2011 versus nine months to September 30, 2010.*

(6) *Source: Insurance Research Institute (excluding Kampo Life), and financial statements of the companies. Premiums are for the twelve months ended September 30, 2011.*

(7) *Source: http://www.gdv.de.*

(8) *In line with "Verband der privaten Krankenversicherung e.V." (association of private health insurers.)*

(9) *Source: Market Factbook 2010.*

(10) *Source: SIA (Swiss Insurance Association) publication "Jahresmedienkonferenz 2012" as per February 3, 2012. Market share is based on statutory gross written premiums.*

(11) *Source: Assuralia (Belgium Professional Union of Insurance companies). Based on September 30, 2011 figures (measured on gross written premiums).*

(12) *Source: estimate based on September 2011 data from Czech association of insurance companies, "Report of the Association of Hungarian Insurance Companies (Mabisz)", Hungarian Financial Supervisory Authority (PSZAF) website, Polish Financial Supervision Authority website and Statistics of Slovak Insurance Association.*

**Mediterranean and Latin American Region**

- In **Spain** [1], the market grew significantly by +18.5% due to a higher customer appetite for insurance products in a context of less competition from banks;
- In **Italy** [2], the market decreased by -18.7% notably due to the positive impact of a fiscal amnesty in 2010;
- In **Portugal** [3], the market experienced a significant decrease (-39.8%) driven by the negative performance of capitalization products;
- In **Greece** [4], the market remained affected by the economic crisis and experienced a decrease of -13.8% due to the drop in household revenues and the decrease of equity market;
- In **Turkey** [5], market experienced a significant growth of +30.1% mainly explained by the shift from bank Savings products to insurance products;
- In **Morocco** [6], driven by the financial crisis the market experienced a limited growth of 2%;
- In **Mexico** [7], the market grew by +11.1% driven by Individual lines (+13.7%).

| | Ranking | Market share (%) |
|---|---|---|
| Spain | 12 | 2.2 |
| Italy | 8 | 5.1 |
| Portugal | 8 | 2.6 |
| Greece | 8 | 3.5 |
| Turkey | 12 | 2.0 |
| Morocco | 4 | 9.0 |
| Mexico | 6 | 4.7 |

**Hong Kong** [8]. The market recorded a growth of 18.2% for in-force business. The Life insurance market remained concentrated with the top 10 players, accounting for 81% market share. AXA ranked 5th with a market share of 8.5%.

**South-East Asia, India and China.**

- **Indonesia** [9]. The market was up 20% in terms of APE, of which over 60% came from unit-linked products. Such increase was mainly driven by the continuing expansion of the middle class and the increasing awareness to own a life insurance policy. AXA ranked 2nd in new business with an increasing market share at 15.3%;
- **Thailand** [10]. The market recorded a growth of 12% in terms of APE. While short-term traditional Savings products with guarantees continued to be the most popular, demand for Creditor and Protection products has been increasing. AXA ranked 6th with a market share of 8.4%;
- **Singapore** [11]. The Life Industry performed strongly with a 29% increase in terms of APE. The market is concentrated with the top four players, accounting for about 70% of market share. AXA ranked 13th with a market share of 2%.

*(1) Source: Spanish Association of Insurance Companies. ICEA as of September, 30, 2011.*

*(2) Source: Italian GAAP as of September 2011. Ranking as of December 2010, source: Associazione Nazionale Imprese Assicuratrici (ANIA).*

*(3) Source: Portuguese Insurance Association as of September 30, 2011.*

*(4) Source: Hellenic Association of Insurance Companies as of June 30, 2011.*

*(5) Source: Turkish Association of Insurance Companies as of September 30, 2011.*

*(6) Source: Moroccan Association of Insurance Companies as of December 31, 2010.*

*(7) Source: AMIS: Asociacion Mexicana de instituciones de Seguros as of September 30, 2011.*

*(8) Source: Office of Commissioner statistics as of September 30, 2011 (measured on individual life in-force business).*

*(9) Source: AAJI statistics as of September 30, 2011 (measured on APE).*

*(10) Source: TLAA statistics report as of October 30, 2011 (measured on APE).*

*(11) Source: LIAstatistics as of September 30, 2011 (measured on APE).*

- **India** [(1)]. The market has seen a dip of 16% in terms of APE following a change in regulation pushing insurance players to move away from unit-linked Pension Plans. AXA ranked 18th amongst the private players with a market share of 0.9%;
- **China** [(2)]. The market saw a negative growth of 7.4% in total premium income, due to multiple external challenges including regulatory controls on bank distribution, high bank deposit rates providing competition for Savings. AXA ranked 10th among foreign players and 31st in the overall market.

## PROPERTY & CASUALTY

**France** [(3)]. The market grew by 4% in 2011. Commercial and Personal Motor business increased by 3%, driven by tariff increases. Household market increased by 6.3%, driven by the rise of the construction index and tariff increases. In Commercial lines (other than Motor), Property increased by 3% whereas Construction was up by +1% and Liability was flat. AXA ranked 2nd with a market share of 14.5%.

**United Kingdom & Ireland.** AXA ranked 4th in the United Kingdom with a market share of 5.3% [(4)] overall.

- The UK Personal lines market [(5)] grew by 8% [(6)]. The Motor market continued to harden in 2011 and experienced high claims predominantly due to an increase in personal injury claims fuelled by increasing numbers of lawyers offering claims compensation services. Overall AXA ranked 4th in Personal lines with a 6% market share. AXA ranked 5th in Personal Motor with a strong Direct component and 5th in Personal household;
- Commercial lines market increased by 2% [(7)], the first year of growth since 2004. However, the UK market is still impacted by soft pricing and a lack of economic growth. AXA ranked 6th with a market share of 5%;
- In the UK Healthcare market AXA remained 2nd with a market share of 25.2% [(8)].

In Ireland, AXA maintained its position as the number 1 [(9)] Motor insurer and grew its premium and policy volumes despite a market contraction.

**Germany** [(10)]. In 2011, premiums increased by 2.5%, with Motor segment contributing strongly with 3.5% growth. Commercial lines continue to face strong competition in the market. AXA ranked 4th in the Property & Casualty market with a market share of 5.8% [(11)].

**Switzerland** [(12)]. The Property & Casualty market grew by 1.4%. The Swiss market is still saturated and very competitive with a continuing pressure on prices, especially in Commercial lines. AXA maintain edits position as market leader in Property & Casualty with a market share of 13%.

**Belgium**. The market increased by +3.2% in line with inflation [(13)]. The Motor segment continued its upward trend and grew by 3.8% mainly as a result new car sales and tariff increases by main players. The Household & Property market segment reversed the downwards trend of 2010 and grew by 4.6% mainly due to the Belgian construction indexation (ABEX) while Workers Compensation market decreased by 1%. AXA remained the market leader with approximately 21% market share.

**Mediterranean and Latin American Region.**

- In **Spain** [(14)], the persistent economic conditions caused the market to remain flat during the period: Motor (-2%) and Health (+3%);
- in **Italy** [(15)], the market grew by 3% driven by Motor (+3%);

*(1) Source: IRDA statistics as of November 30, 2011 (measured on APE).*

*(2) Source: CIRC statistics as of September 30, 2011 (new business measured on APE).*

*(3) Source: FFSA (including French mutual insurance company).*

*(4) Source: Based on 2010 FSA Returns.*

*(5) Excluding Accident and Health.*

*(6) Source: Datamonitor, Standard and Poors, ABI.*

*(7) In 2010.*

*(8) Source: Laing & Buisson Health Care & Cover Report 2010.*

*(9) Source: Irish Insurance Federation & Northern Ireland Driver & Vehicle Agency, June 30, 2011. No official overall ranking published since 2009 where AXA ranked 3rd in Ireland.*

*(10) Source: http://www.gdv.de.*

*(11) Source: Market Factbook 2010.*

*(12) Source: SIA (Swiss Insurance Association) publication "Jahresmedienkonferenz 2012" as per February 3,2012.*

*(13) Based on September 30, 2011 figures.*

*(14) Source: Spanish Association of Insurance Companies. ICEA as of September, 30, 2011.*

*(15) Source: Italian GAAP as of September 2011. Ranking as of December 2010, source: Associazione Nazionale Imprese Assicuratrici (ANIA).*

- in **Portugal** [1], the market remained stable with different performances by Line of Business: Motor (+1%), Health (+3%) and household (+4%) increased while Workers Compensation (-3%) decreased;
- in **Greece** [2], as a result of the downturn in the economy and the contraction in household income, the market decreased by 6% with a significant decrease in Motor and in Marine;
- in **Turkey** [3], the market experienced a significant increase of 21% supported by a strong increase in car sales;
- in the **Gulf Region** [4], the market grew by 12% in Saudi Arabia driven by mandatory Health insurance, representing 50% of the whole market, growing by 52%, while the insurance market grew by 32% in United Arab Emirates;
- in **Morocco** [5], the market increased by 7% driven by Motor (+7%);
- in **Mexico** [6], the market grew by 9% driven by Motor (+12%) and Health (+10%), excluding one large outsourcing insurance contract.

| | Ranking | Market share (%) |
|---|---|---|
| Spain | 3 | 7.3 |
| Italy | 7 | 4.3 |
| Portugal | 3 | 8.0 |
| Greece | 12 | 3.3 |
| Turkey | 1 | 13.5 |
| Morocco | 3 | 15.7 |
| Mexico | 1 | 13.2 |
| Gulf | 7 | 7.9 |

**Direct** [7]. AXA Direct business ranked 1st in France, Portugal, Belgium and South Korea, 2nd in Spain and Poland, 6th in the United Kingdom and 7th in Japan among Direct players.

**Asia.**

- **Singapore** [8] insurance market grew by 15% [9] in 2011. AXA ranked 3rd in Motor, 2nd in Marine and 1st in Health. AXA's market share stood at 9%;
- **Malaysia** [10] insurance market grew by 7% driven by Medical. AXA ranked 1st in Financial Guarantees, 3rd in Marine Cargo and overall ranked 7th with a 5% market share;
- **Hong Kong** [11] insurance market grew by 9%. AXA ranked 9th with a 3% market share.

## INTERNATIONAL INSURANCE

Players in the global risks market are acting at a worldwide level with multinational clients placing their risks far beyond their countries of origin via international programs or in key global market places. In this market, AXA Corporate Solutions Assurance, AXA's subsidiary dedicated to worldwide Property & Casualty insurance of large national and multinational corporations, and to Aviation, Marine and Space insurance, is amongst the top five players in Europe. After several years of soft underwriting conditions, corporate risks insurance pricing conditions continued to tighten in 2011.

*(1) Source: Portuguese Insurance Association as of September 30, 2011.*

*(2) Source: Hellenic Association of Insurance Companies as of June 30, 2011.*

*(3) Source: Turkish Association of Insurance Companies as of September30, 2011.*

*(4) Sources: KSA Tadawul website, Dubai stock exchange (Abudhabi stock exchange), as of December 31, 2009.*

*(5) Source: Moroccan Association of Insurance Companies as of December 31, 2010.*

*(6) Source: AMIS: Asociacion Mexicana de instituciones de Seguros as of September 30, 2011.*

*(7) Source: AXA estimates.*

*(8) Source: Monetary Authority of Singapore.*

*(9) Based on September 30, 2011 figures.*

*(10) Source: ISM – Insurance Services Malaysia Berhad as of December 30, 2011.*

*(11) Source: Hong Kong Insurance Authority website.*

### ASSET MANAGEMENT

After a promising first half of 2011, with positive inflows into equities which were a sign of confidence in the recovery of financial markets, the Industry suffered from the development of the Euro crisis in the summer. Investors moved during the second half of 2011 from a "risk-on" to a "risk-off" mode with liquidity and capital protection remaining at the top of their agenda. As a consequence, strong outflows from money market funds in the first half of 2011 reverted in positive during the last quarter while strong outflows from Emerging markets equities occurred despite structural attractiveness of Emerging markets.

Significant geographic moves have been observed in the second half of 2011 with investors outside the Euro zone reducing their Euro zone allocation in favor of the rest of the world and Euro zone investors reallocating part of their Euro bonds portfolio to domestic government bonds.

In the asset management market, AXA Investment Managers ranked 15th [(1)] and AllianceBernstein 21st [(1)] based on assets under management. On a combined basis, AXA ranked 10th.

## Financial market conditions in 2011

After an economic rebound in the first quarter of the year, the economic growth was hit by the earthquake in Japan and persistent sovereign worries in the Euro area. World GDP growth decreased from 4.9% in 2010 to 3.8%. In the industrialised countries, growth is expected at 1.6% while in the Emerging countries, growth is expected to reach 6.3% supported by China (9.2%) and India (7.3%) despite a slowdown in the last quarter. Industrialised countries growth is mainly supported by the United States (1.6%) while GDP growth in the Euro zone is expected to reach 1.5%.

During the second half of the year, business climate indicators continued their downward spiral, although there was a notable improvement right at the end of the year in the United States. The United States registered an improvement in the jobs market with a rise of 200,000 non-agricultural jobs created in December 2011, and higher growth than expected in the manufacturing sector. To support its economy, the Fed confirmed its decision to maintain its key short-term rates close to zero until at least mid-2013.

Except in Germany, business activity indicators declined in the Euro area during the year with the intensification of the sovereign debt crisis and the tightening of credit conditions. Interest rates rose significantly in an increasing number of countries, with Germany being one of the few countries in the zone to be almost spared by this trend.

In that context, most governments of the Euro zone began negotiations for the preparation of a new stricter budgetary pact. The ECB continued its Security Market Programs, in August and November, notably to buy Spanish and Italian debt on the secondary market. To ease bank liquidity, the ECB lowered its key rate to 1%, in December 2011 and extended its three-year refinancing operations.

In Japan, after a marked decline in business activity during the first half-year due to the consequences of March earthquake, the economy posted a strong recovery during the third quarter. The beginning of the reconstruction work sustained activity, in particular driving a turnaround in housing investments.

Due to decrease in exports, particularly to the European Union, major emerging market central banks started offering support to their economies by cutting official rates in the second half of 2011, following the trend observed in the developed markets. At the beginning of December, the People's Bank of China eased its monetary policy by reducing its reserve requirement ratio in order to sustain growth.

### STOCK MARKETS

2011 was a challenging year for equity markets, notably as a result of uncertainties in the Euro zone as well as in Japan. The last quarter of 2011 was more favorable to equity markets arising from an improved business climate in the United States. The global performance figure, -8% for the MSCI World Index over the year, hides substantial variations among countries. The United States outperformed Europe reflecting stronger fundamentals.

Overall, the Dow Jones in New York increased by 6% in 2011 and the S&P 500 ended almost exactly flat compared to December 31, 2010. The FTSE in London fell 6% in 2011 while the CAC 40 in Paris decreased by 16.9% and the Nikkei in Tokyo depreciated by 17.4%.

The MSCI G7 decreased by 6% and the MSCI emerging index depreciated by 15%. The S&P 500 implied volatility index increased from 17.8% to 23.4% between December 31, 2010 and December 31, 2011.

*(1) Ranking based on company reports as of September 30, 2011.*

## BOND MARKETS

In this context, US and German treasury bonds continued to act as safe heavens whilst spreads in other Euro zone countries widened. The US 10-year T-bond ended the 2011 year at 1.88%, a decrease of 144 bps compared to December 31, 2010 whereas the 10-year German Bund yield decreased by 106 bps to 1.83%. The France 10-year government bond yield decreased by 21 bps to 3.15%. The 10-year Japanese government bond ended year at 0.99%, a decrease of 14 bps. The 10-year Belgium government bond ended the year at 4.09% (a 120 bps increase compared to December 31, 2010). The 10-year Swiss government bond ended the year at 0.67% (a decrease of 105 bps compared to December 31, 2010).

Regarding the evolution of 10-year government bonds on European peripheral countries: Italy ended the year at 7.02% (an increase of 221 bps compared to December 31, 2010), Spain ended the year at 5.09% (a decrease of 37 bps compared to December 31, 2010), Greece ended the year at 34.96% (an increase of 2,248 bps compared to December 31, 2010), Ireland ended the year at 8.2% (a decrease of 84 bps compared to December 31, 2010), Portugal ended the year at 13.36% (an increase of 675 bps compared to December 31, 2010).

In Europe, the iTRAXX Main spreads increased by 68 bps and ended at 173 bps. The iTRAXX Crossover increased by 318 bps to 755 bps. In the United States, the CDX Main spread index increased by 35 bps to 120 bps.

## EXCHANGE RATES

Against market turbulences in Europe, the Euro decreased against main currencies during the year.

Compared to December 31, 2010, the US Dollar gained 3% against the Euro (closing exchange rate moved from $1.34 at the end of 2010 to $1.30 at the end of 2011). The Yen gained 8% against the Euro (closing exchange rate moved from Yen 108.8 at the end of 2010 to Yen 99.88 at the end of 2011). The Pound Sterling gained 2% against the Euro (closing exchange rate moved from £0.857 at the end of 2010 to £0.835 at the end of 2011). The Swiss Franc gained 3% against the Euro (closing exchange rate moved from CHF 1.25 at the end of 2010 to CHF 1.21 at the end of 2011).

On an average rate basis, the US Dollar lost 4% against the Euro (from $1.34 over 2010 to $1.39 over 2011). The Yen gained 8% against the Euro (from Yen 121.6 for the twelve months ending September 2010 to Yen 112.9 for the twelve months ending September 2011). The Pound Sterling decreased by 1% (from £0.861 over 2010 to £0.866 over 2011) and the Swiss Franc gained 11% against the Euro (from CHF 1.39 over 2010 to CHF 1.24 over 2011).

# Operating highlights

## SIGNIFICANT ACQUISITIONS IN 2011

### AXA APH Asian operations minority interest buy-out

On November 15, 2010, AXA announced a joint proposal with AMP to AXA APH whereby AXA dispose of its 54% stake in AXA APH to AMP and acquire AXA APH Asian operations.

On April 1, 2011, after receiving the various shareholders' approval, court approvals and regulatory approvals in Australia and New Zealand as well as regulatory approvals in Asia, AXA announced that it has successfully completed the AXA APH transaction. This resulted in AMP acquiring AXA APH's outstanding shares for AU$ 13.3 billion, of which AXA' shares in AXA APH have been paid for AU$ 7.2 billion in cash, while AXA acquired from AMP 100% of AXA APH's Asian operations for AU$ 9.8 billion in cash. AXA APH's Australia & New Zealand businesses price was AU$ 3.5 billion.

This transaction had an impact on AXA Group of €0.6 (1) billion realized capital gains recorded for in net income regarding the sale of its Australia and New Zealand operation, €2.5 billion reduction in shareholders' equity mainly relative to the buy-out of minority interests in AXA APH Asian operations, leading to an increase of +4 points on debt gearing and a decrease of -1 point of Solvency I ratio.

### Indian operations

On June 10, 2011, AXA, Bharti, Reliance Industries Limited ("RIL") and its associate Reliance Industrial Infrastructure Limited ("RIIL") (together, the Parties) announced entering into negotiations over a potential change in Bharti AXA Life Insurance and Bharti AXA General Insurance shareholding structure.

On November 25, 2011, the Parties announced that they have mutually agreed to terminate their negotiations on the proposed transaction.

*(1) Due to a change in tax regulation in September 2011 in France, the positive impact of the transaction is €0.6 billion as of December 31, 2011 compared to the €0.7 billion announced in June 30, 2011.*

Bharti AXA Life Insurance and Bharti AXA General Insurance will continue to develop their operations in India tapping the significant growth potential offered by the Indian market.

## SIGNIFICANT DISPOSALS IN 2011

### Taikang Life

On March 11, 2011, AXA announced the sale of 15.6% stake in Taikang Life. China Insurance Regulatory Commission ("CIRC") has issued its approval in connection with the proposed transfer by AXA of its entire 15.6% interest in Taikang Life, China's 4th largest life insurer, to a consortium of new and existing shareholders. The consideration for this transaction amounted to USD 1.2 billion (or ca. €0.9 billion). This corresponds to implied 2009 multiples of 21x net earnings and 6x book value [1].

This transaction generated a positive realized capital gain impact of €0.8 billion in net income and reduced debt gearing by 1 point in 2011.

### Canadian operations

On May 31, 2011, AXA announced that it has agreed to sell its Canadian operations in Property & Casualty and Life & Savings insurance to Intact Financial Corporation for a total cash consideration of CAD 2.6 billion (or ca. €1.9 billion). This corresponds to implied 2010 multiples of 13x underlying earnings and 1.9x book value. On September 26, 2011, AXA announced the successful completion of the sale. The transaction generated an exceptional realized capital gain of €0.9 billion which was accounted for in net income. In addition, AXA is entitled to receive up to CAD 100 million (or ca. €72 million) in contingent considerations based on profitability metrics over a period of five years.

AXA's Canadian operations affected by this proposed transaction was treated as discontinued operations in AXA's full year 2011 consolidated financial statements. As a consequence, their earnings were accounted for in net income.

Impacts on AXA as of December, 31, 2011:

- ca. +5 points on Solvency I ratio, which was 188% at December 31, 2011;
- ca. +6 points on Economic Capital ratio, which was 148% at December 31, 2011;
- ca. -3 points on debt gearing, which was 26% at December 31, 2011.

### Denplan

On December 20, 2011, AXA announced that it has signed and closed the sale of **Denplan** to Simply health Group Limited, for a price of £115 million (or ca. €137 million). Total cash proceeds to AXA were £151 million (or ca. €179 million). This operation had a positive impact of £46 million (or ca. €53 million) which was accounted for in net income.

## CAPITAL OPERATIONS

### SharePlan 2011

For several years, the AXA Group has been offering its employees in and outside France, the opportunity to subscribe to shares issued by way of a capital increase reserved for employees. In 2011, employees invested a total of €0.33 billion lead to a total of approximately 37 million newly issued shares. Employee shareholders represented. 7.4% of the outstanding share capital as of December 9, 2011.

As of December 31, 2011, AXA's total share capital amounted to 2,357,197,520 shares.

### Catastrophe bonds

On October 20, 2011, AXA Global P&C announced the successful placement of €180 million catastrophe bonds due January 2015 to institutional investors. This is the second issuance by Calypso Capital Limited, an Irish special purpose company, under a €1.5 billion catastrophe bond program set up in 2010. This structure provides AXA Global P&C with a fully collateralized and multi-year protection against windstorms mainly in Belgium, France (excluding French overseas territories), Germany, Ireland, Luxemburg and the United Kingdom. The additional issuance provides AXA Global P&C with a total cat bond cover of €455 million.

## OTHER

### AXA Rosenberg

In the first half of 2011 a number of class action law suits were filed against AXA Rosenberg on behalf of certain AXA Rosenberg clients. These suits made various allegations including breach of fiduciary duty, negligence/gross negligence in connection with the coding error and requested damages in an unspecified amount to be determined at trial. In the fourth quarter of 2011, the parties entered into a settlement agreement following a nonbinding mediation process. On December 6, 2011, the Federal District Court for the North District of California approved a preliminary settlement order in relation to these class actions and, pursuant to this order, AXA Rosenberg paid $65 million in December 2011. A court hearing to definitely approve the settlement is scheduled for the end of March 2012.

*(1) Source: China Insurance Year Book 2010.*

### AXA rating

On January 27, 2012, Standard & Poor's affirmed the 'AA-' long-term ratings on AXA Group, assigning a negative outlook, and removing the CreditWatch with negative implications under which AXA Group and other financial institutions were placed on December 9, 2011 following the rating actions on the Euro zone sovereigns.

## Events subsequent to December 31, 2011

On March 7th, 2012, AXA and HSBC announced they have entered into an agreement whereby AXA would acquire HSBC's P&C businesses in Hong Kong, Singapore and Mexico. In addition, AXA will benefit from a 10-year exclusive P&C bancassurance agreement with HSBC in these countries as well as in India, Indonesia and China.

This transaction will position AXA as the number one P&C player in Hong Kong, and strengthen its leading positions in Mexico and Singapore. The Hong Kong and Singapore businesses to be acquired benefit from multi-channel distribution, including through HSBC Bank branches, as well as strong agent and broker networks.

The net upfront cash consideration for AXA is USD 494 million or ca. Euro 374 million, and will be funded through internal resources. The closing of the transaction is subject to regulatory approvals and is expected in the course of the second half of 2012.

## Consolidated gross revenues

### CONSOLIDATED GROSS REVENUES

| **Consolidated gross revenues** [(a)] *(in Euro million)* | **2011** | **2010 published** | **2010 restated** [(d)] | **2011/2010** [(e)] |
|---|---|---|---|---|
| Life & Savings | 52,431 | 56,923 | 56,792 | -4.2% |
| *of which Gross written premiums* | *50,918* | *54,962* | *54,834* | - |
| *of which Fees and revenues from investment contracts with no participating feature* | *350* | *518* | *518* | - |
| Property & Casualty | 27,046 | 27,413 | 25,986 | 3.5% |
| International Insurance | 2,876 | 2,847 | 2,847 | 1.5% |
| Asset Management | 3,269 | 3,328 | 3,328 | -0.3% |
| Banking [(b)] | 485 | 459 | 459 | 5.3% |
| Holdings and other companies [(c)] | 0 | 0 | 0 | n.a |
| **TOTAL** | **86,107** | **90,972** | **89,412** | **-1.5%** |

*(a) Net of intercompany eliminations.*
*(b) Excluding (i) net realized capital gains or loss and (ii) change in fair value option and derivatives, net banking revenues and total consolidated revenues would respectively amount to €479 and €86,101 million for full year 2011 and €444 and €90,964 million for full year 2010.*
*(c) Includes notably CDOs and real estate companies.*
*(d) Restated means the restatement following the sale of Canadian operations.*
*(e) Changes are on a comparable basis.*

On a comparable basis means that the data for the current year period were restated using the prevailing foreign currency exchange rates for the same period of prior year (**constant exchange rate** basis). It also means that data in one of the two periods being compared were restated for the results of acquisitions, disposals and business transfers (**constant structural** basis) and for changes in accounting principles (**constant methodological** basis).

In particular, comparable basis for revenues and APE [1] in this document means including, in both periods, acquisitions, disposals and business transfers, and net of intercompany transactions.

As a consequence of the partial sale of the United Kingdom Life & Savings operations, full year 2010 APE is based on retained business only.

**Consolidated gross revenues for full year 2011 reached €86,107 million, down 3.7% compared to 2010.**

The restatements to a comparable basis were mainly driven by the impact of the partial sale of UK Life & Savings operations (€-1,505 million or -1.6 points), the impact of AXA APH Asian entities minority interest buy-out and disposal of Australia and New Zealand operations (€-1,551 million or -1.3 points) and the depreciation of Euro against most of major currencies (€+718 million or +0.8 point).

**On a comparable basis, gross consolidated revenues were down 1.5%.**

## ANNUAL PREMIUM EQUIVALENT

| *(in Euro million)* | 2011 | 2010 | 2011-2010 [b] |
|---|---|---|---|
| **TOTAL** | **5,733** | **5,780** | **-0.6%** |
| France | 1,340 | 1,384 | -2.7% |
| United States | 1,018 | 986 | 7.0% |
| United Kingdom [a] | 535 | 545 | -1.3% |
| Japan | 463 | 465 | -7.6% |
| Germany | 506 | 464 | 9.1% |
| Switzerland | 397 | 283 | 24.8% |
| Belgium | 173 | 218 | -20.8% |
| Central Eastern Europe | 213 | 274 | -22.6% |
| Mediterranean & Latin American Region | 432 | 553 | -21.6% |
| Australia/New Zealand | - | 283 | - |
| Hong Kong | 330 | 159 | 16.4% |
| South-East Asia, India and China | 326 | 166 | 15.0% |
| **Mature markets** | **4,808** | **5,114** | **-1.1%** |
| **High Growth markets** | **925** | **667** | **2.0%** |

*(a) Full year 2010 retained business only.*
*(b) Changes are on a comparable basis.*

**Total Life & Savings New Business APE** amounted to €5,733 million, down 1%, both on reported and comparable basis. APE decrease was mainly due to Mediterranean & Latin American Region, Central Eastern Europe, Belgium, France and Japan, partly offset by the United States, Switzerland, Hong Kong and South-East Asia, India and China.

High Growth markets grew by 2% in 2011 fuelled by strong growth in Hong Kong (€+48 million or +16%), South-East Asia, India and China (€+42 million or €+15%), largely offset by Central Eastern Europe (€-62 million or -23%) negatively impacted by regulatory developments.

**Mediterranean & Latin American Region** APE decreased by €121 million (-22%) to €432 million mainly due to mature markets (€-110 million) experiencing (i) a significant decrease in general account Savings products (€-150 million or -45%) mainly at AXA MPS reflecting a more favorable context in 2010 and lower activity within the bank distribution channel, slightly offset by (ii) an increased focus on unit-linked products (€+42 million or +46%).

**Central and Eastern Europe** APE decreased by 62 million (-23%) to €213 million. The closing of new business in Pension Funds following the new regulations in Hungary and Poland was partly compensated by the strategic shift towards Individual unit-linked business (+41%).

**Belgium** APE decreased by €45 million (-21%) to €173 million, mainly driven by lower sales of Crest general account Savings products reflecting a conservative commercial policy in a highly competitive market.

**France** APE decreased by €44 million (-3%) to €1,340 million mostly due to (i) a decrease of €103 million (-3%) in Individual

*(1) Annual Premium Equivalent (APE) is a new regular premiums plus are tenth of single premiums, in line with EEV methodology. APE is Group share.*

Savings mainly reflecting market uncertainties leading to lower large contracts activity at AXA Wealth Management driving down general account Savings APE partly offset by (ii) a €6 million increase (+10%) in Group Retirement mainly driven by higher new business in unit-linked investment contracts and (iii) in €59 million increase in general account Protection & Health (+12%) driven by significant portfolio development in Group Protection & Health as well as Individual Protection stemming from "*Protection Familiale*".

**Japan** APE decreased by €35 million (-8%) to €463 million on a comparable basis, mainly due to (i) €6 million (-5%) decrease in Investment & Savings following the non-repeat of significant sales of Variable Annuity products as a result of last year change in inheritance tax law, (ii) €24 million (-15%) decrease in Health as a result of the discontinuation of the former low margin Cancer product together with lower sales in Medical products partly offset by newly launched Cancer products.

**The United States** APE increased by €69 million (+7%) to €1,018 million mainly driven by General account Protection & Health (+52%) with the launch of the new Indexed Universal Life product primarily in third party channels and Variable Annuities (+5%) as strong sales of Retirement Cornestone and the roll-out of the new Structured Capital Strategies product were partly offset by lower sales of Accumulator.

**Switzerland** APE increased by €70 million (+25%) to €397 million driven by (i) €+62 million (+31%) in Group Life driven by higher demand for full insurance contracts and (ii) €+8 million (+9%) in Individual Life mainly attributable to Protect Plan products.

**Hong Kong** APE increased by €48 million (+16%) to €330 million due to the successful launch of unit-linked products (+9%), higher sales in general account Protection & Health (+13%) and Funds (+15%).

**South-East Asia, India and China** APE increased by €42 million (+15%) to €326 million mainly driven by (i) Indonesia (€+29 million) with strong sales of unit-linked products through the bancassurance channel, (ii) China (€+10 million) primarily from higher sales of general account Protection products through the bancassurance channel, (iii) Thailand (€+10 million) mainly from higher sales of short term Savings products. These increases were partly offset by (iv) lower sales in India (€-9 million) mainly from unit-linked business following regulatory changes since September 2010.

## PROPERTY & CASUALTY REVENUES

| *(in Euro million)* | 2011 | 2010 published | 2010 restated (a) | 2011/2010 (b) |
|---|---|---|---|---|
| **TOTAL** | **27,046** | **27,413** | **25,986** | **3.5%** |
| Mature markets | 21,609 | 22,495 | 21,067 | 1.3% |
| Direct | 2,102 | 1,928 | 1,928 | 8.2% |
| High Growth markets | 3,335 | 2,990 | 2,990 | 15.7% |

*(a) Restated means the restatement following the sale of Canadian operations.*
*(b) Changes are in comparable basis*

**Property & Casualty gross revenues** were up 4% to €27,046 million or up 3.5% on a comparable basis mainly driven by Personal lines (+4%) especially in Germany, the Mediterranean & Latin American Region, Asia and Direct Business. Commercial lines increased by 3% especially in the United Kingdom & Ireland and in the Mediterranean & Latin American Region partly offset by Switzerland.

**Personal lines (60% of P&C gross revenues) were up by 4% on a comparable basis**, stemming from both Motor (+5%) and Non-Motor (+2%), primarily as a result of tariff increases in Mature markets and Direct business and higher volumes in High Growth markets.

Motor revenues grew by 5% mainly driven by:

- the Mediterranean & Latin American Region (+7%), primarily driven by higher volumes in Turkey (+35%) and in Mexico (+14%), tariff increases in Italy (+7%), partly offset by Spain (-7%) due to a fierce competitive environment;
- Direct business (+6%) reflecting a 8% increase in the UK as a result of tariff increases and successful marketing campaigns

in 2010, strong growth in Italy and Poland (+99% and +25% respectively) as well as higher volumes in Japan (+7%);

- Germany (+9%) as a result of higher volumes and price increases;
- Asia (+10%) following strong sales increase in Malaysia (+20%);
- partly offset by France (-1%) as price increases were offset by lower volumes.

Non-Motor revenues increased by 2% mainly due to:

- Direct Business (+31%) reflecting higher volumes in household in the UK;
- Germany (+4%) mainly due to a positive net production in Property;
- Switzerland (+2%) driven by strong sales in household;
- France (+1%) thanks to price increases.

**Commercial lines (40% of P&C gross revenues) increased by 3% on a comparable basis** with Motor and Non-Motor up by 7% and 3% respectively.

Motor revenues were up by 7%, mainly driven by:

- the United Kingdom (+17%) as a result of improved retention and higher new business;
- the Mediterranean & Latin American Region (+8%) notably in Mexico (+21%) fuelled by positive portfolio developments and tariff increases;
- Belgium (+5%) and France (+3%) mainly due to tariff increases.

Non-Motor revenues were up by 3% reflecting growth in:

- the Mediterranean & Latin American Region (+6%) mainly driven by large accounts in high growth markets;
- France (+3%) mainly following tariff increases;
- the United Kingdom (+3%) due to primarily Health portfolio development in the UK and abroad;
- these increases were partly offset by Switzerland (-1%) due to fierce market competition with pressure on premiums.

**International Insurance revenues** were up 1% both on reported and comparable basis to €2,876 million mainly driven by (i) **AXA Corporate Solutions** up 3% to €1,986 million mainly due to positive portfolio developments in Aviation & Space, Motor and Marine partly offset by selective underwriting in Liability, and (ii) AXA Assistance down 2% to €750 million.

**Asset management revenues** decreased by 2% or remained stable on a comparable basis to €3,269 million mainly driven by (i) a decrease in management fees (€-71 million) partly offset by higher performance fees (€+23 million) and real estate transaction fees at AXA Investment Managers (€+23 million), (ii) higher distribution fees at AllianceBernstein (€+10 million).

**AllianceBernstein** revenues were down 3% to €1,963 million due to lower management fees (-6%), primarily in Institutional clients, as a consequence of lower bps (-0.52 bp) and lower average assets under management (-5%).

AUM decreased by €27 billion or -7% from 2010 to €335 billion driven by (i) net outflows of €-28 billion mainly from Institutional clients, (ii) €-7 billion unfavorable market impact partly offset by (iii) €+10 billion positive exchange rate impact.

**AXA Investment Managers revenues** increased by €64 million (+5%) to €1,306 million. Excluding distribution fees (retroceded to distributors), net revenues increased by €54 million (+5%) following higher performance and Real Estate transaction fees while management fees remained stable.

AUM decreased by €4 billion from year-end 2010 to €512 billion at the end of 2011 mainly as a result of €-3 billion unfavorable market impact, €-4 billion unfavorable change in scope related to the partial sale of the UK Life & Savings operations and €-1 billion net outflows, partly offset by €+5 billion favorable foreign exchange impact.

Net outflows of €-1 billion were mainly driven by outflows on AXA Rosenberg products (€-5 billion) and the voluntary exit from unprofitable employee shareholding schemes (€-2 billion), partly offset by inflows mainly on AXA Private Equity, AXA Real Estate and AXA Framlington.

**Net banking revenues** were up 6% to €485 million or up 5% on a comparable basis, mainly driven by France (+15%) due to higher revenues on growing retail loans and mortgages activities, while AXA Bank Belgium slightly decreased (-1%) to €328 million as higher income from retail banking activities was more than offset mainly by unfavorable changes in fair value of hedging derivatives (€-26 million) and higher funding cost (€-9 million).

## CONSOLIDATED UNDERLYING EARNINGS, ADJUSTED EARNINGS AND NET INCOME

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [b] |
|---|---|---|---|
| Gross written premiums | 80,570 | 84,946 | 83,390 |
| Fees and revenues from investment contracts without participating feature | 350 | 518 | 518 |
| **Revenues from insurance activities** | **80,920** | **85,464** | **83,908** |
| Net revenues from banking activities | 414 | 444 | 444 |
| Revenues from other activities | 4,708 | 5,055 | 5,052 |
| **TOTAL REVENUES** | **86,042** | **90,964** | **89,404** |
| **Change in unearned premium reserves net of unearned revenues and fees** | **(547)** | **(510)** | **(449)** |
| **Net investment result excluding financing expenses [a]** | **15,114** | **30,576** | **30,473** |
| Technical charges relating to insurance activities [a] | (75,422) | (94,351) | (93,482) |
| Net result of reinsurance ceded | (733) | (819) | (786) |
| Bank operating expenses | (87) | (96) | (96) |
| Insurance acquisition expenses | (8,160) | (8,699) | (8,425) |
| Amortization of value of purchased life business in force | (241) | (250) | (250) |
| Administrative expenses | (9,754) | (10,783) | (10,566) |
| Valuation allowances on tangible assets | 29 | (9) | (9) |
| Change in value of goodwill | (0) | (3) | (3) |
| Other | (388) | (62) | (62) |
| **Other operating income and expenses** | **(94,755)** | **(115,071)** | **(113,679)** |
| **OPERATING EARNINGS BEFORE TAX** | **5,854** | **5,959** | **5,749** |
| Net income from investments in affiliates and associates | 85 | 71 | 70 |
| Financing expenses | (360) | (488) | (488) |
| **UNDERLYING EARNINGS BEFORE TAX** | **5,579** | **5,542** | **5,331** |
| Income tax expenses | (1,453) | (1,296) | (1,235) |
| Minority interests | (224) | (366) | (366) |
| **UNDERLYING EARNINGS** | **3,901** | **3,880** | **3,731** |
| Net realized capital gains or losses attributable to shareholders | (312) | 437 | 419 |
| **ADJUSTED EARNINGS** | **3,589** | **4,317** | **4,150** |
| Profit or loss on financial assets (under fair value option) & derivatives | 114 | 210 | 212 |
| Exceptional operations (including discontinued operations) | 2,069 | (1,616) | (1,456) |
| Goodwill and other related intangible impacts | (1,167) | (87) | (81) |
| Integration and restructuring costs | (281) | (76) | (76) |
| **NET INCOME** | **4,324** | **2,749** | **2,749** |

*(a) For the periods ended December 31, 2011 and December 31, 2010, the change in fair value of assets backing contracts with financial risk borne by policyholders impacted the net investment result for respectively €+4,977 million and €+13,788 million, and benefits and claims by the offsetting amounts respectively.*

*(b) Restated means the restatement following classification of Canadian operations as discontinued business.*

## UNDERLYING, ADJUSTED EARNINGS AND NET INCOME

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [b] |
|---|---|---|---|
| Life & Savings | 2,267 | 2,455 | 2,445 |
| Property & Casualty | 1,848 | 1,692 | 1,553 |
| International Insurance | 276 | 290 | 290 |
| Asset Management | 321 | 269 | 269 |
| Banking | 32 | 9 | 9 |
| Holdings and other companies [a] | (843) | (836) | (836) |
| **Underlying earnings** | **3,901** | **3,880** | **3,731** |
| Net realized capital gains or losses attributable to shareholders | (312) | 437 | 419 |
| **Adjusted earnings** | **3,589** | **4,317** | **4,150** |
| Profit or loss on financial assets (under Fair Value option) & derivatives | 114 | 210 | 212 |
| Exceptional operations (including discontinued operations) | 2,069 | (1,616) | (1,456) |
| Goodwill and related intangibles impacts | (1,167) | (87) | (81) |
| Integration and restructuring costs | (281) | (76) | (76) |
| **NET INCOME** | **4,324** | **2,749** | **2,749** |

*(a) Includes notably CDOs and real estate companies.*
*(b) Restated means the restatement following classification of Canadian operations as discontinued business.*

**Group underlying earnings** amounted to €3,901 million. On a constant exchange rate basis, underlying earnings increased by €90 million (+2%) driven by Property & Casualty, Asset Management and Banking partly offset by a decrease in Life & Savings.

**Life & Savings** underlying earnings amounted to €2,267 million. On a constant exchange rate basis Life & Savings underlying earnings were down €213 million (-9%). On a comparable scope basis, restated for the partial sale of the UK Life & Savings operation and for the AXA APH Asian entities minority interest buy-out and disposal of Australia and New Zealand operations, Life & Savings underlying earnings were down €52 million (-2%) mainly attributable to the United States (€-155 million), Japan (€-35 million), partly offset by the UK (€+51 million), Switzerland (€+48 million), South-East Asia, India & China (€+39 million) and France (€+25 million) mainly resulting from:

**(i)** **higher Investment margin** (€+34 million or +1%), mainly as a result of (i) a lower allocation to policyholders in Germany (€+29 million), (ii) higher average asset base and stable credited interests in Belgium (€+26 million) partly offset by (iii) Hong Kong (€-20 million) mainly due to a higher allocation to policyholders;

**(ii)** **higher fees & revenues** (€+321 million or +5%) mainly driven by:

a. unit-linked management fees were up €126 million, mainly driven by the United States (€+79 million) with higher unit-linked management fees from higher Separate Account balances and France (€+28 million) driven by both business mix and positive market effects,

b. loadings on premiums and Mutual funds were up €192 million mainly driven by (i) the United States (€+110 million) due to higher Unearned Revenue Reserve amortization (€+95 million) reflecting lower projection of future loadings, (ii) Hong Kong (€+65 million) driven by higher new business and in-force growth,

c. other fees were up €3 million;

**(iii)** **net technical margin** was down €979 million mainly driven by (i) €-830 million deterioration of the Variable Annuity hedging results in the United States as a result of higher impact of reserve adjustments following lower lapse assumption as well as higher volatility cost and basis losses (ii) France (€-111 million) mainly as a result of regulatory changes on "CMU" levy (€-61 million offset in expenses) and less favorable prior year reserve development in Group Retirement, (iii) Japan (€-64 million) mainly due to lower mortality margin following the Great East Japan earthquake, partly offset by (iv) Switzerland (€+71 million) mainly due to a favorable claims experience;

(iv) **expenses** decreased by €954 million (or -13%). On a comparable basis, expenses decreased by €319 million or -5% as a result of:

a. €179 million lower acquisition expenses, primarily driven by the United States (€+297 million) as a result of lower DAC amortization notably following the decrease in technical margin, partly offset by Hong Kong (€-51 million) reflecting higher commissions and in-force growth, and Belgium (€-45 million) mainly driven by a change in actuarial assumptions leading to higher DAC amortization in 2011,

b. €140 million lower administrative expenses, reflecting both positive one-offs impacts, notably the change in CMU levy in France, as well as productivity programs net of inflation;

(v) **lower tax expenses and minority interests** (down €221 million) driven by lower pre-tax underlying earnings, more favorable tax one-offs (€91 million in the United States, €15 million in Japan and €37 million in Germany versus €89 million in 2010), and a favorable tax situation in the UK.

**Property & Casualty** underlying earnings amounted to €1,848 million. On a constant exchange rate basis, Property & Casualty underlying earnings increased by €252 million (+16%) mainly driven by:

(i) **higher net technical result (including expenses)** up €389 million (or +96%) driven by:

a. **current year loss ratio** improving by 2.1 points driven by lower Nat Cat charge (-1.0 point) and lower current year claims experience (-1.1 points) benefitting from tariff increases and lower frequency claims partly offset by higher large claims and inflation,

b. **lower positive prior year reserve development** by 1.5 points,

c. **lower expense ratio** improving by 0.8 point to 27.0%, reflecting (i) 0.5 point reduction in acquisition ratio mainly driven by renegotiation of commission rates and reduced exposure to highly commissioned business in the United Kingdom, and (ii) 0.3 point reduction in administrative expenses ratio benefiting from both positive one-off impacts and various productivity programs net of inflation,

d. as a result, **the combined ratio** improved by 1.4 points to 97.9%;

(ii) **Investment results** lightly decreased by 1% to €2,034 million;

(iii) **higher income tax expense and minority interests** (up €122 million) mainly driven by higher pre-tax underlying earnings and while positive tax one-offs remained stable.

**International Insurance** underlying earnings amounted to €276 million. On a constant exchange rate basis, underlying earnings decreased by €16 million (or -6%) notably due to AXA Corporate Solutions Assurance down (€-11 million) with a slight deterioration of combined ratio (up 1.0 point) reflecting lower prior year reserve developments.

**Asset Management** underlying earnings amounted to €321 million. On a constant exchange rate basis, underlying earnings increased by €53 million (+20%) mainly driven by AXA IM (€+87 million or +69%) reflecting (i) the non repeat of AXA Rosenberg coding error provision allowance (€+66 million) as well as (ii) higher revenues partly offset by AllianceBernstein (€-34 million or -23%) as a result of lower management fees following a decrease in assets under management and higher expenses due to promotion and services partly offset by lower variable compensations.

**Banking** underlying earnings increased to €32 million (vs. €9 million in 2010), excluding the contribution of AXA Bank Hungary, reclassified to net income, following the discontinuation of lending activities.

**Holdings and other companies** underlying earnings amounted to €-843 million. On a constant exchange rate basis, holdings underlying earnings decreased by €-9 million (-1%) to €-845 million driven by (i) Germany Holdings down 32 million mainly driven by less favorable tax-one offs, (ii) AXA SA (€-8 million) mostly following lower financial income, partly offset by (iii) UK Holdings (€+33 million) following higher investment margin and (iv) US Holdings (€+30 million) due to lower share-based compensation and lower financial charges.

**Group net capital gains attributable to shareholders** amounted to €-312 million. On a constant exchange rate basis, Group net capital gains and losses attributable to shareholders were down €732 million mainly due to:

(i) €-460 million higher **impairments** to €-840 million in 2011 mainly driven by €-387 million net impairment on Greece government bonds, and to a lesser extent higher impairments on equity;

(ii) €-224 million lower **realized capital gains,** to €+682 million in 2011, mainly driven by (i) the non repeat of the change in French tax regulation on "*réserve de capitalisation*" (€-190 million) and (ii) lower realized gains on equities (€-179 million) partly offset by higher realized gains on real estate (€+85 million);

**(iii)** €-47 million lower intrinsic value mainly related to equity derivatives premium amortization.

As a result, **adjusted earnings** amounted to €3,589 million. On a constant exchange rate basis, adjusted earnings decreased by €641 million (-15%).

**Net Income** amounted to €4,324 million. On a constant exchange rate basis, net income increased by €1,360 million (+49%) mainly as a result of:

**(i)** **higher exceptional operations** from €-1,456 million in 2010 – mainly related to the partial sale of UK Life & Savings operations – to €2,069 million encompassing:

a. €+902 million capital gain of the disposal of Canada operations,

b. €+798 million following the sale of the stake in Taikang Life,

c. €+626 million in capital gain on the disposal of Australia and New Zealand operations,

d. €-187 million due to the restructuring of the participation in Bharti AXA Life Insurance Co. Ltd. and Bharti AXA General Insurance,

e. €-144 million loan losses in Hungary (total impact on net income stood at €-230 million including goodwill and other intangible amortization);

**(ii)** partly offset by:

a. higher amortization and impairments of intangible assets from €-81 million in 2010 to €-1,167 million, mostly related to the goodwill reduction in the United States, €-943 million, attributable to the Accumulator book of business considering the present market environment deterioration,

b. lower adjusted earnings (€-641 million),

c. higher restructuring costs (€-210 million) mainly due to the accelerated vesting of AllianceBernstein deferred compensation plans.

## CONSOLIDATED SHAREHOLDERS' EQUITY

As of December 31, 2011, consolidated shareholders' equity totaled €48.6 billion. The movements in shareholders' equity since December 31, 2010 are presented in the table below:

| *(in Euro million)* | Shareholders' equity |
|---|---|
| **At December 31, 2010** | **49,698** |
| Share Capital | 85 |
| Capital in excess of nominal value | 236 |
| Equity-share based compensation | 43 |
| Treasury shares sold or bought in open market | 110 |
| Deeply subordinated debt (including interests charges) | (291) |
| Fair value recorded in shareholders' equity | (1,574) |
| Impact of currency fluctuations | 473 |
| Payment of N-1 dividend | (1,601) |
| Other | (2,364) |
| Net income for the period | 4,324 |
| Actuarial gains and losses on pension benefits | (577) |
| **At December 31, 2011** | **48,562** |

# Shareholder value

## EARNINGS PER SHARE ("EPS")

| *(in Euro million except ordinary shares in million)* | 2011 | | 2010 Published | | 2010 Restated [(a)] | | Var. 2011 versus 2010 Restated [(a)] | |
|---|---|---|---|---|---|---|---|---|
| | Basic | Fully diluted | Basic | Fully diluted | Basic | Fully diluted | Basic | Fully diluted |
| Weighted average number of shares | 2,301.0 | 2,305.0 | 2,266.3 | 2,274.6 | 2,266.3 | 2,274.6 | | |
| *Net income (Euro per Ordinary Share)* | *1.75* | *1.75* | *1.08* | *1.08* | *1.08* | *1.08* | *62%* | *62%* |
| *Adjusted earnings (Euro per Ordinary Share)* | *1.43* | *1.43* | *1.77* | *1.77* | *1.70* | *1.69* | *-16%* | *-15%* |
| *Underlying earnings (Euro per Ordinary Share)* | *1.57* | *1.57* | *1.58* | *1.57* | *1.51* | *1.51* | *4%* | *4%* |

*(a) Restated in 2010 means the restatement of the Canadian activities as discontinued operations.*

## RETURN ON EQUITY ("ROE")

| *(in Euro million)* | Period ended, December 31, 2011 | Period ended, December 31, 2010 published | Period ended, December 31, 2010 restated [(c)] | Change in % points |
|---|---|---|---|---|
| **ROE** | **9.4%** | **5.9%** | **5.9%** | **3.5 pts** |
| Net income Group share | 4,324 | 2,749 | 2,749 | |
| Average shareholders' equity | 45,950 | 46,225 | 46,225 | |
| **Adjusted ROE** | **10.0%** | **12.0%** | **11.5%** | **-1.5 pts** |
| Adjusted earnings [(a)] | 3,298 | 4,018 | 3,851 | |
| Average shareholders' equity [(b)] | 32,897 | 33,552 | 33,552 | |
| **Underlying ROE** | **11.0%** | **10.7%** | **10.2%** | **0.7 pts** |
| Underlying earnings [(a)] | 3,610 | 3,580 | 3,432 | |
| Average shareholders' equity [(b)] | 32,897 | 33,552 | 33,552 | |

*(a) Including adjustement to reflect net financial charges related to undated debt (recorded through shareholders' equity).*
*(b) Excluding fair value of invested assets and derivatives and undated debt (both recorded through shareholders' equity).*
*(c) Restated in 2010 means the restatement of the Canadian activities as discontinued operations.*

# Life & Savings segment

The following tables present the consolidated gross revenues, underlying earnings, adjusted earnings and net income attributable to AXA's Life & Savings segment for the periods indicated:

## LIFE & SAVINGS SEGMENT [(a)]

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [(b)] |
|---|---|---|---|
| **GROSS REVENUES** | **52,481** | **56,988** | **56,856** |
| *APE (Group share)* | *5,733* | *5,780* | *5,780* |
| Investment margin | 2,428 | 2,536 | 2,528 |
| Fees & revenues | 7,160 | 7,615 | 7,569 |
| Net technical margin | (205) | 767 | 751 |
| Expenses | (6,236) | (7,190) | (7,136) |
| Amortization of VBI | (239) | (250) | (250) |
| Other | 43 | 21 | 21 |
| **UNDERLYING EARNINGS BEFORE TAX** | **2,951** | **3,500** | **3,484** |
| Income tax expenses/benefits | (597) | (807) | (801) |
| Minority interests | (87) | (238) | (238) |
| **UNDERLYING EARNINGS GROUP SHARE** | **2,267** | **2,455** | **2,445** |
| Net capital gains or losses attributable to shareholders net of income tax | (35) | 279 | 276 |
| **ADJUSTED EARNINGS GROUP SHARE** | **2,232** | **2,734** | **2,721** |
| Profit or loss on financial assets (under FV option) & derivatives | 273 | 347 | 347 |
| Exceptional operations (including discontinued operations) | 745 | (1,646) | (1,634) |
| Goodwill and other related intangibles impacts | (1,015) | (23) | (22) |
| Integration and restructuring costs | (42) | (16) | (16) |
| **NET INCOME GROUP SHARE** | **2,193** | **1,396** | **1,396** |

*(a) Before intercompany transactions.*
*(b) Restated means the restatement following classification of Canadian operations as discontinued business.*

## CONSOLIDATED GROSS REVENUES

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [b] |
|---|---|---|---|
| France | 13,658 | 14,650 | 14,650 |
| United States | 9,657 | 9,460 | 9,460 |
| United Kingdom | 651 | 2,040 | 2,040 |
| Japan | 5,747 | 5,560 | 5,560 |
| Germany | 7,001 | 6,880 | 6,880 |
| Switzerland | 6,158 | 5,090 | 5,090 |
| Belgium | 2,142 | 2,506 | 2,506 |
| Central and Eastern Europe [e] | 514 | 515 | 515 |
| Mediterranean & Latin American Region [a] | 4,796 | 6,955 | 6,955 |
| Hong Kong | 1,465 | 1,321 | 1,321 |
| South-East Asia [d] | 255 | 244 | 244 |
| Other countries [c] | 436 | 1,768 | 1,636 |
| **TOTAL** | **52,481** | **56,988** | **56,856** |
| Intercompany transactions | (50) | (64) | (64) |
| **Contribution to consolidated gross revenues** | **52,431** | **56,923** | **56,792** |
| of which High growth markets | 2,617 | 2,485 | 2,485 |
| of which Mature markets | 49,814 | 54,439 | 54,307 |

*(a) Mediterranean & Latin American Region includes Italy, Spain, Portugal, Greece, Turkey, Morocco and Mexico.*
*(b) Restated means the restatement following classification of Canadian operations as discontinued business.*
*(c) Other countries correspond to Australia/New Zealand, Canada, Luxembourg, AXA Global Distributors, AXA Life Europe, Architas and Family protect.*
*(d) South-East Asia revenues include Indonesia and Singapore.*
*(e) Includes Poland, Hungary, Czech Republic and Slovakia.*

## UNDERLYING EARNINGS

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [b] |
|---|---|---|---|
| France | 632 | 607 | 607 |
| United States | 312 | 478 | 478 |
| United Kingdom | (6) | 134 | 134 |
| Japan | 323 | 335 | 335 |
| Germany | 192 | 174 | 174 |
| Switzerland | 293 | 212 | 212 |
| Belgium | 155 | 170 | 170 |
| Central and Eastern Europe [d] | 9 | 9 | 9 |
| Mediterranean & Latin American Region [a] | 104 | 117 | 117 |
| Hong Kong | 224 | 142 | 142 |
| South-East Asia, India and China [c] | 50 | 3 | 3 |
| Other countries [e] | (19) | 74 | 64 |
| **Underlying earnings** | **2,267** | **2,455** | **2,445** |
| of which High growth markets | 295 | 174 | 174 |
| of which Mature markets | 1,973 | 2,281 | 2,271 |

*(a) Mediterranean & Latin American Region includes Italy, Spain, Portugal, Greece, Turkey, Morocco and Mexico.*
*(b) Restated means the restatement following classification of Canadian operations as discontinued business.*
*(c) South-East Asia earnings include Indonesia, Thailand, Philippines and Singapore.*
*(d) Includes Poland, Hungary, Czech Republic and Slovakia.*
*(e) Other countries correspond to Australia/New Zealand, Canada, Luxembourg, AXA Golbal distributors, AXA Life Europe, Architas and Family Protect.*

## UNDERLYING, ADJUSTED EARNINGS AND NET INCOME

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [(a)] |
|---|---|---|---|
| **Underlying earnings** | **2,267** | **2,455** | **2,445** |
| Net realized capital gains or losses attributable to shareholders | (35) | 279 | 276 |
| **Adjusted earnings** | **2,232** | **2,734** | **2,721** |
| Profit or loss on financial assets (under Fair Value option) & derivatives | 273 | 347 | 347 |
| Exceptional operations (including discontinued operations) | 745 | (1,646) | (1,634) |
| Goodwill and related intangible impacts | (1,015) | (23) | (22) |
| Integration and restructuring costs | (42) | (16) | (16) |
| **NET INCOME** | **2,193** | **1,396** | **1,396** |

*(a) Restated means the restatement following classification of Canadian operations as discontinued business.*

## LIFE & SAVINGS OPERATIONS – FRANCE

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **13,658** | **14,650** |
| *APE (Group share)* | *1,340* | *1,384* |
| Investment margin | 1,111 | 1,105 |
| Fees & revenues | 1,520 | 1,513 |
| Net technical margin | 449 | 561 |
| Expenses | (2,190) | (2,296) |
| Amortization of VBI | (69) | (13) |
| Other | 6 | 6 |
| **Underlying earnings before tax** | **827** | **875** |
| Income tax expenses/benefits | (194) | (266) |
| Minority interests | (2) | (2) |
| **Underlying earnings Group share** | **632** | **607** |
| Net capital gains or losses attributable to shareholders net of income tax | 193 | 247 |
| **Adjusted earnings Group share** | **825** | **854** |
| Profit or loss on financial assets (under FV option) & derivatives | (83) | 63 |
| Exceptional operations (including discontinued operations) | - | - |
| Goodwill and other related intangibles impacts | - | - |
| Integration and restructuring costs | - | - |
| **NET INCOME GROUP SHARE** | **741** | **917** |

**Gross revenues** decreased by €991 million (-7%) to €13,658 million. On a comparable basis, gross revenues decreased by €924 million (-6%) mainly due to:

- *Individual Savings* revenues decreased by €1,010 million (-13%) mainly reflecting market uncertainties notably leading to lower large contracts at AXA Wealth Management driving lower general account revenues partly offset by higher unit-linked revenues (+3%);
- *Group Retirement* decreased by €44 million (-5%) despite higher unit-linked revenues (+175% or €+139 million);
- *Protection and Health* increased by €130 million (+3%) driven by €+103 million in Group Protection and Health reflecting positive portfolio development and €+27 million in Individual Protection and Health mainly due to the success of the Family Protection product.

**APE** decreased by €44 million (-3%) to €1,340 million. On a comparable basis, APE decreased by €37 million (-3%):

- *Individual Savings* decreased by €103 million (-13%) mainly reflecting market uncertainties notably leading to lower large contracts at AXA Wealth Management driving lower general account APE (-17%) partly offset by higher unit-linked APE (+4%);
- *Group Retirement* increased by €6 million (+10%) driven by some new large contracts in 2011 especially in unit-linked investment contracts;
- *Protection and Health* increased by €59 million (+12%) driven by Individual Protection (+31%) mainly due to the success of the Family Protection product and by Group Protection and Health (+15%) partly offset by Individual Health (-4%).

**Investment margin** remained stable (€+5 million) in an unfavorable interest rate environment.

**Fees & revenues** increased by €8 million (+0%) to €1,520 million mainly due to higher unit-linked fees.

**Net technical margin** decreased by €111 million (-20%) to €449 million mainly driven by (i) Group Protection (€-79 million) due to €-61 million following a change in "CMU" levy regulation (offset in expenses), as well as a lower positive prior year reserve development and by (ii) Group Retirement (€-28 million) driven by lower positive prior year reserve developments.

**Expenses** decreased by €106 million (-5%) to €-2,190 million due to lower general expenses (€+128 million), driven by exceptional impacts on taxes (€+99 million of which €+61 million following a change in "CMU" levy regulation offset in technical margin) and lower staff costs.

**Amortization of VBI** increased by €56 million (+422%) to €-69 million reflecting the accelerated amortization of the remaining stock of VBI.

As a result, the **underlying cost income ratio** increased by 0.7 point to 73.3%.

**Income tax expenses** decreased by €73 million (-27%) to €-194 million, mostly due to higher non taxable revenues, lower taxes on prior year reserve developments and to a lesser extent, lower pre tax underlying earnings.

As a result, **underlying earnings** increased by €25 million (+4%) to €632 million.

**Adjusted earnings** decreased by €29 million (-3%) to €825 million, mainly driven by higher impairments (€-165 million) notably on fixed income assets (€-142 million on Greek government bonds), €-112 million from last year change in the French tax regulation on the "*réserve de capitalisation*" partly offset by higher realized capital gains mainly on real estate and equities (€+195 million) as well as a more favorable change in intrinsic value of equity hedging positions (€+29 million).

**Net income** decreased by €175 million (-19%) to €741 million, due to an unfavorable change in fair value of Mutual funds and derivatives (€-145 million) mainly due to credit spread widening and lower adjusted earnings.

## LIFE & SAVINGS OPERATIONS – UNITED STATES

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **9,657** | **9,460** |
| *APE (Group share)* | *1,018* | *986* |
| Investment margin | 474 | 505 |
| Fees & revenues | 1,931 | 1,804 |
| Net technical margin | (1,192) | (426) |
| Expenses | (909) | (1,278) |
| Amortization of VBI | (5) | (52) |
| Other | - | - |
| **Underlying earnings before tax** | **300** | **553** |
| Income tax expenses/benefits | 13 | (75) |
| Minority interests | - | - |
| **Underlying earnings Group share** | **312** | **478** |
| Net capital gains or losses attributable to shareholders net of income tax | (11) | (138) |
| **Adjusted earnings Group share** | **301** | **340** |
| Profit or loss on financial assets (under FV option) & derivatives | 330 | 73 |
| Exceptional operations (including discontinued operations) | - | - |
| Goodwill and other related intangibles impacts | (944) | (1) |
| Integration and restructuring costs | (29) | (3) |
| **NET INCOME GROUP SHARE** | **(343)** | **410** |
| *Average exchange rate: 1.00 € = $* | *1.3867* | *1.3370* |

**Gross revenues** increased by €197 million (+2%) to €9,657 million. On a comparable basis, gross revenues increased by €557 million (+6%):

- *Variable Annuity* revenues (53% of gross revenues) increased by 5% reflecting the impact of the new Retirement Cornerstone and Structured Capital Strategies products launched in 2010, which represented a combined 53% of the full year 2011 Variable Annuity sales;
- *Life revenues* (27% of gross revenues) decreased by 1% driven by a decrease in Variable Life renewal premiums down 18% from Corporate Owned Life Insurance, partially offset by an increase in sales of the Indexed Universal Life (product launched in August 2010, and represented 37% of the full year 2011 Life sales);
- *Fees on Asset Management business* (7% of gross revenues) increased by 4% driven by higher average separate account balances reflecting market performance in the first half of the year;
- *Mutual funds revenues* (1% of gross revenues) increased by 7%.

**APE** increased by €31 million (+3%) to €1,018 million. On a comparable basis, APE increased by €69 million (+7%):

- *Variable Annuity* increased by 5% to €460 million reflecting higher sales of Retirement Cornerstone, mainly through the retail channel and Structured Capital Strategies product, offsetting lower sales on former versions of Accumulator;
- *Life* increased by 40% to €249 million reflecting increased sales of Indexed Universal Life (product launched in August 2010) primarily in third party channels;
- *Mutual funds* decreased by 7% to €303 million.

**Investment margin** decreased by €31 million (-6%) to €474 million. On a constant exchange rate basis, investment margin decreased by €13 million (-3%) driven by a decrease in investment income of €40 million reflecting lower yields on fixed income assets, partly offset by a decrease in interest and bonus credited to policyholders of €27 million primarily reflecting lower crediting rates.

**Fees & revenues** increased by €126 million (+7%) to €1,931 million. On a constant exchange rate basis, fees & revenues increased by €198 million (+11%) primarily driven by higher unit-linked management fees from higher average Separate Account balances (€+79 million), and higher Unearned Revenue Reserve amortization (€+95 million) notably driven by a revised projection of lower future projected loadings (more than offset in DAC amortization).

**Net technical margin** decreased by €766 million to €-1,192 million. On a constant exchange rate basis, net technical margin decreased by €810 million primarily driven by higher GMxB losses reflecting increased volatility and basis losses, and higher impact of GMxB reserve adjustment for lower lapse assumptions.

**Expenses** decreased by €369 million (-29%) to €-909 million. On a constant exchange rate basis, expenses decreased by €336 million (-26%):

- Expenses, net of capitalization (including commissions and DAC capitalization) decreased by €60 million (-5%) to €-1,005 million mainly due to productivity actions implemented in 2011, including a one-time change to employee benefit plans (€+37 million) and overall reduced spending, partially offset by higher asset based commissions;
- DAC amortization decreased by €276 million to €+96 million following higher GMxB losses (including revision of lapse assumptions) and a favorable change in expected mortality, offsetting recurring DAC amortization and lower projected future loadings (partly offset in URR).

**Amortization of VBI** decreased by €47 million (-91%) to €-5 million. On a constant exchange rate basis, amortization of VBI decreased by €47 million (-90%) following a change in assumption reflecting higher expected margins on MONY in-force contracts partly offset by the annual amortization charge.

As a result, the **underlying cost income ratio** increased by 4.7 points to 75.3%.

**Income tax expense** decreased by €88 million to a benefit of €13 million. On a constant exchange rate basis, income tax expense decreased by €88 million which reflects lower underlying earnings and higher favorable impact of tax settlements in 2011 (€91 million in 2011 vs. €76 million in 2010).

**Underlying earnings** decreased by €166 million (-35%) to €312 million. On a constant exchange rate basis, underlying earnings decreased by €155 million (-32%).

**Adjusted earnings** decreased by €39 million (-12%) to €301 million. On a constant exchange rate basis, adjusted earnings decreased by €28 million (-8%) mainly reflecting the decrease in underlying earnings partly offset by lower impairments on fixed income assets.

**Net income** decreased by €753 million (-184%) to €-343 million. On a constant exchange rate basis, net income decreased by €765 million (-187%). Net income decreased reflecting (i) a €943 million goodwill reduction attributable to the Accumulator book of business considering the present market environment deterioration, and (ii) higher restructuring costs recorded in 2011 (€-29 million), partly offset by a more favorable change in the fair value of interest rate derivatives (€+261 million).

## LIFE & SAVINGS OPERATIONS – UNITED KINGDOM

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **651** | **2,040** |
| *APE (Group share)* | *535* | *545* |
| Investment margin | 15 | 122 |
| Fees & revenues | 375 | 506 |
| Net technical margin | 23 | 65 |
| Expenses | (454) | (577) |
| Amortization of VBI | (2) | (3) |
| Other | - | - |
| **Underlying earnings before tax** | **(43)** | **113** |
| Income tax expenses/benefits | 37 | 21 |
| Minority interests | 0 | (0) |
| **Underlying earnings Group share** | **(6)** | **134** |
| Net capital gains or losses attributable to shareholders net of income tax | 2 | (6) |
| **Adjusted earnings Group share** | **(5)** | **128** |
| Profit or loss on financial assets (under FV option) & derivatives | 3 | 59 |
| Exceptional operations (including discontinued operations) | (37) | (1,642) |
| Goodwill and other related intangibles impacts | (50) | (12) |
| Integration and restructuring costs | (3) | (1) |
| **NET INCOME GROUP SHARE** | **(93)** | **(1,468)** |
| *Average exchange rate: 1.00 € = £* | *0.8663* | *0.8615* |

As a consequence of the partial sale of the Life & Savings business to Resolution in 2010, 2011 gross revenues, underlying earnings, adjusted earnings and net income do not include the business sold in 2010. For consistency, 2011 figures have been compared to the same scope for 2010, i.e. retained business as well as portfolios transferred in November 2011 to Resolution. This is referred to as a comparable scope basis in the commentary below.

2010 underlying earnings amounted to €134 million, corresponding approximately to €191 million from the sold business and €-57 million from the retained business for the comparable scope.

2010 APE is based on retained business only.

**Gross revenues** decreased by €1,389 million (-68%) to €651 million. On a constant exchange rate and comparable scope basis, gross revenues increased by €120 million (22%) mainly attributable to €77 million from unit-linked business supported by the launch of the new Accumulator product in 2010, €22 million from bancassurance business and €19 million from Sun Life Direct Protection business.

**APE** decreased by €10 million (-2%) to €535 million. On a constant exchange rate and on retained business only, APE decreased by €7 million (1%). Excluding the large corporate pension schemes, APE increased by €6 million (+1%) driven by Mutual funds sales through the Elevate wrap platform (€+72 million or +75%) as more advisers signed up to using the platform, partly offset by lower sales of unit-linked products driven by a combination of lower volume in individual pensions due to significant sales in 2010 following a change in legislation and lower sales of offshore bonds due to uncertain economic conditions.

**Investment margin** decreased by €108 million (-88%) to €15 million. On a constant exchange rate and on a comparable scope basis, the investment margin decreased by €4 million.

**Fees & revenues** decreased by €130 million (-26%) to €375 million. On a constant exchange rate and on a comparable scope basis, fees & revenues increased by €32 million (9%) driven by €22 million increase in loadings on premiums reflecting portfolio growth, together with €10 million increase in unit-linked management fees mostly driven by in force growth.

**Net technical margin** decreased by €43 million (-65%) to €23 million. On a constant exchange rate and on a comparable scope basis, net technical margin increased by €20 million mainly due to a favorable change in reserve assumption for policyholder taxes on Sun Life Direct Protection business (€+11 million).

**Expenses** decreased by €123 million (-21%) to €-454 million. On a constant exchange rate and on a comparable scope basis, the expenses increased by €5 million.

**Amortization of VBI** decreased by €1 million (-28%) to €-2 million (8%). On a constant exchange rate and on a comparable scope basis, amortization of VBI remained stable.

**Income tax benefits** increased by €16 million (78%) to €37 million. On a constant exchange rate and on a comparable scope basis, income tax benefits increased by €7 million (25%) driven by a positive tax adjustment following a corporate tax rate decrease more than offset by higher pre-tax underlying earnings evolution. Retained business underlying earnings benefited from a favorable tax situation in 2010 and 2011 (€11 million).

As a consequence, the **underlying cost income ratio** increased by 26.8 points to 110.5%. On a constant exchange rate and on a comparable scope basis, the underlying cost income ratio decreased by 13.1 points.

**Underlying earnings** decreased by €140 million to €-6 million. On a constant exchange rate and a comparable scope basis, underlying earnings increased by €51 million.

**Adjusted earnings** decreased by €133 million to €-5 million. On a constant exchange rate and comparable scope, adjusted earnings increased by €51 million due to the underlying earnings movement.

**Net income** increased by €1,375 million to €-93 million. Excluding €1,642 million exceptional loss in 2010 arising from the partial sale of the Life & Savings business, on a constant exchange rate and on a comparable scope basis, net income decreased by €20 million. In addition to the changes in adjusted earnings, the year on year movement in net income included €-37 million adjustment related to the completion of the held for sale portfolios transferred in 2011 and €-38 million accelerated amortization related to customer intangibles.

## LIFE & SAVINGS OPERATIONS – JAPAN

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **5,747** | **5,560** |
| *APE (Group share)* | *463* | *465* |
| Investment margin | (0) | (0) |
| Fees & revenues | 1,456 | 1,356 |
| Net technical margin | (23) | 43 |
| Expenses | (860) | (782) |
| Amortization of VBI | (56) | (66) |
| Other | - | - |
| **Underlying earnings before tax** | **518** | **550** |
| Income tax expenses/benefits | (191) | (211) |
| Minority interests | (4) | (4) |
| **Underlying earnings Group share** | **323** | **335** |
| Net capital gains or losses attributable to shareholders net of income tax | 12 | 5 |
| **Adjusted earnings Group share** | **335** | **340** |
| Profit or loss on financial assets (under FV option) & derivatives | 19 | 46 |
| Exceptional operations (including discontinued operations) | - | - |
| Goodwill and other related intangibles impacts | - | - |
| Integration and restructuring costs | - | (9) |
| **NET INCOME GROUP SHARE** | **354** | **377** |
| *Average exchange rate: 1.00 € = Yen* | *112.9700* | *121.5997* |

**Gross revenues** increased by €187 million (+3%) to €5,747 million. On a comparable basis, revenues decreased by €221 million (-4%):

- *Protection* revenues (39% of gross revenues) decreased by €76 million (-4%) mainly resulting from the sales discontinuation of low margin products, notably Increasing Term Rider (€-52 million), Endowment (€-19 million) as well as lower sales of Group Life (€-18 million), partly offset by sales of new Whole Life products (€+19 million);
- *Investment & Savings* revenues (30% of gross revenues) decreased by €91 million (-5%) mainly due to the non repeat of significant sales of Variable Annuity products in 2010 driven by a change of inheritance tax law (€-59 million);
- *Health* revenues (31% of gross revenues) decreased by €54 million (-3%) mainly resulting from Cancer product discontinuation in 2010 (€-39 million) and lower sales in Medical products (€-19 million), partly offset by newly launched Cancer products (€+8 million).

**APE** decreased by €2 million (-1%) to €463 million. On a comparable basis, APE decreased by €35 million (-8%):

- *Health* decreased by €24 million (-15%) to €148 million, as a result of a shift from lower margin to higher margin Medical products, partly offset by the new Cancer products;
- *Investment & Savings* decreased by €6 million (-6%) to €103 million, due to non-repeat of significant sales of Variable Annuity products;
- *Protection* decreased by €5 million (-3%) to €213 million, mainly driven by lower sales of Increasing Term and Term products (€-27 million), partly offset by an increase in new Whole Life products (€+20 million) reflecting a shift in product mix towards higher margin products.

**Investment margin** remained stable at €0 million.

**Fees & revenues** increased by €100 million (+7%) to €1,456 million. On a constant exchange rate basis, fees & revenues remained stable.

**Net technical margin** decreased by €65 million to €-23 million. On a constant exchange rate basis, net technical margin decreased by €64 million mainly driven by the unfavorable impact of the Great East Japan earthquake on the mortality margin and a lower surrender margin following improved retention combined with model and assumption changes.

**Expenses** increased by €77 million (10%) to €-860 million. On a constant exchange rate basis, expenses increased by €16 million (2%) mainly due to (i) €7 million higher IT infrastructure costs and (ii) €5 million additional expenses related to the earthquake.

**Amortization of VBI** decreased by €10 million (-15%) to €-56 million. On a constant exchange rate basis, VBI amortization decreased by €14 million (-21%) mainly driven by the natural decline of VBI balance.

As a result, the **underlying cost income ratio** deteriorated by 3.2 points to 63.9%.

**Income tax expenses** decreased by €20 million to €-191 million. On a constant exchange rate basis, income tax expenses decreased by €33 million due to lower pre-tax underlying earnings and a positive tax one-off (€15 million).

**Underlying earnings** decreased by €12 million (-4%) to €323 million or decreased by €35 million (-10%) on a constant exchange rate basis.

**Adjusted earnings** decreased by €6 million (-2%) to €335 million or decreased by €29 million (-9%) on a constant exchange rate basis, due to lower underlying earnings partly offset by lower impairments.

**Net income** decreased by €23 million to €354 million. On a constant exchange rate basis, net income decreased by €48 million, mainly due to (i) €29 million lower adjusted earnings, (ii) less favorable mark-to-market changes of fixed maturities and alternative assets, partly offset by (iii) a favorable foreign exchange impact driven by an accounting mismatch on derivatives hedging foreign denominated equities.

## LIFE & SAVINGS OPERATIONS – GERMANY

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **7,001** | **6,880** |
| *APE (Group share)* | *506* | *464* |
| Investment margin | 113 | 84 |
| Fees & revenues | 325 | 306 |
| Net technical margin | 77 | 98 |
| Expenses | (255) | (225) |
| Amortization of VBI | (32) | (14) |
| Other | - | - |
| **Underlying earnings before tax** | **228** | **249** |
| Income tax expenses/benefits | (35) | (75) |
| Minority interests | (0) | (0) |
| **Underlying earnings Group share** | **192** | **174** |
| Net capital gains or losses attributable to shareholders net of income tax | (42) | 11 |
| **Adjusted earnings Group share** | **151** | **185** |
| Profit or loss on financial assets (under FV option) & derivatives | 2 | 29 |
| Exceptional operations (including discontinued operations) | - | 1 |
| Goodwill and other related intangibles impacts | - | - |
| Integration and restructuring costs | (1) | (0) |
| **NET INCOME GROUP SHARE** | **152** | **214** |

**Gross revenues** increased by €122 million (+2%) to €7,001 million [(1)]:

- *Life revenues* (65% of gross revenues) slightly decreased by €17 million (-0%) to €4,582 million due to lower single premiums from unit-linked Savings as well as lower regular premiums from Protection partly compensated by higher single premiums from general account Savings and short term investment products;
- *Health revenues* (35% of gross revenues) increased by €139 million (+6%) to 2,419 million mainly deriving from premium indexation and higher new business.

**APE** increased by €42 million (+9%) to €506 million:

- *Life* increased by €8 million (+2%) mainly due to higher new business from general account Savings as well as Pure Protection and increasing single premiums from short term investment products partly offset by lower new business from unit-linked products, reflecting a shift in customer sentiment towards traditional products and as a result of the repricing of Variable Annuities ("Twinstar");
- *Health* increased by €34 million (+31%) mainly driven by a favorable change in regulation.

**Investment margin** increased by €29 million (+34%) to €113 million due to an increasing investment income from private equity and fixed income assets, notably as a result of exceptional coupon distributions, combined with a lower share allocated to policyholder.

**Fees & revenues** increased by €18 million (+6%) to €325 million mainly due to higher loadings on Health business in line with portfolio growth and higher URR (Unearned Revenues Reserves) amortization on Variable Annuity products (offset by higher amortization of deferred acquisition costs).

**Net technical margin** fell by €21 million (-22%) to €77 million due to a decrease in hedging margin on GMxB products (€-33 million) partly compensated by improved claims experience in Health.

**Expenses** increased by €30 million (+13%) to €-255 million mainly due to higher amortization of deferred acquisition costs (€-18 million) mainly following updated interest rates and costs assumptions (€-18 million) as well as higher expenses in Health deriving from new business and portfolio growth.

*(1) €6,985 million after intercompany eliminations.*

**Amortization of VBI** increased by €18 million (+124%) to €-32 million due to change in interest rate assumptions (€-12 million).

As a result, the **underlying cost income ratio** increased by 6.8 points to 55.8%.

**Income tax expenses** decreased by €40 million (-54%) to €-35 million mainly due to a positive tax one-off (€+37 million) and lower pre-tax underlying earnings.

**Underlying earnings** increased by €19 million (+11%) to €192 million.

**Adjusted earnings** decreased by €34 million (-18%) to €151 million mainly due to higher fixed income impairment charge mostly on Greek government bonds, partly offset by higher underlying earnings.

**Net income** decreased by €62 million (-29%) to €152 million mainly due to lower adjusted earnings and less favorable change in fair value of alternative investments.

## LIFE & SAVINGS OPERATIONS – SWITZERLAND

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **6,158** | **5,090** |
| *APE (Group share)* | *397* | *283* |
| Investment margin | 118 | 113 |
| Fees & revenues | 265 | 231 |
| Net technical margin | 270 | 169 |
| Expenses | (202) | (194) |
| Amortization of VBI | (59) | (43) |
| Other | - | - |
| **Underlying earnings before tax** | **392** | **275** |
| Income tax expenses/benefits | (99) | (63) |
| Minority interests | - | - |
| **Underlying earnings Group share** | **293** | **212** |
| Net capital gains or losses attributable to shareholders net of income tax | (13) | 34 |
| **Adjusted earnings Group share** | **280** | **247** |
| Profit or loss on financial assets (under FV option) & derivatives | 100 | 69 |
| Exceptional operations (including discontinued operations) | 798 | 51 |
| Goodwill and other related intangibles impacts | (7) | (6) |
| Integration and restructuring costs | - | - |
| **NET INCOME GROUP SHARE** | **1,172** | **361** |
| *Average exchange rate: 1.00 € = Swiss Franc* | *1.2366* | *1.3910* |

**Gross revenues** increased by €1,067 million (+21%) to €6,158 million[(1)]. On a comparable basis, gross revenues increased by €384 million (+8%):

- *Group Life* revenues increased by €372 million (+9%) to €5,276 million as a result of a strong positioning in a context of lasting strong demand for full-protection schemes contracts from small and medium size enterprises, with higher single premiums (€+300 million) and higher regular premiums (€+72 million);
- *Individual Life* revenues increased by €11 million (+2%) to €882 million as a consequence of higher single premiums (€+11 million) mainly attributable to the new Protect Invest product.

**APE** increased by €114 million (+40%) to €397 million. On a comparable basis, APE increased by €70 million (+25%):

- *Group Life* increased by €62 million (+32%) driven by higher demand for full-protection schemes;

*(1) €6,151 million after intercompany eliminations.*

- *Individual Life* increased by €8 million (+9%) mainly attributable to the new Protect Plan product.

**Investment margin** increased by €5 million (+4%) to €118 million. On a constant exchange rate basis, investment margin decreased by €8 million (-7%) mainly due to a higher policyholder bonus allocation.

**Fees & revenues** increased by €34 million (+15%) to €265 million. On a constant exchange rate basis, fees & revenues increased by €5 million (+2%) resulting from both Individual Life and Group Life.

**Net technical margin** increased by €100 million (+59%) to €270 million. On a constant exchange rate basis, net technical margin increased by €71 million (+42%) driven by a favorable development in mortality and disability margin in Individual Life as well as a €8 million gain from the cancellation of a large internal co-insurance contract (offset by a corresponding VBI amortization).

**Expenses** increased by €8 million (+4%) to €-202 million. On a constant exchange rate basis, expenses decreased by €14 million (-7%) driven by both lower acquisition expenses of €+9 million (-16%) and lower administrative expenses of€+5 million (-4%) reflecting ongoing strict cost management.

**Amortization of VBI** increased by €15 million (+35%) to €-59 million. On a constant exchange rate basis, amortization of VBI increased by €9 million (+20%) mainly impacted by the cancellation of the above mentioned internal co-insurance contract.

As a result, the **underlying cost income ratio** decreased by 6.4 points to 40.0%.

**Income tax** expenses increased by €36 million (+57%) to €-99 million. On a constant exchange rate basis, income tax expenses increased by €25 million (+40%) mainly due to dividends received from consolidated foreign subsidiaries and higher pre-tax underlying earnings.

**Underlying earnings** increased by €80 million (+38%) to €293 million. On a constant exchange rate basis, underlying earnings increased by €48 million (+23%).

**Adjusted earnings** increased by €33 million (+14%) to €280 million. On a constant exchange rate basis, adjusted earnings increased by €2 million (+1%) mainly driven by higher underlying earnings partly offset by lower realized capital gains net of impairments (€-44 million), mainly on equities.

**Net income** increased by €811 million to €1,172 million. On a constant exchange rate basis, net income increased by €681 million mainly driven by the realized gain on the sale of the stake in Taikang Life (€798 million) partly offset by a non-recurring positive tax impact included in 2010 (€-54 million).

## LIFE & SAVINGS OPERATIONS – BELGIUM

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **2,142** | **2,506** |
| *APE (Group share)* | *173* | *218* |
| Investment margin | 288 | 262 |
| Fees & revenues | 163 | 153 |
| Net technical margin | 34 | 67 |
| Expenses | (278) | (250) |
| Amortization of VBI | (5) | (4) |
| Other | - | - |
| **Underlying earnings before tax** | **203** | **227** |
| Income tax expenses/benefits | (48) | (57) |
| Minority interests | (0) | (0) |
| **Underlying earnings Group share** | **155** | **170** |
| Net capital gains or losses attributable to shareholders net of income tax | (88) | 69 |
| **Adjusted earnings Group share** | **68** | **239** |
| Profit or loss on financial assets (under FV option) & derivatives | (70) | 33 |
| Exceptional operations (including discontinued operations) | - | (4) |
| Goodwill and other related intangibles impacts | - | - |
| Integration and restructuring costs | (7) | (3) |
| **NET INCOME GROUP SHARE** | **(9)** | **265** |

**Gross revenues** decreased by €363 million (-15%) to €2,142 million [(1)]:

- *Individual Life & Savings* decreased by 18% (or €-353 million) to €1,563 million mainly driven by the strong decrease in both unit-linked and general account Savings products by €348 million (-21%), especially on Crest products, in a highly competitive environment;
- *Group Life* revenues decreased by 2% (or €-10 million) to €579 million.

**APE** decreased by €45 million (-21%) to €173 million:

- *Individual Life & Savings* APE decreased by 25% (or €-48 million) mainly driven by mower sales of Crest products reflecting a conservative commercial policy in a highly competitive market;
- *Group Life* APE increased by 10% (or €3 million) to €27 million.

**Investment margin** increased by €26 million (+10%) to €288 million mainly driven by higher investment income (€25 million) as a result of a higher asset base.

**Fees & revenues** increased by €10 million (+7%) to €163 million mainly due to higher Unearned Revenues Reserves amortization following an update of actuarial assumptions (€+18 million more than offset by higher DAC amortization), partly offset by lower fees and loadings (€-9 million).

**Net technical margin** decreased by €32 million (-48%) to €34 million mainly due to the new recurring contribution to the policyholder protection fund (€-25 million) and a less favorable disability experience.

**Expenses** increased by €28 million (+11%) to €-278 million due to higher net deferred acquisition cost amortization (€-35 million), mainly due to an update of actuarial assumptions (€-30 million), partly offset by lower commissions (€+6 million) and lower general expenses (€+2 million) including €+8 million one-off benefit.

**Amortization of VBI** increased by €1 million to €-5 million.

As a result the underlying cost income ratio increased by 5.4 points to 58.2%.

**Income tax expenses** decreased by €10 million to €-48 million.

**Underlying earnings** decreased by €15 million to €155 million.

**Adjusted earnings** decreased by €171 million to €68 million mainly due to realized capital losses on equities in 2011 compared to realized gains on equities in 2010 (€-142 million) and, to a lesser extent, to Greek government bonds impairment (€-26 million).

**Net income** decreased by €274 million to €-9 million mainly driven by realized and unrealized capital losses on fixed income Mutual funds due to credit spreads widening.

*(1) €2,142 million after intercompany eliminations.*

## LIFE & SAVINGS OPERATIONS – CENTRAL AND EASTERN EUROPE

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **514** | **515** |
| *APE (Group share)* | *213* | *274* |
| Investment margin | 29 | 25 |
| Fees & revenues | 115 | 115 |
| Net technical margin | 35 | 27 |
| Expenses | (162) | (152) |
| Amortization of VBI | (2) | (2) |
| Other | - | - |
| **Underlying earnings before tax** | **15** | **14** |
| Income tax expenses/benefits | (6) | (5) |
| Minority interests | (0) | 0 |
| **Underlying earnings Group share** | **9** | **9** |
| Net capital gains or losses attributable to shareholders net of income tax | (0) | 1 |
| **Adjusted earnings Group share** | **8** | **10** |
| Profit or loss on financial assets (under FV option) & derivatives | (0) | (1) |
| Exceptional operations (including discontinued operations) | - | - |
| Goodwill and other related intangibles impacts | (2) | (3) |
| Integration and restructuring costs | - | (0) |
| **NET INCOME GROUP SHARE** | **6** | **6** |

**Gross revenues** decreased by €1 million to €514 million. On a comparable basis, gross revenues decreased by €4 million (-1%), as the decrease in pension fund products sales in Poland and Hungary, due to the changes in regulation was partly offset by an increase in unit-linked sales (€+14 million or +7%).

**APE** decreased by €61 million to €213 million. On a comparable basis, APE decreased by €62 million (-23%) to €213 million due to a progressive run-off of the Pension Funds business (€-83 million or -52%) following regulatory changes in Poland and Hungary partly offset by Life & Savings APE (€+20 million or +17%) stemming from unit-linked product sales (€+21 million or +24%).

**Underlying earnings** were stable at €9 million. On a constant exchange basis, despite the nationalization of the mandatory Pension Funds in Hungary and regulatory reform in Poland, underlying earnings were stable due to higher technical margin and lower administrative expenses offset by higher acquisition expenses.

As a result, the **underlying cost income ratio** was stable at 91.7%.

**Adjusted earnings** decreased by €1 million to €8 million. On a constant exchange rate basis, adjusted earnings decreased by €1 million driven by higher impairments on equities.

**Net income** decreased by €1 million to €6 million. On a constant exchange rate basis, net income decreased by €1 million driven by lower adjusted earnings.

## LIFE & SAVINGS OPERATIONS – MEDITERRANEAN AND LATIN AMERICAN REGION

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **4,796** | **6,955** |
| *APE (Group share)* | *432* | *553* |
| Investment margin | 264 | 253 |
| Fees & revenues | 320 | 332 |
| Net technical margin | 73 | 108 |
| Expenses | (445) | (455) |
| Amortization of VBI | (14) | (21) |
| Other | - | - |
| **Underlying earnings before tax** | **197** | **217** |
| Income tax expenses/benefits | (52) | (70) |
| Minority interests | (41) | (30) |
| **Underlying earnings Group share** | **104** | **117** |
| Net capital gains or losses attributable to shareholders net of income tax | (80) | 35 |
| **Adjusted earnings Group share** | **24** | **152** |
| Profit or loss on financial assets (under FV option) & derivatives | 14 | (24) |
| Exceptional operations (including discontinued operations) | (0) | - |
| Goodwill and other related intangibles impacts | (12) | (0) |
| Integration and restructuring costs | (2) | - |
| **NET INCOME GROUP SHARE** | **24** | **127** |

**Gross revenues** decreased by €2,159 million (-31%) or €2,146 million (-31%) on a comparable basis to €4,796 million:

- mature markets were down by €2,130 million or -33%, mainly driven by a significant decrease of €2,320 million in general account savings products at AXA MPS reflecting a more favorable context in 2010 in Italy due to a tax amnesty and 2011 lower activity from the bank distribution channel,
- high growth markets decreased by €15 million (-4%), mainly driven by lower Group Protection new business in Mexico.

**APE** decreased by €121 million (-22%) or €120 million (-22%) on a comparable basis to €432 million:

- mature markets were down €110 million (-23%), mainly reflecting a strong drop in general account savings products (€-150 million) mostly at AXA MPS, partly offset by a better performance of unit-linked products (€42 million or +46%) and Individual Protection at AXA MPS (€4 million), in line with the strategy to focusing on improving the business mix;
- high growth markets decreased by €10 million (-14%) mainly driven by Group Protection in Mexico (€-12 million) due to less large new contracts as a result of a stricter underwriting policy.

**Investment margin** increased by €11 million (+4%) or €12 million (+5%) on a comparable basis to €264 million, in both mature markets (€+9 million) and high growth markets (€+3 million mainly in Mexico), as a result of increased average asset base combined with lower policyholder bonuses.

**Fees & revenues** decreased by €12 million (-4%) or €10 million (-3%) on a comparable basis to €320 million:

- mature markets were down €5 million (-2%), mainly as a result of lower volumes in general account savings at AXA MPS (€-8 million);
- high growth markets decreased by €5 million (-6%) mainly driven by Mexico (€-8 million) following lower volumes in Group Protection.

**Net technical margin** fell by €35 million (-33%) or €34 million (-32%) on a comparable basis to €73 million attributable to:

- mature markets down €25 million (-33%) driven by lower GMxB margin (€-14 million) and lower mortality margin in Spain (€-17 million) mainly in Protection, partly offset by a higher surrender margin at AXA MPS;
- high growth Markets down €9 million (-29%) mainly driven by Mexico (€-8 million) due to higher severity mainly in Individual Protection.

**Expenses** decreased by €10 million (-2%) or €7 million (-2%) on a comparable basis to €-445 million due to:

- mature markets down €4 million (-1%) driven by lower commissions, reflecting lower volumes, partly compensated by higher DAC amortization at AXA MPS in line with higher surrenders on general account saving products;
- high growth markets down €3 million (-3%), driven by Mexico as a result of lower commissions on Group Protection.

**Amortization of VBI** decreased by €7 million (-33%) to €-14 million. On a constant exchange rate basis, amortization of VBI decreased by €7 million (-33%) mainly due to the natural decline of VBI balance at AXA MPS.

As a result, the **underlying cost income ratio** increased by 1.2 points to 69.9%.

**Income tax expenses** decreased by €18 million (-24%) or €17 million (-24%) on a comparable basis to €-52 million mainly due to lower pre-tax underlying earnings as well as well as the introduction in 2010 of a new tax based on reserve in Italy.

**Underlying earnings** decreased by €13 million (-12%) or €12 million (-11%) on a comparable basis to €104 million.

**Adjusted earnings** decreased by €128 million (-84%) or €127 million (-84%) on a comparable basis to €24 million mainly due to higher impairment charges, notably on Greek government bonds (€-93 million) as well as lower realized capital gains.

**Net income** decreased by €104 million (-82%) or €102 million (-80%) on a comparable basis to €24 million reflecting lower adjusted earnings partly offset by a positive change in fair value of interest rate derivatives.

## LIFE & SAVINGS OPERATIONS – HONG KONG

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **1,465** | **1,321** |
| *APE (Group share)* | *330* | *159* |
| Investment margin | 4 | 24 |
| Fees & revenues | 385 | 332 |
| Net technical margin | 45 | 53 |
| Expenses | (170) | (128) |
| Amortization of VBI | 9 | (8) |
| Other | (7) | - |
| **Underlying earnings before tax** | **266** | **274** |
| Income tax expenses/benefits | (17) | (14) |
| Minority interests | (26) | (118) |
| **Underlying earnings Group share** | **224** | **142** |
| Net capital gains or losses attributable to shareholders net of income tax | (12) | 19 |
| **Adjusted earnings Group share** | **211** | **161** |
| Profit or loss on financial assets (under FV option) & derivatives | (49) | 0 |
| Exceptional operations (including discontinued operations) | (1) | - |
| Goodwill and other related intangibles impacts | - | - |
| Integration and restructuring costs | - | - |
| **NET INCOME GROUP SHARE** | **161** | **162** |

**Gross revenues** increased by €144 million (+11%) to €1,465 million. On a comparable basis, gross revenues increased by €202 million (+15%) mainly due to higher revenues from general account Protection & Health products (€+110 million) and unit-linked products (€+61 million).

**APE** increased by €171 million (+107%) to €330 million. On a comparable basis, APE increased by €48 million (+16%) due to the successful launch of a new series of unit-linked products (€+10 million) and higher general account Protection & Health products (€+20 million) notably driven by several large cases in Group Medical as well as Funds (€+16 million).

**Investment margin** decreased by €20 million (-83%) to €4 million. On a constant exchange rate basis, investment margin decreased by €20 million (-82%) mainly due to higher bonus allocated to policyholders, partially offset by higher investment income reflecting a higher asset base.

**Fees & revenues** increased by €53 million (+16%) to €385 million. On a constant exchange rate basis, fees & revenues increased by €68 million (+20%) primarily driven by an increase in loadings on premiums and Mutual funds stemming from new business and growing in-force, and to a lesser extent by higher unit-linked management fees.

**Net technical margin** decreased by €9 million (-16%) to €45 million. On a constant exchange rate basis, net technical margin decreased by €7 million (-13%) mainly due to the early termination of an internal co-insurance treaty (€-7 million, offset in amortization of VBI).

**Expenses** increased by €42 million (+33%) to €-170 million. On a constant exchange rate basis, expenses increased by €48 million mainly due to higher investments in the business infrastructure and higher acquisition expenses driven by new business growth.

**Amortization of VBI** decreased by €18 million to €9 million. On a constant exchange rate basis, amortization of VBI decreased by €18 million mainly due to revision of future profits and update of assumptions (€+10 million) and the early termination of an internal co-insurance treaty.

As a consequence, the **underlying cost income ratio** increased by 3.7 points to 37.0%.

**Income tax expenses** increased by €3 million (+24%) to €-17 million. On a constant exchange rate basis, income tax expenses increased by €4 million reflecting a higher taxable income based on premium.

**Underlying earnings** increased by €81 million (+57%) to €224 million. On a constant exchange rate and scope basis, following the minority interests buy-out, underlying earnings remained stable.

**Adjusted earnings** increased by €50 million (+31%) to €211 million. On a constant exchange rate and scope basis, adjusted earnings decreased by €44 million (-17%) mainly reflecting lower net realized capital gains.

**Net income** decreased by €1 million to €161 million. On a constant exchange rate and scope basis, net income decreased by €94 million (-36%) mainly reflecting lower adjusted earnings and unfavorable change in fair value of interest rate derivatives and Mutual funds.

## LIFE & SAVINGS OPERATIONS – SOUTH-EAST ASIA, INDIA AND CHINA

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **255** | **244** |
| *APE (Group share)* | *326* | *166* |
| **Underlying earnings Group share** | **50** | **3** |
| Net capital gains or losses attributable to shareholders net of income tax | 2 | 3 |
| **Adjusted earnings Group share** | **52** | **6** |
| Profit or loss on financial assets (under FV option) & derivatives | 4 | (0) |
| Exceptional operations (including discontinued operations) | (17) | (50) |
| Goodwill and other related intangibles impacts | - | - |
| Integration and restructuring costs | - | - |
| **NET INCOME GROUP SHARE** | **39** | **(45)** |

**Gross revenues** increased by €10 million (+4%) to €255 million. On a comparable basis, gross revenues increased by €5 million (+2%) mainly driven by unit-linked products in Indonesia and Singapore, partly offset by a slowdown in Protection in Singapore.

**APE** increased by €160 million (+96%) to €326 million. On a comparable basis, APE increased by €42 million (+15%) mainly driven by:

- Indonesia (€+29 million) with strong sales of unit-linked products through the bancassurance channel;
- China (€+10 million) mainly from higher sales of general account Protection products through the bancassurance channel;

- Thailand (€+10 million) mainly from higher sales of short-term Savings and Whole Life products, partly offset by;
- India (€-9 million) mainly from lower sales in unit-linked business following regulatory changes in September 2010, in line with the market.

**Underlying earnings** increased by €47 million to €50 million. On a constant exchange rate and scope basis, following the minority-interests buy-out, underlying earnings increased by €39 million following lower losses in India (€+21 million) and earnings improvements in Indonesia (€+10 million) and Singapore (€+6 million).

**Adjusted earnings** increased by €46 million to €52 million. On a constant exchange rate and scope basis, adjusted earnings increased by €35 million primarily driven by underlying earnings growth.

**Net income** increased by €83 million to €39 million. On a constant exchange rate and scope basis, net income increased by €88 million mainly reflecting growth in adjusted earnings and the non repeat of residual past losses in India.

# Life & Savings operations – Other Countries

The following tables present the operating results for the other Life & Savings operations of AXA:

## CONSOLIDATED GROSS REVENUES

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [a] |
|---|---|---|---|
| Australia/New Zealand | 355 | 1,551 | 1,551 |
| Canada | - | 132 | 0 |
| Luxembourg | 78 | 82 | 82 |
| AXA Global Distributors | 3 | 0 | 0 |
| AXA Life Europe | - | - | - |
| Architas Europe | (0) | 2 | 2 |
| Family protect | 0 | - | - |
| **TOTAL** | **436** | **1,768** | **1,636** |
| Intercompany transactions | (3) | 0 | 0 |
| **Contribution to consolidated gross revenues** | **433** | **1,768** | **1,636** |

*(a) Restated means the restatement following classification of Canadian operations as discontinued business.*

## UNDERLYING, ADJUSTED EARNINGS AND NET INCOME

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [(a)] |
|---|---|---|---|
| Australia and New Zealand | 12 | 82 | 82 |
| Canada | - | 10 | - |
| Luxembourg | 4 | 5 | 5 |
| AXA Global Distributors | (26) | (21) | (21) |
| AXA Life Europe | (1) | (2) | (2) |
| Architas Europe | (2) | (1) | (1) |
| Family Protect | (7) | - | - |
| **Underlying earnings** | **(19)** | **74** | **64** |
| Net realized capital gains or losses attributable to shareholders | 2 | (1) | (4) |
| **Adjusted earnings** | **(18)** | **73** | **59** |
| Profit or loss on financial assets (under Fair Value option) & derivatives | 5 | 0 | 1 |
| Exceptional operations (including discontinued operations) | 2 | (2) | 11 |
| Goodwill and related intangible impacts | - | (1) | - |
| Integration and restructuring costs | (0) | (0) | (0) |
| **NET INCOME** | **(11)** | **71** | **71** |

*(a) Restated means the restatement following classification of Canadian operations as discontinued business.*

### Axa Global Distributors [(1)]

**Underlying earnings** as well as **adjusted earnings** and **net income** decreased by €5 million (-19%) to €-26 million mainly due to higher expenses reflecting business development in Europe.

### Australia/New Zealand

Following the disposal of the Australia and New Zealand operations on Apr. 1st, 2011, Australia and New Zealand contributed only to the first quarter of 2011.

### Canada

Following the announced sale of Canadian operations in 2011, these operations were treated as discontinued operations in AXA's full year 2011 consolidated financial statements, leading to a reclassification of their earnings contribution in net income.

*(1) AXA Global Distributors was formed in March 2009 and is 100% owned by AXA SA. The AXA Global Distributors' initiative aim is to distribute variable annuity products through third party partnerships, specifically large banks. P&L excluding infrastructure costs are reflected within AXA France and AXA UK Life & Savings segments.*

# Property & Casualty segment

The following tables present the consolidated gross revenues, underlying earnings, adjusted earnings and net income attributable to AXA's Property & Casualty segment for the periods indicated.

Following the announcement of the sale of Canadian operations, 2010 earnings were restated to reflect its reclassification as discontinued business.

In addition, in order to improve visibility on Direct operations in P&C, this activity is now reported as a separate reporting unit and no longer included within countries or regions. Reported 2010 figures by country were modified accordingly with this new presentation.

## PROPERTY & CASUALTY SEGMENT

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [(a)] |
|---|---|---|---|
| **Gross revenues** | **27,286** | **27,656** | **26,219** |
| Current accident year loss ratio (net) | 72.6% | 74.4% | 74.8% |
| All accident year loss ratio (net) | 70.9% | 71.1% | 71.7% |
| **Net technical result before expenses** | **7,807** | **7,932** | **7,382** |
| Expense ratio | 27.0% | 28.0% | 27.8% |
| Net investment result | 2,034 | 2,115 | 2,035 |
| **Underlying earnings before tax** | **2,591** | **2,357** | **2,165** |
| Income tax expenses/benefits | (748) | (658) | (604) |
| Net income from investments in affiliates and associates | 38 | 33 | 32 |
| Minority interests | (33) | (40) | (40) |
| **Underlying earnings Group share** | **1,848** | **1,692** | **1,553** |
| Net capital gains or losses attributable to shareholders net of income tax | (62) | 111 | 96 |
| **Adjusted earnings Group share** | **1,786** | **1,803** | **1,649** |
| Profit or loss on financial assets (under FV option) & derivatives | (90) | 27 | 29 |
| Exceptional operations (including discontinued operations) | 147 | 6 | 153 |
| Goodwill and other related intangibles impacts | (66) | (64) | (59) |
| Integration and restructuring costs | (78) | (22) | (22) |
| **NET INCOME GROUP SHARE** | **1,700** | **1,750** | **1,750** |

*(a) Restated in full year 2010 means the figures as reported were modified accordingly the Direct P&C operations reported as a separate reporting unit.*

## CONSOLIDATED GROSS REVENUES

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [(a)] |
|---|---|---|---|
| France | 5,596 | 5,896 | 5,531 |
| United Kingdom & Ireland | 3,772 | 4,229 | 3,687 |
| Germany | 3,638 | 3,489 | 3,489 |
| Switzerland | 2,643 | 2,336 | 2,336 |
| Belgium | 2,100 | 2,118 | 2,049 |
| Central and Eastern Europe [(d)] | 65 | 109 | 67 |
| Mediterranean & Latin American Region [(b)] | 6,848 | 6,928 | 6,661 |
| Direct [(c)] | 2,102 | n.a | 1,928 |
| Other countries [(e)] | 522 | 2,552 | 472 |
| **TOTAL** | **27,286** | **27,656** | **26,219** |
| Intercompany transactions | (240) | (242) | (234) |
| **Contribution to consolidated gross revenues** | **27,046** | **27,413** | **25,986** |
| of which High growth markets | 3,335 | 2,990 | 2,990 |
| of which Direct | 2,102 | 1,928 | 1,928 |
| of which Mature markets | 21,609 | 22,495 | 21,067 |

*(a) Direct P&C operations are now reported as a separate business. Full year 2010 restated figures as reported were modified accordingly. Restated means also the restatement following classification of Canadian operation as discontinued business.*
*(b) Mediterranean & Latin American Region includes other than Direct operations in Italy, Spain, Portugal, Greece, Turkey, Morocco, Gulf Region and Mexico.*
*(c) Direct business in France, Belgium, Spain, Portugal, Italy, Poland, United Kingdom, South Korea and Japan.*
*(d) Includes Ukraine and Reso (Russia).*
*(e) Other countries correspond to Canada, Luxembourg and Asia.*

## COMBINED RATIO

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [(a)] |
|---|---|---|---|
| **Total** | **97.9%** | **99.1%** | **99.5%** |
| France | 95.7% | 99.1% | 98.9% |
| United Kingdom & Ireland | 98.4% | 103.9% | 102.1% |
| Germany | 103.2% | 104.6% | 104.6% |
| Switzerland | 89.2% | 88.8% | 88.8% |
| Belgium | 99.1% | 98.5% | 98.8% |
| Central and Eastern Europe | 102.3% | 115.9% | 106.8% |
| Reso (Russia) | 97.7% | n.a | n.a |
| Mediterranean & Latin American Region [(b)] | 97.6% | 97.7% | 97.2% |
| Direct [(c)] | 105.4% | n.a | 108.3% |
| Other countries [(d)] | 96.3% | 96.6% | 100.6% |
| Mature | 97.2% | 98.4% | 98.8% |
| Direct | 105.4% | n.a | 108.3% |
| High Growth | 98.2% | 99.3% | 99.3% |

*(a) Direct P&C operations are now reported as a separate business. Full year 2010 restated figures as reported were modified accordingly. Restated means also the restatement following classification of Canadian operation as discontinued business.*
*(b) Mediterranean & Latin American Region includes other than Direct operations in Italy, Spain, Portugal, Greece, Turkey, Morocco, Gulf Region and Mexico.*
*(c) Direct business in France, Belgium, Spain, Portugal, Italy, Poland, United Kingdom, South Korea and Japan.*
*(d) Other countries correspond to Canada, Luxembourg and Asia.*

## UNDERLYING EARNINGS

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [a] |
|---|---|---|---|
| France | 496 | 432 | 424 |
| United Kingdom & Ireland | 211 | 50 | 98 |
| Germany | 221 | 177 | 177 |
| Switzerland | 397 | 359 | 359 |
| Belgium | 142 | 159 | 153 |
| Central and Eastern Europe [d] | 37 | 22 | 30 |
| Mediterranean & Latin American Region [b] | 353 | 358 | 368 |
| Direct [c] | (33) | n.a | (62) |
| Other countries [e] | 23 | 135 | 6 |
| **Underlying earnings** | **1,848** | **1,692** | **1,553** |
| of which High growth markets | 178 | 147 | 147 |
| of which Direct | (33) | (62) | (62) |
| of which Mature markets | 1,703 | 1,606 | 1,468 |

*(a) Direct P&C operations are now reported as a separate business. Full year 2010 restated figures as reported were modified accordingly. Restated means also the restatement following classification of Canadian operations as discontinued business.*
*(b) Mediterranean & Latin American Region includes other than Direct operations in Italy, Spain, Portugal, Greece, Turkey, Morocco, Gulf Region, and Mexico.*
*(c) Direct business in France, Belgium, Spain, Portugal, Italy, Poland, the United Kingdom, South Korea and Japan.*
*(d) Includes Ukraine and Reso (Russia).*
*(e) Other countries correspond to Canada, Luxembourg and Asia.*

## UNDERLYING, ADJUSTED EARNINGS AND NET INCOME

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [a] |
|---|---|---|---|
| **Underlying earnings** | **1,848** | **1,692** | **1,553** |
| Net realized capital gains or losses attributable to shareholders | (62) | 111 | 96 |
| **Adjusted earnings** | **1,786** | **1,803** | **1,649** |
| Profit or loss on financial assets (under Fair Value option) & derivatives | (90) | 27 | 29 |
| Exceptional operations (including discontinued operations) | 147 | 6 | 153 |
| Goodwill and related intangibles impacts | (66) | (64) | (59) |
| Integration and restructuring costs | (78) | (22) | (22) |
| **NET INCOME** | **1,700** | **1,750** | **1,750** |

*(a) Restated means the restatement following classification of Canadian operations as discontinued business.*

## PROPERTY & CASUALTY OPERATIONS – FRANCE

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **5,596** | **5,531** |
| Current accident year loss ratio (net) | 73.5% | 76.2% |
| All accident year loss ratio (net) | 71.1% | 73.6% |
| **Net technical result before expenses** | **1,609** | **1,453** |
| Expense ratio | 24.6% | 25.3% |
| Net investment result | 550 | 589 |
| **Underlying earnings before tax** | **791** | **649** |
| Income tax expenses/benefits | (294) | (224) |
| Net income from investments in affiliates and associates | - | - |
| Minority interests | (1) | (0) |
| **Underlying earnings Group share** | **496** | **424** |
| Net capital gains or losses attributable to shareholders net of income tax | (52) | 34 |
| **Adjusted earnings Group share** | **445** | **459** |
| Profit or loss on financial assets (under FV option) & derivatives | (14) | (7) |
| Exceptional operations (including discontinued operations) | - | - |
| Goodwill and other related intangibles impacts | - | - |
| Integration and restructuring costs | - | - |
| **NET INCOME GROUP SHARE** | **431** | **452** |

*The year 2010 published current year loss ratio was 76.5%.*

**Gross revenues** increased by €65 million (+1%) to €5,596 million (1):

- *Personal lines* (59% of gross revenues) were stable at €3,248 million as tariff increases were offset by negative net new contracts in both Motor and household;
- *Commercial lines* (41% of gross revenues) were up by 3% to €2,304 million mainly driven by tariff increases partly offset by lower volumes in a context of selective underwriting.

**Net technical result** increased by €156 million (+11%) to €1,609 million:

- *current accident year loss ratio* decreased by 2.6 points to 73.5% due to lower impact of Nat Cat events (-1.4 points, Xynthia in 2010) and lower attritional claims ratio reflecting tariff increases and more favorable claims frequency;
- *all accident year loss ratio* decreased by 2.5 points to 71.1% as a result of the decrease in current accident year loss ratio, and broadly stable prior year reserve developments.

**Expense ratio** decreased by 0.7 point to 24.6% mainly driven by a contained cost base, notably lower staff costs.

**Enlarged expense ratio** was down 0.4 point to 32.4%.

As a consequence, the **combined ratio** was down 3.2 points to 95.7%.

**Net investment result** decreased by €39 million (-7%) to €550 million mainly due to lower yields on fixed income assets partly compensated by higher dividends on equities.

**Income tax expenses** increased by €70 million (+31%) to €-294 million mainly reflecting higher pre-tax underlying earnings, as well as a higher corporate tax rate (€-13 million).

As a result, **underlying earnings** increased by €72 million (+17%) to €496 million.

**Adjusted earnings** decreased by €14 million (-3%) to €445 million as a consequence of lower realized capital gains (€-51 million) mostly on equities, and higher impairments (€-36 million) driven by equities (€-23 million) and fixed income assets (€-13 million), mostly on Greek government bonds, partly offset by higher underlying earnings.

**Net income** decreased by €21 million (-5%) to €431 million mainly due to the decrease in adjusted earnings and an unfavorable change in fair value of Mutual funds and derivatives (€-22 million) mainly driven by credit spread widening partly offset by a less unfavorable foreign exchange impact (€+15 million).

*(1) €5,552 million after intercompany eliminations.*

## PROPERTY & CASUALTY OPERATIONS – UNITED KINGDOM & IRELAND

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **3,772** | **3,687** |
| Current accident year loss ratio (net) | 67.6% | 72.5% |
| All accident year loss ratio (net) | 68.0% | 69.9% |
| **Net technical result before expenses** | **1,181** | **1,129** |
| Expense ratio | 30.4% | 32.2% |
| Net investment result | 225 | 196 |
| **Underlying earnings before tax** | **284** | **118** |
| Income tax expenses/benefits | (73) | (20) |
| Net income from investments in affiliates and associates | - | - |
| Minority interests | (0) | (0) |
| **Underlying earnings Group share** | **211** | **98** |
| Net capital gains or losses attributable to shareholders net of income tax | (26) | (9) |
| **Adjusted earnings Group share** | **184** | **89** |
| Profit or loss on financial assets (under FV option) & derivatives | (120) | 5 |
| Exceptional operations (including discontinued operations) | 53 | - |
| Goodwill and other related intangibles impacts | (1) | (1) |
| Integration and restructuring costs | (20) | (10) |
| **NET INCOME GROUP SHARE** | **97** | **83** |
| *Average exchange rate: 1.00 € = £* | *0.8663* | *0.8615* |

*The year 2010 published current year loss ratio was 74.4%*

**Gross** revenues increased by €85 million (+2%) to €3,772 million [(1)]. On a comparable basis, gross revenues increased by €83 million (+2%):

- *Personal lines* (55% of the total premiums) were up 1% at €2,020 million. Motor was up 1% to €561 million due to tariff increases in the UK and Ireland partly offset by a change in business mix. Non-Motor was up 1% to €1,459 million. Property up 8% to €568 million due to new schemes, increased volumes and improved retention in the UK. Health was stable at €561 million. Personal Other was down 6% to €331 million mainly reflecting selective underwriting within Travel and Warranty;
- *Commercial lines* (46% of the total premiums) were up 5% to €1,681 million. Motor was up 17% to €320 million driven by increased retention and higher new business. Non-Motor was up 3%. Health was up 10% to €697 million mainly reflecting growth in UK and International Corporate business. The 5% decline within Property reflects the continuing difficult market conditions.

**Net technical result** increased by €53 million to €1,181million. On a constant exchange rate basis the net technical result increased by €59 million (+5%).

- **The current year loss ratio** decreased by 4.9 points to 67.6% due to the absence of significant Nat Cat events (-4.0 points), tariff increases in the UK and Ireland mainly in Personal Motor and Property, partly offset by increases in bodily injury claims in the UK;
- **The all accident year loss ratio** decreased by 1.8 points to 68.0% reflecting the positive movement in current year loss ratio partly offset by a negative prior year reserve development mainly due to bodily injury claims.

The **expense ratio** decreased by 1.8 points to 30.4% with (i) acquisition expense ratio down 1.3 points to 21.7% mainly due to a decrease in commissions following lower delegated authority business and a change in mix in Commercial lines towards lower commissioned products and the administrative expense ratio down 0.5 point to 8.7% due to expense reduction as a result of efficiency programs partly offset by the decommissioning of an IT platform.

The **enlarged expense ratio** was down 2.2 points to 33.6% reflecting the reduction in expense ratio.

As a result the **combined ratio** was down 3.7 points to 98.4%

*(1) €3,670 million after intercompany eliminations.*

**Net investment result** increased by €29 million to €225 million. On a constant exchange rate basis the net investment result increased by €30 million mainly reflecting higher fixed income following a higher allocation towards corporate bonds.

**Income tax expenses** increased by €53 million (+267%) to €-73 million. On a constant exchange rate basis, income tax expenses increased by €53 million reflecting a combination of (i) higher pre-tax underlying earnings, (ii) the geographical mix between the UK and Ireland and (iii) a negative tax adjustment (€-8 million) following a decrease of corporate tax rate.

**Underlying earnings** increased by €113 million (+115%) to €211 million. On a constant exchange rate basis, underlying earnings increased by €114 million (+116%).

**Adjusted earnings** increased by €95 million (+107%) to €184 million. On a constant exchange rate basis, adjusted earnings increased by €96 million (+107%) reflecting the improvement in underlying earnings.

**Net income** increased by €14 million (17%) to €97 million. On a constant exchange rate basis, net income increased by €14 million (17%) due to the improvement in adjusted earnings together with the net realized gain from the sale of Denplan (€+53 million) in December 2011, partly offset by increased restructuring costs as well as an adverse movement in the fair value of interest rates derivatives (€-126 million) due to lower interest rates.

## PROPERTY & CASUALTY OPERATIONS – GERMANY

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **3,638** | **3,489** |
| Current accident year loss ratio (net) | 73.4% | 74.3% |
| All accident year loss ratio (net) | 73.0% | 73.3% |
| **Net technical result before expenses** | **975** | **930** |
| Expense ratio | 30.2% | 31.3% |
| Net investment result | 369 | 375 |
| **Underlying earnings before tax** | **253** | **213** |
| Income tax expenses/benefits | (34) | (38) |
| Net income from investments in affiliates and associates | 2 | 2 |
| Minority interests | (0) | (0) |
| **Underlying earnings Group share** | **221** | **177** |
| Net capital gains or losses attributable to shareholders net of income tax | (49) | 8 |
| **Adjusted earnings Group share** | **172** | **185** |
| Profit or loss on financial assets (under FV option) & derivatives | 25 | 7 |
| Exceptional operations (including discontinued operations) | - | - |
| Goodwill and other related intangibles impacts | (4) | (0) |
| Integration and restructuring costs | (8) | (3) |
| **NET INCOME GROUP SHARE** | **186** | **190** |

*The year 2010 published current year loss ratio was 74.3%*

**Gross revenues** increased by €149 million (+4%) to €3,638 million [(1)] :

- *Personal Lines* (56% of gross revenues) increased by 6% to €2,030 million [(2)] driven by the successful development in Motor (€+87 million or 9%) mainly driven by higher year-end renewals and higher new business from the improved price positioning in the market;
- *Commercial lines* (36% of gross revenues) were up by 1% to €1,310 million mainly in Commercial Motor (€+11 million or 5%) driven by tariff increase and larger fleets insured;
- *Other lines* (7% of gross revenues) grew by 6% to €265 million mainly driven by higher assumed business in Legal Protection.

*(1) €3,607 million after intercompany eliminations.*

*(2) On a comparable basis, after reclassification of small and medium enterprises from Commercial lines to Personal lines.*

**Net technical result** increased by €45 million to €975 million:

- *the current accident* year loss ratio decreased by 0.9 point to 73.4% mainly driven by lower Nat Cat charge (-0.9 point);
- *the all accident* year loss ratio decreased by 0.3 point to 73.0% mainly due to lower positive prior year reserve development.

**Expense ratio** decreased by 1.1 point to 30.2% due to a decrease in general expenses resulting from productivity programs and non-recurring positive impact from release of provisions in 2011 (€5 million).

**Enlarged expense ratio** was down by 1.1 points to 34.0%.

As a result, **the combined ratio** is down by 1.4 points to 103.2%.

**Net investment result** decreased by €5 million (-1%) to €369 million decline in income from equities and lower distributions from private equity funds partly offset by exceptional coupon distributions (€5 million).

**Income tax expenses** decreased by €4 million (-10%) to €-34 million mainly due to higher positive tax one-offs (€24 million in 2011 compared to €7 million in 2010).

**Underlying earnings** increased by €45 million (+25%) to €221 million.

**Adjusted earnings** decreased by €13 million (-7%) to €172 million mainly due to higher impairments in equities offsetting higher underlying earnings.

**Net income** decreased by €4 million (-2%) to €186 million mainly following lower adjusted earnings and a more favorable change in fair value of alternative investments.

## PROPERTY & CASUALTY OPERATIONS – SWITZERLAND

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **2,643** | **2,336** |
| Current accident year loss ratio (net) | 68.9% | 68.5% |
| All accident year loss ratio (net) | 63.1% | 61.9% |
| **Net technical result before expenses** | **976** | **892** |
| Expense ratio | 26.1% | 26.9% |
| Net investment result | 217 | 195 |
| **Underlying earnings before tax** | **503** | **457** |
| Income tax expenses/benefits | (103) | (95) |
| Net income from investments in affiliates and associates | - | - |
| Minority interests | (3) | (2) |
| **Underlying earnings Group share** | **397** | **359** |
| Net capital gains or losses attributable to shareholders net of income tax | 5 | 40 |
| **Adjusted earnings Group share** | **402** | **400** |
| Profit or loss on financial assets (under FV option) & derivatives | 2 | (12) |
| Exceptional operations (including discontinued operations) | - | 9 |
| Goodwill and other related intangibles impacts | (29) | (26) |
| Integration and restructuring costs | - | - |
| **NET INCOME GROUP SHARE** | **375** | **370** |
| *Average exchange rate: 1.00 € = Swiss Franc* | *1.2366* | *1.3910* |

*The year 2010 published current year loss ratio was 68.5%*

**Gross revenues** increased by €307 million (+13%) to €2,643 million [(1)]. On a comparable basis, gross revenues increased by €17 million (+1%):

- *Personal lines* (53% of gross revenues) increased by 2% to €1,399 million driven by growth in Personal Motor and Property mainly as a result of positive net new contracts;
- *Commercial lines* (47% of gross revenues) decreased by 1% to €1,251 million mainly resulting from a focus on profitability and unfavorable prior year premiums development.

*(1) €2,637 million after intercompany eliminations.*

**Net technical result** increased by €84 million (+9%) to €976 million. On a constant exchange rate basis, net technical result decreased by €24 million (-3%):

- *current accident year loss ratio* increased by 0.4 point to 68.9% mainly driven by higher Nat Cat charge (+2.1 points), partly offset by lower large claims and an improvement of attritional loss ratio in Commercial lines reflecting selective underwriting;
- *all accident year loss ratio* increased by 1.2 points to 63.1% as a consequence of the current accident year loss ratio development and lower positive prior year reserves development.

**Expense ratio** decreased by 0.8 point to 26.1% mainly driven by administrative expense ratio following the ongoing strict cost management.

**Enlarged expense ratio** was down by 1.0 point to 30.3%.

As a result, the **combined ratio** was up by 0.4 point to 89.2%.

**Net investment result** increased by €21 million (+11%) to €217 million. On a constant exchange rate basis, net investment result decreased by €3 million (-1%) mainly from lower income on fixed income assets.

**Income tax expenses** increased by €7 million (+7%) to €-103 million. On a constant exchange rate basis, income tax expenses decreased by €4 million (-5%) driven by lower pre-tax underlying earnings.

**Underlying earnings** increased by €38 million (+11%) to €397 million. On a constant exchange rate basis, underlying earnings decreased by €6 million (-2%).

**Adjusted earnings** increased by €3 million (+1%) to €402 million. On a constant exchange rate basis, adjusted earnings decreased by €42 million (-11%) driven by lower net realized capital gains (€-33 million) mainly on equities and lower underlying earnings.

**Net income** increased by €5 million (+1%) to €375 million. On a constant exchange rate basis, net income decreased by €36 million (-10%) mainly driven by lower adjusted earnings.

## PROPERTY & CASUALTY OPERATIONS – BELGIUM

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **2,100** | **2,049** |
| Current accident year loss ratio (net) | 73.6% | 77.6% |
| All accident year loss ratio (net) | 68.5% | 67.3% |
| **Net technical result before expenses** | **659** | **672** |
| Expense ratio | 30.6% | 31.5% |
| Net investment result | 185 | 198 |
| **Underlying earnings before tax** | **204** | **220** |
| Income tax expenses/benefits | (62) | (67) |
| Net income from investments in affiliates and associates | - | - |
| Minority interests | 0 | 0 |
| **Underlying earnings Group share** | **142** | **153** |
| Net capital gains or losses attributable to shareholders net of income tax | 98 | (15) |
| **Adjusted earnings Group share** | **240** | **137** |
| Profit or loss on financial assets (under FV option) & derivatives | 17 | 20 |
| Exceptional operations (including discontinued operations) | - | (2) |
| Goodwill and other related intangibles impacts | (2) | (2) |
| Integration and restructuring costs | (22) | (9) |
| **NET INCOME GROUP SHARE** | **233** | **145** |

*The year 2010 published current year loss ratio was 77.2%*

**Gross revenues** increased by €51 million (+3%) to €2,100 million [1]:

- *Personal lines* (49% of the gross revenues) were up 2% to €1,038 million following tariff increases, partly offset by negative net new contracts;
- *Commercial lines* (51% of the gross revenues) were up 2% to €1,042 million with Motor up 5% reflecting tariff increases and positive portfolio development while Workers Compensation remained stable.

**Net technical result** decreased by €13 million (-2%) to €659 million:

- *current accident year loss ratio* decreased by 4.1 points to 73.6% mainly driven by a lower Nat Cat charge (-2.0 points) and tariff increases partly offset by higher large claims;
- *all accident year loss ratio* increased by 1.2 points to 68.5% due to lower positive prior year reserve developments (mainly in Workers' Compensation) partly offset by the improvement in current accident year loss ratio.

**Expense ratio** decreased by 1.0 point to 30.6%, reflecting the decrease in commission rates in Commercial lines as a result of positive business mix impact, productivity programs offsetting inflation as well as non recurring benefits (-0.2 point).

**Enlarged expense ratio** decreased by 1.5 points to 37.7%.

As a result, the **combined ratio** was up by 0.3 point to 99.1%.

**Net investment result** decreased by €13 million (-7%) to €185 million mainly due to a lower asset base.

**Income tax expenses** decreased by €5 million (-8%) to €-62 million mainly due to lower pre-tax underlying earnings while non recurring tax benefit remained stable (€6 million).

**Underlying earnings** decreased by €11 million to €142 million.

**Adjusted earnings** increased by €103 million (+75%) to €240 million mainly driven by higher net realized capital gains on equities net of impairments.

**Net income** increased by €88 million (+61%) to €233 million reflecting higher adjusted earnings, partly offset by higher restructuring costs.

# Property & Casualty operations – Central and Eastern Europe

## CONSOLIDATED GROSS REVENUES

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [(a)] |
|---|---|---|---|
| Ukraine | 65 | 67 | 67 |
| Poland | - | 42 | - |
| Reso (Russia) | - | - | - |
| **TOTAL** | **65** | **109** | **67** |
| Intercompany transactions | - | (0) | (0) |
| **Contribution to consolidated gross revenues** | **65** | **109** | **67** |

*(a) Restated means the restatement following classification of Canadian operations as discontinued business.*

(1) *€2,080 million after intercompany eliminations.*

## UNDERLYING, ADJUSTED EARNINGS AND NET INCOME

| *(in Euro million)* | 2011 | 2010 published | 2010 restated [(a)] |
|---|---|---|---|
| Ukraine | 1 | 0 | 0 |
| Poland | - | (9) | - |
| Reso (Russia) [(b)] | 36 | 30 | 30 |
| **Underlying earnings** | **37** | **22** | **30** |
| Net realized capital gains or losses attributable to shareholders | (19) | 0 | 0 |
| **Adjusted earnings** | **18** | **22** | **31** |
| Profit or loss on financial assets (under Fair Value option) & derivatives | 2 | 1 | (0) |
| Exceptional operations (including discontinued operations) | - | - | - |
| Goodwill and related intangibles impacts | (3) | - | - |
| Integration and restructuring costs | - | - | - |
| **NET INCOME** | **17** | **22** | **31** |

*(a) Restated means the restatement following classification of Canadian operations as discontinued business.*
*(b) Reso accounted for using the equity method. AXA's profit is recognized in income statement.*

## RESO

**Underlying earnings** increased by €6 million to €36 million on a constant exchange rate basis, driven by a strong portfolio growth (+21%) and higher investment income partly offset by a higher all accident year loss ratio and higher acquisition expenses. As a result, the combined ratio was up by 0.6 points to 97.7%.

**Adjusted earnings** decreased by €13 million to €17 million. On a constant exchange rate basis, adjusted earnings decreased by €17 million driven by higher net realized capital losses (€-22 million) mainly on fixed income assets partly offset by higher underlying earnings (€+6 million).

**Net income** decreased by €14 million to €16 million on a constant exchange rate basis, mainly due to lower adjusted earnings.

## UKRAINE

**Gross revenues** decreased by €2 million (-3%) to €65 million. On a comparable basis, gross revenues increased by €1 million (+1%) benefiting from the positive development in proprietary networks and tariff increases partly offset by lower premiums in bancassurance channels.

**Underlying earnings** increased by €1 million to €1 million on a constant exchange rate basis, due to 4.5 points improvement in combined ratio to 102.3%.

**Adjusted earnings** and **net income** remained stable at €1 million on a constant exchange rate basis.

## PROPERTY & CASUALTY OPERATIONS – MEDITERRANEAN AND LATIN AMERICAN REGION

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **6,848** | **6,661** |
| Current accident year loss ratio (net) | 73.4% | 74.8% |
| All accident year loss ratio (net) | 71.6% | 71.5% |
| **Net technical result before expenses** | **1,884** | **1,883** |
| Expense ratio | 25.9% | 25.7% |
| Net investment result | 378 | 384 |
| **Underlying earnings before tax** | **540** | **567** |
| Income tax expenses/benefits | (162) | (166) |
| Net income from investments in affiliates and associates | - | - |
| Minority interests | (24) | (33) |
| **Underlying earnings Group share** | **353** | **368** |
| Net capital gains or losses attributable to shareholders net of income tax | (17) | 23 |
| **Adjusted earnings Group share** | **336** | **391** |
| Profit or loss on financial assets (under FV option) & derivatives | 14 | 13 |
| Exceptional operations (including discontinued operations) | - | (1) |
| Goodwill and other related intangibles impacts | (22) | (24) |
| Integration and restructuring costs | (21) | - |
| **NET INCOME GROUP SHARE** | **306** | **379** |

*The year 2010 published current year loss ratio was 75.2%*

**Gross revenues** increased by €188 million (+3%) to €6,848 million. On a comparable basis, gross revenues increased by €359 million (+5%) driven by an acceleration of the high growth markets (+18% or €+464 million), partly offset by the difficult economic environment in mature markets (-3% or €-105 million) mainly in Spain (€-106 million), where tariff actions did not compensate negative net new contracts:

- *Personal lines* (61% of gross revenues) were up 5% to €4,162 million owing to Motor lines (+7% or €+192 million) mainly in high growth markets (€+193 million), notably driven by positive volume effects in Turkey (€+190 million) and Mexico (€+20 million). Non-Motor lines revenues were stable (€+1 million);
- *Commercial lines* (39% of gross revenues) were up 7% to €2,662 million driven by an acceleration of both Non-Motor (+6% or €+118 million) and Motor (+8% or €+54 million) lines. Non-Motor was mainly driven by new large accounts in high growth markets. Motor was mainly driven by Mexico (€+89 million) benefiting from portfolio development combined with tariff increases, partly offset by negative volume and mix effects in mature markets (€-30 million).

**Net technical result** increased by €2 million to €1,884 million. On a constant exchange rate basis, net technical result increased by €32 million (+2%) driven by an increase in high growth markets (+16% or €+101 million) partly offset by a decrease in mature markets (-6% or €-69 million):

- *current accident year loss ratio* decreased by 1.3 points to 73.4%, driven by a decrease in mature markets (-2.2 points) while high growth markets remained stable. The improvement in mature markets was mainly driven by tariff increases, selective underwriting, partly offset by higher large claim sand higher NatCat charge (+0.3 point);
- *all accident year loss ratio* increased by 0.3 point to 71.6% driven by an increase in mature markets (+0.7 point) partly offset by a decrease in high growth markets (-0.6 point), as lower positive prior year reserve developments (€-98 million), mainly in mature markets, partly offset by the improvement of the current year loss ratio.

**Expense ratio** rose by 0.2 point to 25.9% (with acquisition ratio down 0.2 point and an administrative expense ratio up 0.4 point) with an increase in high growth markets (+0.5 point) reflecting higher investments to support growth and a slight increase in mature markets (+0.1 point) due to lower volumes despite productivity actions.

As a result, the **enlarged expense ratio** was up by 0.3 point to 29.1%.

As a result, the **combined ratio** was up by 0.5 point to 97.6%.

**Net investment result** decreased by €6 million (-2%) to €378 million. On a constant exchange rate basis, net investment result increased by €2 million.

**Income tax expenses** decreased by €3 million (-2%) to €-162 million. On a constant exchange rate basis, income tax expenses decreased by €3 million (-2%) reflecting lower pre-tax underlying earnings and a negative country mix.

**Underlying earnings** decreased by €15 million (-4%) to €353 million. On a constant exchange rate basis, underlying earnings decreased by €13 million (-3%).

**Adjusted earnings** decreased by €56 million (-14%) to €336 million. On a constant exchange rate basis, adjusted earnings decreased by €54 million (-14%) reflecting lower underlying earnings and higher impairments, notably on Greek government bonds (€-60 million), partly offset by a more favorable change in intrinsic value of equity hedging strategy.

**Net income** decreased by €73 million (-19%) to €306 million. On a constant exchange rate basis, net income decreased by €70 million (-19%) reflecting lower adjusted earnings combined with 2011 restructuring costs (€-21 million).

## PROPERTY & CASUALTY OPERATIONS – DIRECT BUSINESS

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **2,102** | **1,928** |
| Current accident year loss ratio (net) | 80.5% | 83.3% |
| All accident year loss ratio (net) | 84.2% | 85.5% |
| **Net technical result before expenses** | **321** | **260** |
| Expense ratio | 21.2% | 22.8% |
| Net investment result | 86 | 71 |
| **Underlying earnings before tax** | **(25)** | **(79)** |
| Income tax expenses/benefits | (8) | 16 |
| Net income from investments in affiliates and associates | - | - |
| Minority interests | 0 | 1 |
| **Underlying earnings Group share** | **(33)** | **(62)** |
| Net capital gains or losses attributable to shareholders net of income tax | (4) | (0) |
| **Adjusted earnings Group share** | **(36)** | **(62)** |
| Profit or loss on financial assets (under FV option) & derivatives | (15) | 2 |
| Exceptional operations (including discontinued operations) | - | - |
| Goodwill and other related intangibles impacts | (4) | (5) |
| Integration and restructuring costs | (7) | - |
| **NET INCOME GROUP SHARE** | **(63)** | **(65)** |

*The year 2010 published current year loss ratio was 83.3%*

Direct business includes operations in the UK (29% of total Direct gross revenues), France (19%), South Korea (17%), Japan (16%), Spain (10%) Belgium (3%), Italy (3%), Poland (2%) and Portugal (1%).

**Gross revenues** increased by €174 million (+9%) to €2,102 million [(1)]. On a comparable basis, gross revenues increased by €158 million (+8%):

- *Personal Motor* (89% of gross revenues) was up €105 million (+6%) to €1,880 million driven by €+42 million in the UK as a result of tariff increases and higher volumes, €+61 million in continental Europe with strong growth in France, Italy and Poland as well as €+15 million in Japan driven by higher volumes partly offset by €-12 million decrease in South Korea as a result of difficult market environment despite tariff increases;
- *Personal Non-Motor* (11% of gross revenues) was up €52 million (+31%) to €218 million mainly supported by Property products launched in 2010 in the UK as well as in France.

*(1) €2,102 million after intercompany eliminations.*

**Net technical result** increased by €60 million (+23%) to €321 million. On a constant exchange rate basis, net technical result increased by €55 million (+21%):

- *current accident year loss ratio* decreased by 2.5 points to 80.5% mainly driven by tariff increases in Motor and better weather conditions in the UK leading to a lower Nat Cat charge (-0.8 point);
- *all accident year loss ratio* decreased by 1.1 points to 84.2% reflecting the improvement incurrent accident year loss ratio partly offset by unfavorable prior year reserve developments on bodily injury claims in the UK.

**Expense ratio** decreased by 1.7 points to 21.2% (with acquisition ratio down 0.5 point and administrative expense ratio down 1.2 points) reflecting operational leverage following portfolio growth.

**Enlarged expense ratio** was down by 1.5 points to 26.8%.

As a result, the **combined ratio** was down by 2.8 points to 105.4%.

**Net investment result** increased by €15 million (+22%) to €86 million. On a constant exchange rate basis, net investment result increased by €15 million (+22%) mainly reflecting a higher asset base.

**Income tax expenses** increased by €24 million to €8 million. On a constant exchange rate basis, income tax expenses increased by €23 million reflecting higher pre-tax underlying earnings and negative tax adjustments following corporate tax rule changes in Japan (€-6 million) and in the UK (€-3 million).

**Underlying earnings** increased by €30 million to €-33 million. On a constant exchange rate basis, underlying earnings increased by €29 million.

**Adjusted earnings** increased by €26 million to €-36 million. On a constant exchange rate basis, adjusted earnings increased by €26 million mainly due to higher underlying earnings, partly offset by lower net realized capital gains, mainly on equities.

**Net income** decreased by €2 million to €-63 million. On a constant exchange rate basis, net income decreased by €2 million as higher adjusted earnings were more than offset by an adverse movement in the fair value of interest rate derivatives in the UK due to lower interest rates and higher restructuring costs in Japan.

# Property & Casualty operations – Other Countries

## CONSOLIDATED GROSS REVENUES

| *(in Euro million)* | 2011 | 2010 published | 2010 restated |
|---|---|---|---|
| Canada | - | 1,436 | - |
| Asia [(a)] | 425 | 1,023 | 379 |
| Luxembourg | 97 | 93 | 93 |
| **TOTAL** | **522** | **2,552** | **472** |
| Intercompany transactions | (6) | (16) | (7) |
| Contribution to consolidated gross revenues | 516 | 2,536 | 465 |

*(a) Includes Hong Kong, Singapore and Malaysia.*

## UNDERLYING, ADJUSTED EARNINGS AND NET INCOME

| *(in Euro million)* | 2011 | 2010 published | 2010 restated |
|---|---|---|---|
| Canada | - | 139 | - |
| Asia [(a)] | 13 | (13) | (4) |
| Luxembourg | 10 | 10 | 10 |
| **Underlying earnings** | **23** | **135** | **6** |
| Net realized capital gains or losses attributable to shareholders | 2 | 28 | 13 |
| **Adjusted earnings** | **25** | **163** | **19** |
| Profit or loss on financial assets (under Fair Value option) & derivatives | (0) | (2) | (0) |
| Exceptional operations (including discontinued operations) | 93 | - | 147 |
| Goodwill and related intangibles impacts | - | (7) | (0) |
| Integration and restructuring costs | - | (0) | (0) |
| **NET INCOME** | **118** | **154** | **166** |

*(a) Includes Hong Kong, Singapore and Malaysia.*

## CANADA

Following the announced sale of Canadian operations in 2011, these operations were treated as discontinued operations in AXA's full year 2011 consolidated financial statements, leading to a reclassification of their earnings contribution in net income.

## ASIA [(1)]

**Gross revenues** increased by €45 million (+12%) to €425 million [(2)]. On a comparable basis, gross revenues increased by €8 million (+2%):

- *Personal lines* (48% of the gross revenues) were up €16 million (+9%) due to Private Motor growth primarily in Malaysia as well as growth in Health driven by new products launched across the region;
- *Commercial lines* (52% of the gross revenues) were down €8 million (-4%) mainly due to more selective underwriting in Malaysia and Singapore, partly offset by positive portfolio development in Hong Kong.

**Net technical result** increased by €33 million (+35%) to €130 million. On a constant exchange rate, net technical result increased by €31 million (+33%).

- *current accident year loss ratio* increased by 1.0 point to 68.6% mainly due to Private Motor driven by higher average claim costs in Malaysia and large claims arising from floods in June in Singapore;
- *all accident year loss ratio* decreased by 5.5 points to 68.4% as prior year reserve developments increased to a positive position from a negative position in 2010.

**Expense ratio** increased by 0.2 point to 28.8%.

**Enlarged expense ratio** was up by 0.5 point to 31.8% mainly due to strengthening of claims handling costs reserves in Singapore.

As a result, the **combined ratio** was down by 5.3 points to 97.2%.

**Net investment result** remained stable at €10 million. On a constant exchange rate basis, net investment result increased by €1 million (+6%) resulting mainly from a higher asset base in Malaysia.

**Income tax expenses** increased by €4 million to €-4 million. On a constant exchange rate basis, income tax expenses increased by €4 million due to higher taxable pre-tax underlying earnings.

**Underlying earnings** increased by €17 million to €13 million. On a constant exchange rate basis, underlying earnings increased by €17 million.

**Adjusted earnings** increased by €6 million to €15 million. On a constant exchange rate basis, adjusted earnings increased by €6 million driven by increase in underlying earnings, partly offset by lower net realized capital gains.

**Net income** increased by €7 million to €15 million. On a constant exchange rate basis, net income increased by €7 million, in line with higher adjusted earnings.

*(1) Includes Hong Kong, Singapore and Malaysia.*

*(2) €419 million after intercompany eliminations.*

# International Insurance segment

The following tables present the consolidated gross revenues, underlying earnings, adjusted earnings and net income for the International Insurance segment for the periods indicated:

## CONSOLIDATED GROSS REVENUES

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| AXA Corporate Solutions Assurance | 2,003 | 1,951 |
| AXA Global Life and AXA Global P&C [(a)] | 73 | 50 |
| AXA Assistance | 911 | 929 |
| Other [(b)] | 70 | 95 |
| **TOTAL** | **3,057** | **3,025** |
| Intercompany transactions | (182) | (178) |
| Contribution to consolidated gross revenues | 2,876 | 2,847 |

*(a) Formerly AXA Cessions.*
*(b) Including AXA Liabilities Managers and AXA Corporate Solutions Life Reinsurance Company.*

## UNDERLYING, ADJUSTED EARNINGS AND NET INCOME

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| AXA Corporate Solutions Assurance | 150 | 161 |
| AXA Global Life and AXA Global P&C [(a)] | 55 | 17 |
| AXA Assistance | 21 | 16 |
| Other [(b)] | 50 | 95 |
| **Underlying earnings** | **276** | **290** |
| Net realized capital gains or losses attributable to shareholders | 17 | 53 |
| **Adjusted earnings** | **294** | **343** |
| Profit or loss on financial assets (under Fair Value option) & derivatives | (15) | 32 |
| Exceptional operations (including discontinued operations) | 1 | 3 |
| Goodwill and related intangibles impacts | - | - |
| Integration and restructuring costs | (4) | - |
| **NET INCOME** | **276** | **378** |

*(a) Formerly AXA Cessions.*
*(b) Including AXA Liabilities Managers and AXA Corporate Solutions Life Reinsurance Company.*

## AXA CORPORATE SOLUTIONS ASSURANCE

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **2,003** | **1,951** |
| Current accident year loss ratio (net) | 84.7% | 85.6% |
| All accident year loss ratio (net) | 82.1% | 81.5% |
| **Net technical result before expenses** | **360** | **364** |
| Expense ratio | 15.8% | 15.4% |
| Net investment result | 199 | 184 |
| **Underlying earnings before tax** | **242** | **245** |
| Income tax expenses/benefits | (90) | (81) |
| Net income from investments in affiliates and associates | - | - |
| Minority interests | (2) | (2) |
| **Underlying earnings Group share** | **150** | **161** |
| Net capital gains or losses attributable to shareholders net of income tax | 5 | 5 |
| **Adjusted earnings Group share** | **155** | **166** |
| Profit or loss on financial assets (under FV option) & derivatives | (13) | 26 |
| Exceptional operations (including discontinued operations) | - | - |
| Goodwill and other related intangibles impacts | - | - |
| Integration and restructuring costs | - | - |
| **NET INCOME GROUP SHARE** | **142** | **192** |

*The year 2010 published current year loss ratio was 85.6%*

**Gross revenues** increased by €52 million (+3%) to €2,003 million [1]. On a comparable basis, gross revenues increased by €65 million (+3%) notably in Aviation and Space (+11% mainly driven by portfolio developments), Motor (+10% driven by portfolio developments and +2% tariff increases) and Marine (+9% mainly driven by portfolio developments), partly offset in Liability (-2% negative portfolio developments partly offset by +1% tariff increases).

On both current and constant exchange rate basis, **net technical result** decreased by €4 million (-1%) to €360 million.

- *current accident year loss ratio* decreased by 0.9 point to 84.7%, explained by a change in cost allocation from claims handling costs to commissions (0.8 point). On a comparable basis, current accident year loss ratio decreased by 0.1 point mainly due to tariff increases and positive trend on large claims in all lines of business but Property notably in Japan;
- *prior year technical result* decreased by 27 millions (from €91 million to €65 million) as a result of lower positive prior year reserve and premium developments.

As a consequence, the all accident year loss ratio increased by 0.6 point to 82.1%.

**Expense ratio** increased by 0.4 point to 15.8%. On a constant exchange rate basis, expense ratio decreased by 0.3 point driven by cost containment measures impacting administrative expense ratio by -0.4 point.

The enlarged expense ratio was down 0.4 point to 19.7%.

As a result, the **combined ratio** was up 1.0 point to 97.9%.

**Net investment result** increased by €15 million (+8%) to €199 million. On a constant exchange rate basis, net investment result increased by €16 million (+8%) mainly due to higher income from fixed income assets and real estate.

On both current and constant exchange rate basis, **income tax expenses** increased by €8 million (+10%) to €-90 million mainly due to €5 million 2010 non recurring tax effect and to a lesser extent, higher tax rate in France (€4 million).

On both current and constant exchange rate basis, **underlying earnings** decreased by €11 million (-7%) to €150 million.

On both current and constant exchange rate basis, **adjusted earnings** decreased by €11 million (-6%) to €155 million, driven by the decrease in underlying earnings.

On both current and constant exchange rate basis, **net income** decreased by €50 million (-26%) to €142 million mainly due to an unfavorable change in fair value of Mutual funds and derivatives (€-33 million) mainly driven by credit spread widening, lower adjusted earnings and a negative forex impact.

*(1) €1,986 million after intercompany eliminations.*

### AXA GLOBAL LIFE AND AXA GLOBAL P&C [1]

**Underlying earnings** increased by €38 million to €55 million mainly due to positive prior year developments on Nat Cat events including a €32 million reserve development due to favorable weather events as well as higher technical results in AXA Life pool partly offset by higher administrative expenses.

**Adjusted earnings** increased by €36 million to €54 million mainly as a result of higher underlying earnings.

**Net income** increased by €30 million to €52 million mainly due to higher adjusted earnings partly offset by a €6 million less favorable change in fair value of financial assets and derivatives.

### AXA ASSISTANCE

**Gross revenues** decreased by €18 million to €911 million [2]. On a comparable basis, gross revenues decreased by €18 million (-2%) mainly due to the end of a large contract partly offset by growth in the United States and Mexico.

**Underlying earnings** increased by €4 million (+27%) to €21 million mainly driven by positive developments in Italy and Turkey partly offset by deterioration on Travel business following the end of a large contract.

**Adjusted earnings** increased by €3 million (+19%) to €21 million mainly driven by higher underlying earnings.

**Net income** decreased by €2 million (-9%) to €18 million, mainly due to €3 million higher adjusted earnings more than offset by €3 million exceptional capital gain recorded in 2010 following the end of a joint venture in Japan and €3 million restructuring costs.

### OTHER INTERNATIONAL ACTIVITIES

**Underlying earnings** decreased by €45 million (-47%) to €50 million. On a constant exchange rate basis, underlying earnings decreased by €47 million (-50%) driven by higher losses on Life run-off portfolio and slightly lower results on Property & Casualty run-off portfolio.

**Adjusted earnings** decreased by €78 million (-55%) to €64 million. On a constant rate exchange rate basis, adjusted earnings decreased by €80 million (-56%) as a result of lower underlying earnings and €36 million lower realized capital gains reflecting 2010 positive impact of a change in the French tax regulation on the "*reserve de capitalisation*" balance in French entities (€+45 million).

**Net income** decreased by €81 million (-56%) to €63 million. On a constant exchange rate basis, net income decreased by €83 million (-58%) mainly as a result of lower adjusted earnings.

## Asset Management segment

The following tables present the consolidated gross revenues, underlying earnings, adjusted earnings and net income for the Asset Management segment for the periods indicated:

### CONSOLIDATED GROSS REVENUES

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| AllianceBernstein | 2,038 | 2,203 |
| AXA Investment Managers | 1,563 | 1,482 |
| **TOTAL** | **3,601** | **3,685** |
| Intercompany transactions | (332) | (357) |
| **Contribution to consolidated gross revenues** | **3,269** | **3,328** |

(1) *Gathers both central teams from Life & Savings and Property & Casualty global business lines in addition to existing Group reinsurance operations.*

(2) *€750 million after intercompany eliminations.*

## UNDERLYING, ADJUSTED EARNINGS AND NET INCOME

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| AllianceBernstein | 106 | 143 |
| AXA Investment Managers | 215 | 125 |
| **Underlying earnings** | **321** | **269** |
| Net realized capital gains or losses attributable to shareholders | (2) | (5) |
| **Adjusted earnings** | **318** | **264** |
| Profit or loss on financial assets (under Fair Value option) & derivatives | (25) | 21 |
| Exceptional operations (including discontinued operations) | (3) | 2 |
| Goodwill and related intangibles impacts | - | - |
| Integration and restructuring costs | (137) | (31) |
| **NET INCOME** | **153** | **255** |

## ALLIANCEBERNSTEIN

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **2,038** | **2,203** |
| Net investment result | (27) | (3) |
| **Total revenues** | **2,011** | **2,200** |
| General expenses | (1,738) | (1,821) |
| **Underlying earnings before tax** | **272** | **379** |
| Income tax expenses/benefits | (68) | (93) |
| Minority interests | (98) | (142) |
| **Underlying earnings Group share** | **106** | **143** |
| Net capital gains or losses attributable to shareholders net of income tax | 0 | - |
| **Adjusted earnings Group share** | **106** | **143** |
| Profit or loss on financial assets (under FV option) & derivatives | (7) | 0 |
| Exceptional operations (including discontinued operations) | 0 | 2 |
| Goodwill and other related intangibles impacts | 0 | - |
| Integration and restructuring costs | (136) | (29) |
| **NET INCOME GROUP SHARE** | **(38)** | **116** |
| *Average exchange rate: 1.00 € = $* | *1.3867* | *1.3370* |

**Assets under Management** ("AUM") decreased by €27 billion from year-end 2010 to €335 billion at December 31, 2011 as a result of net outflows of €-28 billion (€-16 billion from Institutional clients including a €+16 billion inflow from an AXA advisory mandate, €-7 billion from Retail clients and €-5 billion from Private clients), €-7 billion market depreciation, and €-2 billion unfavorable change in scope, partly offset by a €+10 billion favorable foreign exchange rate impact.

**Gross revenues** decreased by €165 million (-8%) to €2,038 million [(1)]. On a comparable basis, gross revenues decreased by €73 million (-3%) primarily due to lower investment management fees resulting from a 5% decrease in average AUM combined with lower average bps (-0.5 bp) partly offset by higher distribution fees following higher average Retail AUM.

**Net investment result** decreased by €24 million to €-27 million. On a constant exchange rate basis, net investment result decreased by €25 million due to higher unrealized losses related to deferred compensation obligations, offset in general expenses.

*(1) €1,963 million after intercompany eliminations.*

**General expenses** decreased by €83 million (-5%) to €-1,738 million. On a constant exchange rate basis, general expenses decreased by €18 million (-1%) mainly due to lower compensation expenses offset by higher promotion and servicing expenses.

As a result, the **underlying cost income ratio** deteriorated by 4.0 points to 84.5%.

**Income tax expenses** decreased by €25 million (-27%) to €-68 million. On a constant exchange rate basis, income tax expenses decreased by €22 million (-24%) driven by lower pre-tax underlying earnings, €+26 million positive tax one-off mainly due to audit settlements, partly offset by an increase in effective tax rate mainly due to unrecognized tax benefits on losses in foreign subsidiaries.

**Underlying and adjusted earnings** decreased by €38 million (-26%) to €106 million. On a constant exchange rate basis, underlying and adjusted earnings decreased by €34 million (-23%).

**AXA ownership** of AllianceBernstein at December 31, 2011 is 64.6%, up 3.2% due to repurchases of AllianceBernstein units during 2011 to fund deferred compensation plans.

**Net income** decreased by €154 million (-132%) to €-38 million. On a constant exchange rate basis, net income decreased by €155 million (-133%) due to lower adjusted earnings and the restructuring of compensation plans in December 2011, leading to an accelerated vesting of AllianceBernstein deferred compensation plans ( €-136 million).

## AXA INVESTMENT MANAGERS ("AXA IM")

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Gross revenues** | **1,563** | **1,482** |
| Net investment result | (20) | 18 |
| **Total revenues** | **1,543** | **1,500** |
| General expenses | (1,239) | (1,375) |
| **Underlying earnings before tax** | **304** | **124** |
| Income tax expenses/benefits | (79) | (38) |
| Minority interests | (10) | 39 |
| **Underlying earnings Group share** | **215** | **125** |
| Net capital gains or losses attributable to shareholders net of income tax | (2) | (5) |
| **Adjusted earnings Group share** | **212** | **120** |
| Profit or loss on financial assets (under FV option) & derivatives | (18) | 20 |
| Exceptional operations (including discontinued operations) | (3) | 0 |
| Goodwill and other related intangibles impacts | 0 | - |
| Integration and restructuring costs | (1) | (2) |
| **NET INCOME GROUP SHARE** | **191** | **139** |

**Assets under Management ("AUM")** decreased by €4 billion from year-end 2010 to €512 billion at the end of 2011 mainly as a result of €3 billion unfavorable market impact, €4 billion unfavorable change in scope related to the partial sale of the UK Life & Savings operations and €1 billion net outflows, partly offset by €5 billion favorable foreign exchange impact. Net outflows of €-1 billion were mainly driven by outflows on AXA Rosenberg products (€-5 billion) and the voluntary exit from unprofitable employee shareholding schemes (€-2 billion), partly offset by inflows mainly on AXA Private Equity, AXA Real Estate and AXA Framlington.

**Gross revenues** increased by €81 million (+5%) to €1,563 million [1]. On a comparable basis [2], and excluding distribution fees (retroceded to distributors), net revenues increased by €54 million (+5%) to €1,173 million mainly due to higher performance fees (€+23 million) driven by AXA Private Equity and AXA Real Estate, higher Real Estate transaction fees (€+23 million), and increased management fees (€+11 million) as the drop in AXA Rosenberg management fees (€-48 million) was more than compensated by an increase in management fees from other expertises (€+59 million).

*(1) €1,306 million after intercompany eliminations.*

**Net investment result** decreased by €38 million to €-20 million. On a comparable basis [(1)], net investment result decreased by €19 million mainly driven by higher interest charges.

**General expenses** decreased by €136 million to €-1,239 million. On a constant exchange rate basis and excluding distribution fees, general expenses decreased by €135 million (-14%). Excluding €168 million compensation related to AXA Rosenberg coding error in 2010, general expenses increased by €33 million (+4%) mainly driven by higher variable compensation triggered by higher profits, as well as higher staff costs, partly offset by the impact of downsizing at AXA Rosenberg and the non recurrence of 2010 external fees at AXA Rosenberg.

As a result, the **underlying cost income ratio** improved by 15.0 points to 73.7%. Excluding the compensation related to AXA Rosenberg coding error in 2010, the underlying cost income ratio remained flat.

**Income tax** increased by €40 million (+106%) to €-79 million. Excluding the €49 million net tax credit arising from the compensation related to AXA Rosenberg coding error in 2010 and the €12 million tax one offs in 2011, income tax expenses increased by €2 million (+2%).

**Minority interests** were €-10 million in 2011 compared to €+39 million in 2010. Excluding the €+53 million minority interests share in the compensation related to AXA Rosenberg coding error in 2010, minority interests decreased by €4 million due to AXA Rosenberg minority shareholders' buyout in the second half of 2010.

**Underlying earnings** increased by €90 million (+72%) to €215 million, or by €87 million (+69%) on a constant exchange rate basis. Excluding the €66 million net compensation related to AXA Rosenberg coding error in 2010, underlying earnings increased by €21 million (+11%).

**Adjusted earnings** increased by €92 million (+76%) to €212 million. On a constant exchange rate basis, adjusted earnings increased by €89 million (+74%). Excluding the €66 million net compensation related to AXA Rosenberg coding error in 2010, adjusted earnings increased by €23 million mainly following higher underlying earnings.

**Net income** increased by €53 million (+38%) to €191 million. On constant exchange rate basis, net income increased by €50 million (+36%). Excluding the €66 million net compensation related to AXA Rosenberg coding error in 2010, net income decreased by €16 million, mainly driven by a less favorable mark-to-market of fixed income funds (€-18 million) and lower unrealized carried interests (€-25 million) more than offsetting the increase in adjusted earnings.

# Banking

The following tables present the consolidated gross revenues, underlying earnings, adjusted earnings and the net income attributable to AXA's banking for the periods indicated:

## CONSOLIDATED GROSS REVENUES

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **AXA Banks [(a)]** | **523** | **496** |
| o/w Belgium [(b)] | 328 | 311 |
| o/w France | 116 | 116 |
| o/w Hungary | 54 | 59 |
| o/w Germany | 23 | 15 |
| o/w Switzerland | 0 | (2) |
| o/w Others [(c)] | 1 | (3) |
| Others | 6 | 7 |
| **TOTAL** | **529** | **504** |
| Intercompany transactions | (44) | (44) |
| **Contribution to consolidated gross revenues** | **485** | **459** |

*(a) Of which AXA Bank Europe and its branches: €383 million.*
*(b) Includes commercial activities in Belgium and shared services of AXA Bank Europe (treasury and support functions).*
*(c) Includes Slovakia and Czech Republic.*

*(1) In 2011, realized carried interests are reported in revenues (performance fees) while they were reported in investment result in 2010. Comparable basis comparisons adjust in particular this change in presentation.*

## UNDERLYING, ADJUSTED EARNINGS AND NET INCOME

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| AXA Banks [a] | 36 | 15 |
| o/w Belgium [b] | 55 | 64 |
| o/w France | 1 | 1 |
| o/w Hungary | - | (19) |
| o/w Germany | 4 | (0) |
| o/w Switzerland | (11) | (14) |
| o/w Others [c] | (12) | (16) |
| Others | (4) | (6) |
| **Underlying earnings** | **32** | **9** |
| Net realized capital gains or losses attributable to shareholders | (5) | (3) |
| **Adjusted earnings** | **27** | **7** |
| Profit or loss on financial assets (under Fair Value option) & derivatives | (13) | 9 |
| Exceptional operations (including discontinued operations) | (144) | - |
| Goodwill and related intangibles impacts | (86) | (0) |
| Integration and restructuring costs | (21) | (6) |
| **NET INCOME** | **(237)** | **9** |

*(a) Of which AXA Bank Europe and its branches: €32 million.*
*(b) Includes commercial activities in Belgium for €55 million and shared services of AXA Bank Europe (treasury and support functions) for €0 million.*
*(c) Includes Slovakia and Czech Republic.*

## AXA BANKS

### Belgium

**Net banking revenues** increased by €17 million (+5%) to €328 million. On a comparable basis [(1)], net banking revenues decreased by €3 million (-1%) mainly due to negative changes in fair value of hedging derivatives (€-26 million) and higher funding cost (€-9 million) partly offset by good results in retail banking activities (€+29 million) mainly driven by higher loans income.

**Underlying earnings** decreased by €9 million to €55 million. Excluding 2010 non-recurring tax benefit (€+33 million), underlying earnings increased by €24 million mainly driven by retail activities thanks to a higher interest and commission margin (€+27 million) and lower administrative expenses (€+7 million) partly offset by higher distribution commissions (€-7 million) and an increase of provision of loan losses (€-8 million).

**Adjusted earnings** decreased by €11 million to €50 million mainly due to lower underlying earnings.

**Net income** decreased by €38 million to €28 million mainly driven by lower adjusted earnings, higher restructuring costs (€-10 million) and negative changes in fair value of hedging derivatives.

### France

**Net banking revenues** were stable at €116 million. On a comparable basis [(1)], **net banking** revenues increased by €+16 million (+15%), including (i) higher revenues on retail loans and mortgages, as a result of a strong increase in new credit production, (ii) higher fees received on current accounts activities and (iii) a €-12 million unfavorable impact from changes in fair value of interest rates hedging instruments (€-10 million versus €+2 million in 2010).

**Underlying and adjusted earnings** were stable at €1 million, as operating revenues growth was mostly offset by higher expenses which included significant investment costs in marketing & advertising to support growth.

**Net income** decreased by €8 million to €-6 million, mainly due to changes in fair value of hedging instruments stemming from interest rates changes (€-6 million in 2011 versus €+1 million in 2010).

### Hungary

The Hungarian government enacted a legislation in September 2011 allowing customers to redeem foreign currency denominated mortgages at non-market rates. As a result, a provision of €-103 million was set up to face the related likely costs based on the number of submitted files by December 31, 2011 as well as €-54 million additional provision for loan losses.

*(1) In banking segment, for net banking revenues, "on a comparable basis" means after intercompany eliminations.*

In this context, Hungarian credit production has been stopped. The discontinuation of lending activities led (i) to the impairment of the related goodwill and other intangibles (€-86 million) together with (ii) the recognition of the 2011 credit activities results, including the earnings of the period, as exceptional operations in net income.

**Net banking revenues** decreased by €5 million to €54 million. On a comparable basis [1], net banking revenues increased by €11 million mainly due to higher interest income (€+15 million) partly offset by lower funding cost (€-5 million).

**Net income** decreased by €208 million to €-230 million. On a constant exchange rate basis, net income decreased by €211 million.

## Germany

**Net banking revenues** increased by €9 million (+58%) to €23 million before reclassification of distribution commissions 2010 (€4 million). On a comparable basis, net banking revenues including the distribution commissions increased by €12 million mainly due to an improved interest margin stemming from higher interest received from policyholder loans as well as lower interest paid for deposit and term accounts.

**Underlying earnings** as well as **adjusted earnings** and **net income** increased by €4 million to €4 million mainly driven by higher net banking revenues.

## Czech Republic

**Underlying earnings** as well as **adjusted earnings** and **net income** increased by €6 million to €-8 million on a constant exchange rate basis mainly driven by higher commercial margin (€+4 million) and lower administrative expenses (€1 million).

## Slovakia

**Underlying earnings** as well as **adjusted earnings** and **net income** decreased by €2 million to €-4 million on a constant exchange rate basis mainly driven by higher expenses following the launch of the banking activity in 2011.

## Switzerland

**Underlying earnings** as well as **adjusted earnings** increased by €3 million to €-11 million. On a constant exchange rate basis, underlying earnings as well as adjusted earnings increased by €4 million mainly driven by higher commercial margin (€+1 million) and lower administrative expenses (€+2 million).

**Net income** decreased by €2 million to €-15 million. On a constant exchange rate basis net income remained stable and included €4 million to cover the restructuring costs related to the operation described below.

AXA Bank Switzerland will close its operations following the transfer of its customer portfolio to bank zweiplus. The one-off costs associated with the closure of the Swiss branch amount to €4 million.

*(1) In banking segment, for net banking revenues, "on a comparable basis" means after intercompany eliminations.*

# Holdings and other companies

The Holdings and other companies consist of AXA's non-operating companies, including mainly AXA parent company, AXA France Assurance, AXA Financial, AXA Asia Pacific Holdings, AXA United Kingdom Holdings, AXA Germany Holdings, AXA Belgian Holding, CDOs and real estate companies.

## UNDERLYING, ADJUSTED EARNINGS AND NET INCOME

| *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| AXA | (561) | (553) |
| Other French holdings companies | (47) | (40) |
| Foreign holdings companies | (238) | (251) |
| Others [(a)] | 2 | 9 |
| **Underlying earnings** | **(843)** | **(836)** |
| Net realized capital gains or losses attributable to shareholders | (224) | 2 |
| **Adjusted earnings** | **(1,067)** | **(834)** |
| Profit or loss on financial assets (under Fair Value option) & derivatives | (17) | (226) |
| Exceptional operations (including discontinued operations) | 1,324 | 20 |
| Goodwill and related intangibles impacts | 0 | 0 |
| Integration and restructuring costs | (0) | (0) |
| **NET INCOME** | **240** | **(1,040)** |

*(a) Includes notably CDOs and real estate entities.*

## AXA [(1)]

**Underlying earnings** decreased by €8 million to €-561 million mainly due to:

- an increase by €32 million in financial charge as a result of lower financial income on assets;
- a €10 million operational loss related to Thailand floods (non consolidated entity);
- partly offset by higher €+38 million result on hedging of earnings denominated in foreign currencies.

**Adjusted earnings** decreased by €172 million to €-721 million mainly driven by a €-105 million premium amortization on equity call options, and by underlying earnings evolution.

**Net income** increased by €1.238 million to €547 million mainly driven by:

- €+1,519 million exceptional gains of which €617 million related to the disposal of the Australia & New Zealand operations (€+626 million for the Group) and €+902 million related to the disposal of the Canadian operations;
- €+163 million change of the mark to market on interest rate and foreign exchange derivatives instruments which are not eligible to hedge accounting partly offset by adjusted earnings evolution, a €84 million loss due to the sale of a tax receivable and a €125 million allowance due to the restructuring of the participation in Bharti AXA Life Insurance Co. Ltd.

The foreign currency hedging policy has been amended balancing various objectives between net asset value protection, financial charge, liquidity and Solvency positions. This new policy is implemented for US dollar hedging and is currently being implemented for other currencies hedging (mainly CHF and Yen). The impact in 2011 was €-66 million after tax in net income.

## OTHER FRENCH HOLDING COMPANIES

### AXA France Assurance

**Underlying earnings** decreased by €9 million to €-17 million mainly due to higher tax expenses (€8 million) resulting from higher inter-company dividends received.

**Adjusted earnings and net income** decreased by €10 million to €-19 million, mainly resulting from lower underlying earnings (€-9 million).

*(1) All the figures are after tax.*

## Other French holdings

**Underlying earnings** increased by €2 million to €-30 million mainly due to a decrease in general expenses.

**Adjusted earnings** increased by €4 million to €-31 million mainly driven underlying evolution and lower impairments.

**Net income** decreased by €30 million to €-77 million as a consequence of a €53 million allowance due to the restructuring of the participation in Bharti AXA General Insurance.

# FOREIGN HOLDING COMPANIES

## AXA Financial Inc.

**Underlying earnings** increased by €34 million (+21%) to €-131 million. On a constant exchange rate basis, underlying earnings increased by €30 million (+18%) driven by a €14 million decrease in share-based compensation and a €13 million decrease in interest financial charges related to the repayment of public debt in the first half of 2010.

**Adjusted earnings** increased by €34 million (+21%) to €-131 million. On a constant exchange rate basis, adjusted earnings increased by €30 million (+18%), in line with the underlying earnings evolution.

**Net income** increased by €120 million (+54%) to €-104 million. On a constant exchange rate basis, net income increased by €116 million (+52%) driven by higher adjusted earnings, a €14 million tax reserve release on a former subsidiary disposal, and a favorable change in the fair value of a cross currency swap.

## AXA UK Holdings

**Underlying earnings** increased by €33 million (+101%) to €0 million. On a constant exchange rate basis, underlying earnings increased by €33 million (+101%) mainly due to the reallocation of the proceeds from the partial sale of the UK Life & Savings business in 2010 into intercompany loans (€+35 million) and reimbursement of intercompany debts (€+8 million). These improvements are partially offset by increased costs mainly relating to pensions (€3 million) and increases in tax one-off (€6 million).

**Adjusted earnings** increased by €33 million (+99%) to €0 million. On a constant exchange rate basis, adjusted earnings increased by €33 million reflecting the improvement in underlying earnings.

**Net income** decreased by €6 million (-68%) to €-16 million. On a constant exchange rate basis, net income increased by €6 million (-69%) principally reflecting adjusted earnings evolution offset by one–off tax of €15 million on the sale of an inter-group loan and higher foreign exchange losses partially offset by the movement in currency swaps (€-20 million).

## German Holding companies

**Underlying earnings decreased** by €32 million to €-17 million mainly due to non-recurring provision releases in 2010 (€-21 million) and lower non-recurring positive tax impacts compared to 2010 (€-13 million).

**Adjusted earnings** decreased by €94 million to €-77 million mainly driven by higher impairment charges and lower underlying earnings.

**Net income** decreased by €78 million to €-69 million due to lower adjusted earnings partly offset by more favorable change in fair value of derivatives.

## Belgian Holding company

**Underlying earnings** and **adjusted earnings** decreased by €13 million to €-12 million mainly due to the lower net investment result following the early reimbursement of a subordinated loan granted to AXA Belgium.

**Net income** decreased by €15 million to €-14 million mainly due to the adjusted earnings evolution.

## Mediterranean and Latin American Region Holdings

**Underlying earnings** decreased by €6 million (-9%) to €-69 million. On a constant exchange rate basis, underlying earnings decreased by €6 million (-9%) mainly due to recognition of operational losses from non consolidated entities partly offset by lower financial charges.

**Adjusted earnings** decreased by €5 million (-9%) to €-68 million. On a constant exchange rate basis, adjusted earnings decreased by €5 million (-9%) reflecting decrease in underlying earnings.

**Net income** increased by €8 million (+12%) to €-57 million. On a constant exchange rate basis, net income increased by €8 million (+12%) mainly due to positive fiscal impact on exceptional operations (€15 million) partly offset by lower adjusted earnings.

# OTHER

## CFP

**Underlying earnings**, **adjusted earnings** and **net income** decreased by €7 million (-75%) to €2 million driven by less favorable run-off developments.

# Outlook

The Ambition AXA plan is well suited to the challenges of the current environment of low interest rates, uncertainty about the outcome of the Eurozone financial crisis and slowdown of the world's economic growth: selectivity in mature markets, acceleration in high growth markets and efficiency everywhere, with a focus on mature markets. AXA's focus remains on the execution of this strategy while maintaining the strength of its balance sheet.

# Glossary

The new split between High Growth market and Mature Market is detailed below:

The notion of High Growth market includes the following countries: Central and Eastern countries (Poland, Czech Republic, Slovakia, Hungary, Ukraine, Russia), Hong Kong, South-East Asia (Singapore, Indonesia, Thailand, Philippines, Malaysia) India, China, and the Mediterranean & Latin America Region (Morocco, Turkey, Gulf, Mexico), excluding Direct operations.

The notion of Mature Market includes the following countries: the United States, the United Kingdom, Benelux, Germany, Switzerland, Japan, Italy, Spain, Portugal, Greece, France, Canada.

## COMPARABLE BASIS FOR REVENUES AND ANNUALIZED PREMIUMS EQUIVALENT

On a comparable basis means that the data for the current period were restated using the prevailing foreign currency exchange rates for the same period of prior year (**constant exchange rate** basis). It also means that data in one of the two periods being compared were restated for the results of acquisitions, disposals and business transfers (**constant structural** basis) and for changes in accounting principles (**constant methodological** basis).

## ADJUSTED EARNINGS

**Adjusted earnings** represent the net income (Group share) before the impact of:

**(i)** exceptional operations (primarily change in scope and discontinued operations);

**(ii)** integration and restructuring costs related to material newly acquired companies as well as restructuring and associated costs related to productivity improvement plans;

**(iii)** goodwill and other related intangibles; and

**(iv)** profit or loss on financial assets accounted for under fair value option (excluding assets backing liabilities for which the financial risk is borne by the policyholder), foreign exchange impacts on assets and liabilities, and derivatives related to invested assets.

Derivatives related to invested assets:

- include all foreign exchange derivatives, except the ones related to currency options in earnings hedging strategies which are included in underlying earnings;
- exclude derivatives related to insurance contracts evaluated according to the "selective unlocking" accounting policy;
- and also exclude derivatives involved in the economic hedging of realized gains and impairments of equity securities and real estate backing general account and shareholders' funds, for which cost at inception, intrinsic value and pay-off flow though adjusted earnings, and only time value flows through net income when there is no intention to sell the derivatives in the short term (if not, flows through adjusted earnings).

## UNDERLYING EARNINGS

**Underlying earnings** correspond to adjusted earnings excluding net capital gains or losses attributable to shareholders.

Net capital gains or losses attributable to shareholders include the following elements net of tax:

- realized gains and losses and change in impairment valuation allowance (on assets not designated under fair value option or trading assets);
- cost at inception, intrinsic value and pay-off of derivatives involved in the economic hedging of realized gains and impairments of equity securities and real estate backing general account and shareholders' funds;
- related impact on policyholder participation (Life & Savings business);
- DAC and VBI amortization or other reactivity to those elements if any (Life & Savings business) and net of hedging if any.

## EARNINGS PER SHARE

Earnings per share (**EPS**) represent AXA's consolidated earnings (including interest charges related to undated debts recorded through shareholders' equity), divided by the weighted average number of outstanding ordinary shares.

Diluted earnings per share (**diluted EPS**) represent AXA's consolidated earnings (including interest charges related to undated debts recorded through shareholders' equity), 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).

## RETURN ON EQUITY ("ROE")

The calculation is prepared with the following principles:

- for net income ROE: Calculation is based on consolidated financial statements, i.e. shareholders' equity including perpetual debt ("Super Subordinated Debts" TSS/"Perpetual Subordinated Debts" TSDI) and Other Comprehensive Income "OCI", and net income not reflecting any interest charges on TSS/TSDI.
- for adjusted and underlying ROE:
  - all perpetual debts (TSS/TSDI) are treated as financing debt, thus excluded from shareholders' equity,
  - interest charges on TSS/TSDI are deducted from earnings,
  - OCI is excluded from the average shareholders' equity.

## 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 of Income in accordance with IFRS. As a result, the operating income under the 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 Discretionary Participation Features (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, i.e. primarily "Investment Margin" and "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 the 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 account (unit-linked) business;

**(iii)** loading on (or contractual charges included in) premiums/deposits received on all general account product lines;

**(iv)** deferral income such as capitalization net of amortization of URR (Unearned Revenue Reserve) and UFR (Unearned Fee Reserve);

**(v)** other fee revenues, e.g. fees received on financial planning or sales of third party products.

**Underlying Net Technical margin** 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. 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)** GMxB (Variable Annuity guarantees) active financial risk management is the net result from GMxB lines corresponding to explicit charges related to these types of guarantees less cost of hedge. It also includes the unhedged business result;

**(iv)** policyholder bonuses if the policyholder participates in the risk margin;

**(v)** ceded reinsurance result;

**(vi)** other changes in insurance reserves are all the reserves strengthening or release coming from changes in valuation assumptions, additional reserves for mortality risk and other technical impacts such as premium deficiency net of derivative if any.

**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 funds 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 year 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)** policy holder 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

**Life & Savings underlying cost income ratio**: Underlying expenses plus underlying VBI amortization divided by "underlying" operating margin, where "Underlying" operating margin is the sum of (i) Underlying Investment margin; (ii) Underlying Fees and revenues, 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 interests 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, excluding the recurring interests credited to insurance annuity reserves;

**(iv)** claims handling costs;

**(v)** net result of ceded reinsurance.

**Current accident year loss ratio** 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 interests credited to the insurance annuity reserves, to

**(ii)** earned revenues, gross of reinsurance.

**All accident year loss ratio** 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 interests credited to the insurance annuity reserves, to

**(ii)** earned revenues, gross of reinsurance.

**Underlying expense ratio** is the ratio of:

**(i)** underlying expenses (excluding claims handling costs), to

**(ii)** earned revenues, gross of reinsurance.

Underlying 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**). Underlying expenses exclude customer intangible amortization and integration costs related to material newly acquired companies.

The **enlarged expense ratio** is the sum of the expense ratio and claims handling cost ratio.

The **underlying combined ratio** is the sum of the underlying expense ratio and the all accident year loss ratio.

## 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 net of distribution revenues)/(gross revenues excluding distribution revenues).

**Assets Under Management** (AUM) are defined as the assets whose management has been delegated by their owner to an asset management company such as AXA Investment Managers and AllianceBernstein. AUM only includes funds and mandates which generate fees and exclude double counting.

## BANKING

Net New Money is a banking volume indicator. It represents the net cash flows of customers' balances in the bank, with cash inflows (collected money) and cash outflows (exiting money). It includes market effect and capitalized interests over the period.

# 1.4 LIQUIDITY AND CAPITAL RESOURCES

Information in this section should be read in conjunction with Note 4 to the Consolidated Financial Statements included in Part 4 of this Annual Report which is covered by the Statutory Auditor's Report on the Consolidated Financial Statements.

Liquidity management is a core part of the Group financial planning including debt profile schedule and, more broadly, the capital allocation process. Liquidity resources result principally from Life & Savings, Property & Casualty and Asset Management operations, as well as from capital raising activities, and confirmed bank credit lines.

Over the past several years, AXA has expanded its core operations (insurance and asset management) through a combination of organic growth, direct investments and acquisitions. This expansion has been funded primarily through a combination of (i) dividends received from operating subsidiaries, (ii) proceeds from debt instruments issuance principally subordinated debt and borrowings (including debt issued by subsidiaries), (iii) the issuance of ordinary shares, and (iv) proceeds from the sale of non-core businesses and assets.

Each of the major operating subsidiaries is responsible for managing its liquidity position, together with the Company if appropriate. The Company, as the holding company for the AXA Group, coordinates funding and liquidity management of 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, AXA UK Plc. and AXA Mediterranean Holding SA are also holding companies and, consequently, are dependent on dividends received from their own subsidiaries to meet their obligations. The Group's operating insurance companies are required to meet multiple regulatory constraints, in particular, a minimum solvency ratio. The level of internal dividends paid by operating entities to the Company (or other Group companies) must therefore take into account these constraints as well as potential future regulatory changes. Cash positions also fluctuate as a result of cash-settled margin calls from banks relating to collateral agreements on derivatives, and the Company's statutory (parent only) results may be significantly impacted by unrealized gains and losses on derivatives used to hedge currency or other risks. The Company anticipates that cash dividends received from operating subsidiaries and other financing sources available to the Company will continue to cover its operating needs.

## Internal sources of liquidity: AXA's subsidiaries

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 claims expenses, policy surrenders and other operating expenses, and to purchase investment assets. The liquidity of the Group's insurance operations is affected by, among other things, the overall quality of AXA's investments and the Group's ability to liquidate its investment assets to meet policyholder benefits and insurance claims as they fall due. The Group regularly reviews the quality of its assets to ensure adequate liquidity in stress scenarios.

Information on projected payments and surrenders related to Life & Savings and Property & Casualty insurance contracts are disclosed in Note 14.9.1 of Part 4 – "Consolidated Financial Statements".

### LIFE & SAVINGS

Liquidity needs can be affected by a number of factors including fluctuations in the level of surrenders, withdrawals, maturities and guarantees to policyholders including guarantees in the form of minimum income benefits or death benefits, particularly on Variable Annuity business (see Part 1.2 – "Information on the Company" Segment "Information – Life & Savings – Surrenders and lapses").

The investment strategy of AXA's Life & Savings subsidiaries is designed to match the investment returns and estimated maturity of their investments with expected payments on their insurance contracts. Entities regularly monitor the valuation and duration of their investments and the performance of their financial assets. Financial market performance may affect the level of surrenders and withdrawals on life insurance policies, as well as immediate and projected long-term cash needs. As a result of close monitoring of surrender rates, Group subsidiaries are able to adjust their investment portfolios to reflect such considerations and react in a targeted manner.

### PROPERTY & CASUALTY AND INTERNATIONAL INSURANCE

Liquidity needs can be affected by actual claims experience. Insurance net cash flows are generally positive but can be 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 manage the liquidity risk that may arise from such events.

### ASSET MANAGEMENT AND BANKING

These subsidiaries' principal sources of liquidity are operating cash flows, proceeds from the issuance of ordinary shares (where applicable), drawings on credit facilities, repurchase agreements and other borrowings from credit institutions, banking clients or others.

The financing needs of asset management subsidiaries arise principally from their activities, which require working capital, in particular to finance prepaid commissions on some mutual fund-type products at AllianceBernstein or to constitute seed money for new funds at both AllianceBernstein and AXA Investment Managers.

## Liquidity position and risk management framework

In difficult market conditions in 2011, AXA continued to manage its liquidity risk carefully and conservatively.

At year end 2011, AXA consolidated its liquidity position with:

- a large cash position across all business lines (information on cash flows from operations is provided in Note 12 to the Financial Statements included in Part 4 of this Annual Report). As of December 31, 2011, AXA's consolidated statement of financial position included cash and cash equivalents of €30.0 billion, net of bank overdrafts of €1.0 billion;
- a stronger debt profile characterized by (i) a decrease in total net financing debt [(1)] from €15.2 billion at year-end 2010 to €13.4 billion at year-end 2011 following higher level of cash available (ii) debt mostly subordinated and with a long maturity profile with €0.9 billion of debt repayments over the next two years, estimated taking into account the first date of step-up calls on subordinated debt, and (iii) improved debt ratios (debt gearing [(2)]: 26% at year-end 2011, versus 28% at year-end 2010; interest coverage [(3)]: 9.1x at year-end 2011, versus 8.5x at year-end 2010);
- broad access to various markets via standardized debt programs: for example, at the end of 2011, an envelope of €6 billion of French commercial paper, of $1.5 billion of US commercial paper and of €14 billion under an EMTN program.

AXA has a robust liquidity risk management framework, including (i) a regular monitoring of the liquidity position in terms of resources (monthly monitoring of liquidity resources including government bonds and a part of the equity and corporate bond portfolio) and requirements (monthly monitoring of surrender rates at the Group's principal operating subsidiaries and consolidated view at Group level), (ii) committed undrawn credit lines for €12.5 billion at year-end 2011, up €1.4 billion from year-end 2010, and (iii) a liquidity contingency plan in place designed to deal with liquidity crises that may arise, which can provide short term liquidity of approximately €28 billion of assets eligible for European Central Bank tenders (of which €27 billion immediately available) at year-end 2011, creating a substantial alternative source of refinancing.

In addition, as part of its risk control system, AXA remains constantly vigilant regarding contractual provisions, such as ratings triggers or restrictive covenants, in financing and other documentation that may give lenders, security holders or other counterparties, rights to accelerate repayment, demand collateral or seek other similar remedies under circumstances that could have a material adverse effect on its consolidated financial position. At year-end 2011, AXA had no rating triggers and no financial covenants in its credit facilities.

*(1) Total net financing debt = senior debt and commercial paper outstanding net of cash available at central holdings' levels + dated subordinated debt + undated subordinated debt.*

*(2) (Total net financing debt)/(Shareholders' equity excluding undated subordinated debt and excluding unrealized gains & losses recorded through shareholders' equity + total net financing debt).*

*(3) Including interest charge on undated subordinated debt.*

## SUBORDINATED DEBT

On a consolidated basis, dated subordinated debt (including derivative instruments) totaled €7,108 million at December 31, 2011 after taking into account all intra-group eliminations and excluding undated subordinated debts (TSS/TSDI, which are included in shareholders' equity, as described in Note 1.12.2 of Part 4 – "Consolidated Financial Statements"), compared to €7,066 million at December 31, 2010. The increase was €42 million, or €36 million on a constant exchange rate basis.

Since January 2007, AXA's only convertible debt outstanding is AXA's 2017 convertible bonds, (6.6 million bonds at December 31, 2011 representing a carrying value of €1, 419 million for its debts component in Note 17 of Part 4 - Consolidated Financial Statements as of December 31, 2011). To neutralize the dilutive impact of the 2017 convertible bonds, AXA has purchased from a banking counterparty call options on the AXA ordinary share with an automatic exercise feature. Under this arrangement, one call option is automatically exercised upon each conversion of a convertible bond. Consequently, each issuance of a new ordinary share resulting from the conversion of a bond will be offset by the delivery to AXA of an ordinary share under the call option (which ordinary share AXA intends to cancel in order to avoid any increase of in the number of its outstanding shares and/or dilution).

At December 31, 2011, the number of ordinary shares issuable upon conversion of outstanding bonds was 29.2 million.

Movements in these items are described in Note 17 of Part 4 – "Consolidated Financial Statements".

The contractual maturities of financing debts are detailed in Note 17.3 of Part 4 – "Consolidated Financial Statements".

## FINANCING DEBT INSTRUMENTS ISSUED

On a consolidated basis, AXA's total financing debt outstanding amounted to €2,506 million at December 31, 2011, an increase of €6 million from €2,500 million at the end of 2010. On a constant exchange rate basis, the decrease was €12 million.

Movements in this item are described in Note 17 of Part 4 – "Consolidated Financial Statements".

## FINANCING DEBT OWED TO CREDIT INSTITUTIONS

At December 31, 2011, the amount of debt owed by AXA and its subsidiaries to credit institutions was €807 million versus €887 million at the end of 2010. The decrease of €100 million on a constant exchange rate basis was mainly due to reimbursement of outstanding debts in the Mediterranean and Latin America Region.

## OTHER DEBT (OTHER THAN FINANCING DEBT)

### Other debt instruments issued

At December 31, 2011, other debt instruments issued totaled €3,407 million, down from €3,621 million at the end of 2010. The decrease of €214 million resulted mainly from reimbursement of debt in CDOs.

### Other debt owed to credit institutions (including bank overdrafts)

At December 31, 2011, other debt owed to credit institutions totaled €2,864 million (including €1,029 million of bank overdrafts), a decrease of €20 million compared to €2,884 million at the end of 2010 (including €998 million of bank overdrafts).

Movements in this item are described in Note 18 of Part 4 – "Consolidated Financial Statements".

## ISSUANCE OF ORDINARY SHARES

For several years, the AXA Group has offered to its employees, the opportunity to subscribe for shares issued through a capital increase reserved for employees. In 2011, employees invested a total of €332 million leading to a total of 36.7 million newly issued shares. Employee (including agent) shareholders represented 7.3% of the outstanding share capital and 8.5% of the voting rights at December 31, 2011.

## DIVIDENDS RECEIVED

Dividends received by the Company from its subsidiaries amounted to €4,307 million in 2011 (€4,031 million in 2010), of which €1,844 million were in currencies other than the Euro (€986 million in 2010).

As a holding company, AXA is not subject to restrictions on dividend payments, provided that its accumulated profits are sufficient to cover them and that the Group solvency ratio does not decrease below 100% after dividend payment in cash. However, many Group subsidiaries, particularly AXA's insurance subsidiaries, are subject to restrictions on the amount of dividends they can pay to their shareholders. For more information on these restrictions, see Note 29.3 of Part 4 – "Consolidated Financial Statements".

The Company anticipates that cash dividends received from operating subsidiaries and other financing sources available to the Company will continue to cover its operating expenses (including 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 as well as future issues of debt and equity instruments.

## Uses of funds

Interest paid by the Company in 2011 totaled €1,266 million (€1,182 million in 2010) or €1,066 million after the impact of hedging derivative instruments (€1,271 million in 2010), of which undated subordinated debt of €446 million (€457 million in 2010).

Dividends paid to AXA SA's shareholders in 2011 in respect of the 2010 financial year totaled €1,601 million, or €0.69 per share, versus €0.55 per share paid in 2010 in respect of the 2009 financial year (€1,259 million in total). All of these dividends were paid in cash.

## Solvency margin

The Company's operating insurance subsidiaries are 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 monitor compliance with these requirements on a continuous basis and are in compliance with the applicable solvency requirements as of December 31, 2011.

The solvency margin calculation is based on a formula that contains variables related to economic, financial and technical parameters.

A European Directive dated October 27, 1998 requires a consolidated solvency margin calculation effective for periods ending on or after December 31, 2001. France implemented 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 implemented this directive through an ordinance dated December 12, 2004, which introduced the notion of financial conglomerate into the French 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.

The various components of what the Group considers as available capital are determined in accordance with these regulatory requirements under Solvency 1, which are not yet harmonized throughout Europe while waiting for Solvency 2. At December 31, 2011, available capital amounted to €44.3 billion (€42.7 billion at December 31, 2010) of which:

- **(i)** consolidated shareholders' equity after dividend proposal: €39.8 billion (€41 billion at December 31, 2010), including minority interests, but excluding reserves relating to changes in fair value through equity (available for sale assets) and undated subordinated debt;
- **(ii)** gross unrealized capital gains and other: €17.5 billion (€17.4 billion at December 31 ,2010);
- **(iii)** admitted subordinated debt: €11.8 billion (€11.7 billion at December 31, 2010);
- **(iv)** locally admitted assets: €2.6 billion (€2.5 billion at December 31, 2010);
- **(v)** less intangible assets (excluding goodwill on AllianceBernstein as it is part of its net consolidated book value) of €22.8 billion (€24.2 billion at December 31, 2010) and less the net consolidated book value of its equity interests in credit institutions, investment companies and other financial institutions: €3.9 billion (€4.3 billion at December 31, 2010).

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 if the Group holds more than 20% in these types of entities.

Dated and undated subordinated notes issued by the Company qualify for favorable capital treatment from the French insurance regulator, which oversees the Company's consolidated solvency position, and rating agencies.

The Company has issued dated subordinated notes, undated subordinated notes ("TSDI"), and undated deeply subordinated notes ("TSS"), which include provisions designed to allow the Company to ensure the continuity of its activities in the event its financial position deteriorates.

In particular, the Company's TSS include loss absorption mechanisms which provide that under certain circumstances relating to the consolidated solvency margin of the Group, the principal amount of each of the relevant TSS will be written down following which interest is payable on the reduced principal amount until such time as it is reinstated (following the Company's return to financial health as defined by the term of the TSS).

In addition, subordinated notes include mechanisms to defer or cancel interest payments either on a mandatory or an optional basis.

Pursuant to the terms and conditions of AXA's TSDI, the Company may, at its option, defer interest payment upon the occurrence of certain events (e.g. absence of dividend payment voted in the preceding Annual Shareholders' Meeting or receipt by the Company or by certain of its principal subsidiaries of a regulatory demand to restore their applicable minimum solvency margin level). Payment of deferred interest becomes due in certain specified cases (e.g. payment of a dividend, notification of the end of a regulatory demand to restore solvency, liquidation or redemption of the TSDI).

In addition, for most of the Company's TSS, upon the occurrence of certain events relating to the Company's consolidated net earnings and shareholders' equity, the Company is required to defer payment of interest. In such events, the Company may satisfy mandatory deferred interest by way of alternative settlement mechanisms (such as, subject to applicable limits, issuance of new shares or other securities including TSS or preference shares, sale of treasury shares, or an increase in the principal amount of the relevant notes) within five years, failing which the interest is forfeited. However, the settlement of deferred interest becomes due, on a best efforts basis, in certain circumstances including redemption of the notes, liquidation, payment of a dividend or interest on any other TSS, any share buy back outside the Company's buy-back program, or any redemption or repurchase of other TSS.

Finally, under its TSS, the Company has an option to cancel payments of interest upon the deterioration of its financial position, unless certain events have occurred in the preceding year (e.g. a dividend payment or interest payment on any TSS, any share buy-back outside the Company's share buy-back program or a repurchase or redemption of any TSS). However, upon the occurrence of certain circumstances relating to the consolidated solvency margin of the Company, the Company is required to cancel the payment of interest.

In accordance with the methods of calculation implemented by AXA in line with existing regulations, AXA's consolidated solvency ratio was estimated at 188% at December 31, 2011 compared to 182% at the end of 2010. This change resulted mainly from the 2011 Underlying Earnings and from the dividend proposed to the next Shareholder's Meeting. This 2011 solvency margin calculation will be reviewed by the *Autorité de Contrôle Prudentiel* (ACP), which controls the application of these directives in France.

In the event of a failure by the Company and/or any of its insurance subsidiaries to meet minimum regulatory capital requirements, insurance regulators have broad authority to require or take various regulatory actions. A failure of any of the Company's insurance subsidiaries to meet their minimum regulatory capital requirements and/or a reduction in the level of their regulatory capital that may negatively impact their competitive position may also result in the Company having to inject significant amounts of new capital into its insurance subsidiaries, which could adversely affect the Company's liquidity position.

## Credit rating

Claims paying and credit strength ratings have become increasingly important factors in establishing the competitive position of insurance companies. Rating agencies review their ratings and rating methodologies on a recurring basis and may change their ratings at any time. Consequently, our current ratings may be subject to change in the future.

In January 2012, Standard & Poor's affirmed the AA- financial strength rating on the core operating entities of the AXA Group, and the A long-term counterparty credit ratings on holding companies AXA SA and AXA Financial Inc., in each case, assigning a negative outlook, and removing the CreditWatch with negative implications under which AXA Group and other financial institutions were placed on December 9, 2011 following rating actions taken on the Eurozone sovereigns. The negative outlook reflects that Standard & Poor's will continue to closely monitor these ratings and indicates an increased risk that Standard & Poor's could lower AXA's ratings over the next 12 to 24 months, notably in case of continued challenges of the financial market conditions and economic prospects of the Eurozone countries. In February 2012, Moodys' Investors Services reaffirmed the Aa3 rating for counterparty credit and financial strength on AXA's principal insurance subsidiaries, and A2 for counterparty credit rating on the Company, assigning a negative outlook. The negative outlook reflects Moody's view that (i) financial risks stemming from the operating and investment exposure to weakened European sovereigns and banks have increased, as well as (ii) Moody's expectations of continued weak economic growth in certain of AXA's key markets. In November 2011, Fitch Ratings reaffirmed the AA- financial strength ratings of AXA's principal insurance subsidiaries with a stable outlook.

Management closely monitors the Group's ratings and currently expects that these ratings should remain at levels sufficient for the Company and its insurance subsidiaries to compete effectively. Given continuing high volatility and uncertainty in financial markets and general economic conditions, however, management cannot predict with any degree of certainty the timing and/or magnitude of future ratings actions.

A downgrade or the potential for a downgrade of our ratings, could have a variety of negative impacts on us including (i) damaging our competitive position, (ii) negatively impacting our ability to underwrite new insurance policies, (iii) increasing the levels of surrenders and termination rates of our in-force policies, (iv) increasing our cost of obtaining reinsurance, (v) negatively impacting our ability to obtain financing and/or increasing our cost of financing, (vi) triggering additional collateral requirements under certain agreements to which we are party, (vii) harming our relationships with creditors or trading counterparties and/or (viii) adversely affecting public confidence in us. Any of these developments could have a material adverse effect on our business, liquidity position, results of operations, revenues and financial condition.

These developments could have a material adverse effect on our business, liquidity position, results of operations, revenues and financial condition by, for example, increasing our need for cash in order to meet increased surrender requests and/or collateral calls, causing us to liquidate assets at unattractive prices or to borrow at unattractive rates to raise necessary cash, and/or negatively impacting our ability to sell new insurance policies or other products due to negative publicity associated with a downgrade and the associated impact on public confidence in us.

## Subsequent events after December 31, 2011 impacting AXA's liquidity

A dividend per share of €0.69 will be proposed at AXA's Annual Shareholders' Meeting that will be held on April 25, 2012. The dividend will be payable on May 9, 2012 with an ex-dividend date of May 4, 2012. For individuals whose fiscal residence is in France, this dividend gives rise to a 40% tax relief equal to €0.28 per share. These individuals may, barring certain exceptions, opt to have a 21% flat deduction at source, leading to the loss of the 40% tax relief mentioned earlier. The 13.5% welfare taxes (CSG, CRDS and welfare deduction) due by the persons who are deemed to be French residents for tax purposes are, in any case, paid at the date of the dividend payout.

Please refer to Note 32 of Part 4 – "Consolidated Financial Statements" for other subsequent events.

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# 2 CORPORATE GOVERNANCE

# 2.1 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Implementing sound corporate governance principles has been a priority at AXA for many years. Subject to prevailing corporate governance requirements and practices in France, AXA adopted, in 2008, the AFEP/MEDEF Code (defined below) as its corporate governance Code of reference. The AFEP/MEDEF Code consists, in particular, of recommendations issued by the AFEP and the MEDEF in a report dated October 2003 and recommendations dated January 2007, October 2008 and April 2010 (hereafter the "AFEP/MEDEF Code").

## Governance

On April 29, 2010, AXA's shareholders approved the change in AXA's governance structure. The former dual structure consisting of a Management Board and a Supervisory Board was replaced by a unitary Board of Directors. This unitary board structure was implemented in order to enhance the efficiency and reactivity of the Group's governance processes and has been carefully designed to ensure an appropriate balance of powers. In the uncertain market, regulatory and competitive environment coming out of the financial crisis, greater reactivity and increased efficiency in the Group's governance processes were considered critical to the Group's continued future success.

In the context of the change in AXA's governance structure, the Board of Directors concluded that it was in the best interest of the Company and its shareholders for Mr. Henri de Castries to hold the position of Chairman in addition to his functions as Chief Executive Officer.

In order to preserve well balanced governance structures and debates, the Board of Directors' Bylaws require that a majority of the Board be composed of independent directors, that certain Board Committees (including Audit and Compensation & Human Resources) be composed entirely of independent directors and that the Board have an independent Vice-Chairman who acts as Lead Independent Director in all cases where the positions of Chairman & Chief Executive Officer are held by the same person. The Lead Independent Director has a number of specific powers including the capacity to convene meetings of the non-executive directors without the attendance of the Chairman & Chief Executive Officer and the Deputy Chief Executive Officer or to inform the Chairman and the Board of Directors about potential conflicts of interests, and a variety of other powers designed to ensure that the Company's governance structures remain robust and well balanced at all times when the positions of Chairman & Chief Executive Officer are held by the same person.

## Board of Directors

### ROLE AND POWERS

The Board of Directors determines the strategic orientations of the Company's activities and ensures their implementation. Notwithstanding the powers specifically assigned to the Shareholders' Meetings by law, and within the limit of the Company's purpose, the Board is responsible for considering all material questions and taking all material decisions related to the Company and its business. It notably exercises the following powers:

- chooses between the two forms of Executive Management (separating or combining of the roles of Chairman & Chief Executive Officer) upon appointment or reappointment of the Chairman of the Board of Directors or the Chief Executive Officer;
- appoints and determines the compensation of the Chief Executive Officer as well as the Deputy Chief Executive Officers;
- reviews and approves the Company's half-year and annual results;
- approves the report of its Chairman on the composition of the Board including gender balance, the conditions of preparation and organization of the Board of Directors' works and the internal control and risks management procedures set up by the Company;
- convenes Shareholders' Meetings;

- grants stock options and/or performance shares/units to Group employees and corporate officers within the framework of the authorizations it receives from the Extraordinary Shareholders' Meeting;
- authorizes regulated agreements *(conventions réglementées)*.

The Board of Directors is also required to approve certain significant transactions (sales or acquisitions over €500 million; significant financing operations or other types of transactions that are not within the Company's announced strategy…).

## OPERATING PROCEDURES

The guidelines governing the operation, organization and compensation of the Board of Directors and its Committees are set forth in the Board's Bylaws. The Bylaws detail, in particular, the powers, assignments and obligations of the Board of Directors and its Committees.

The Board of Directors meets as often as it deems necessary. Periodically, Board members may meet among themselves without the attendance of the Executive Management. Prior to each meeting, Board members receive documentation concerning matters to be reviewed, generally eight days in advance. In accordance with the Board of Directors' Bylaws, they are also informed by all means by the Chief Executive Officer on a regular basis about the Company's financial condition, cash position and commitments as well as any significant events or transactions involving the Company or the Group.

Training sessions are offered to the new and existing members of the Board of Directors in order to familiarize them with the principal issues related to the Group and its activities. These sessions focus on a variety of issues relevant to directors including the Group's primary operating businesses and subsidiaries as well as financial reporting, regulatory and related issues (including Solvency II).

To ensure that their interests and those of the Company are appropriately aligned, the Board's Bylaws provide that each member of the Board of Directors must hold, within two years following his/her first appointment, AXA shares with a value equal to the gross director's fees earned in respect of the previous fiscal year. For this purpose AXA shares are valued using the closing price of the AXA share on December 31 of the preceding fiscal year.

## COMPOSITION

Pursuant to Article 10 of the Company's Charter, the members of the Board of Directors are in principle appointed by the Shareholders' Meeting for four years. However, following the change in the Company's governance structure on April 29, 2010, the term of office of all Supervisory Board members automatically terminated and most Supervisory Board members became members of the Company's new unitary Board of Directors for the remaining duration of their term of office, in order to allow a spreading of the terms within the Board of Directors.

On December 31, 2011, the Board of Directors was comprised of fifteen members appointed by the shareholders. Currently, five members of the Board of Directors are nationals of countries other than France and four members are women. The proportion of women within the Board of Directors was 26.6%. The Board's composition therefore already complies with the provisions of the law of January 27, 2011 as well as the recommendations contained in the AFEP/MEDEF Code regarding gender balance on Boards.

During the following years, the Ethics & Governance Committee shall make further recommendations in order to propose the appointment of an increased number of women to the Board of Directors during the future Shareholders' Meetings.

In accordance with French law, one member of the Board of Directors (currently Ms. Wendy Cooper) is the employee shareholders' representative who is appointed by shareholders every four years from a list of candidates selected by the Group's employee shareholders. The Board of Directors does not have any non-voting members (censors).

Each year the Board of Directors assesses the independence of all of its members on the basis of the recommendations contained in the AFEP/MEDEF Code. On February 15, 2012, the Board of Directors determined that, on December 31, 2011, eleven of the fifteen Board members were independent after assessing the criteria of the AFEP/MEDEF Code: Mmes. Isabelle Kocher, Suet Fern Lee, Dominique Reiniche, Messrs. Jacques de Chateauvieux, Norbert Dentressangle, Jean-Martin Folz, Anthony Hamilton, François Martineau, Giuseppe Mussari, Ramon de Oliveira and Marcus Schenck.

The Company's Charter and Bylaws provide for the mandatory appointment of a Vice-Chairman acting as Lead Independent Director in all cases where the positions of Chairman & Chief Executive Officer are held by one person. On April 29, 2010, the Board of Directors appointed Mr. Norbert Dentressangle as Lead Independent Director. This Lead Independent Director has a number of specific powers including supervising the contribution of the independent directors to the Board's deliberations and acting as their spokesperson with Executive Management to the extent necessary or appropriate. He is also consulted by the Chairman of the Board of Directors on the agenda of every meeting of the Board of Directors as well as on the planning of Board meetings.

More particularly, the Lead Independent Director has the power to:

- require the Chairman & Chief Executive Officer to convene full meetings of the Board on a specific agenda at any time;
- convene meetings of the non-executive directors at any time without the attendance of the Chairman & Chief Executive Officer and the Deputy Chief Executive Officer. These meetings called "Executive Sessions" may be held at the Vice-Chairman's discretion either before or after each meeting of the Board or at any other time the Vice-Chairman would deem appropriate. The Vice-Chairman chairs the Executive Sessions;
- attend and participate in all meetings of Board Committees (regardless of whether he is a Committee member);
- inform the Chairman and the Board of Directors about any potential conflicts of interests;
- report to the Shareholders' Meetings with respect to all corporate governance related matters.

## COMPOSITION OF THE BOARD OF DIRECTORS ON DECEMBER 31, 2011

| Name (age) and office presently held at AXA | Principal function (on December 31, 2011) | Principal business address | First appointment / term of office |
|---|---|---|---|
| Henri de Castries (57)<br>Chairman & Chief Executive Officer | Chairman & Chief Executive Officer of AXA | AXA<br>25, avenue Matignon<br>75008 Paris – France | April 2010/2014<br>Annual Shareholders' Meeting |
| Norbert Dentressangle (57) [a]<br>Vice-Chairman of the Board of Directors - Lead Independent Director | Chairman of Dentressangle Initiatives (SAS) [b] | Dentressangle Initiatives<br>30bis, rue Sainte-Hélène<br>69287 Lyon Cedex 02 – France | May 2006/2014<br>Annual Shareholders' Meeting |
| Denis Duverne (58)<br>Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | Deputy Chief Executive Officer of AXA in charge of Finance, Strategy and Operations | AXA<br>25, avenue Matignon<br>75008 Paris – France | April 2010/2014<br>Annual Shareholders' Meeting |
| Jacques de Chateauvieux (60) [a] [c]<br>Member of the Board of Directors | Chairman of the Board of Directors of BOURBON | BOURBON<br>33, rue du Louvre<br>75002 Paris – France | April 2005/2013<br>Annual Shareholders' Meeting |
| Wendy Cooper (61)<br>Member of the Board of Directors, representing the employee shareholders | Senior Vice President & Associate General Counsel of AXA Financial, Inc. (United States) | AXA Financial, Inc.<br>1290, Avenue of the Americas<br>New York – NY10104<br>United States | April 2008/2012<br>Annual Shareholders' Meeting |
| Jean-Martin Folz (64) [a]<br>Member of the Board of Directors | Companies' director | AXA<br>25, avenue Matignon<br>75008 Paris – France | May 2007/2015<br>Annual Shareholders' Meeting |
| Anthony Hamilton (70) [a]<br>Member of the Board of Directors | Non-executive Chairman of AXA UK plc (United Kingdom) and AXA Equity and Law plc (United Kingdom) | AXA UK plc<br>5 Old Broad Street<br>London EC2N 1AD<br>United Kingdom | January 1996/2013<br>Annual Shareholders' Meeting |
| Isabelle Kocher (45) [a]<br>Member of the Board of Directors | Executive Vice-President, Chief Financial Officer of GDF SUEZ | GDF SUEZ<br>Tour T1 – 35è étage<br>1, place Samuel de Champlain<br>Faubourg de l'Arche<br>92400 Courbevoie – France | April 2010/2014<br>Annual Shareholders' Meeting |
| Suet Fern Lee (53) [a]<br>Member of the Board of Directors | Senior Director of Stamford Law Corporation (Singapore) | Stamford Law Corporation<br>10 Collyer Quay #27-00 Ocean Financial Centre<br>Singapore 049315<br>Singapore | April 2010/2014<br>Annual Shareholders' Meeting |
| François Martineau (60) [a]<br>Member of the Board of Directors | Attorney at Law | Lussan & Associés<br>282, boulevard Saint Germain<br>75007 Paris – France | April 2008/2012<br>Annual Shareholders' Meeting |
| Giuseppe Mussari (49) [a]<br>Member of the Board of Directors | Chairman of the Board of Banca Monte dei Paschi di Siena S.p.A. (Italy) | Banca Monte dei Paschi di Siena S.p.A.<br>Piazza Salimbeni, 3<br>53100 Siena – Italy | May 2007/2015<br>Annual Shareholders' Meeting |
| Ramon de Oliveira (57) [a]<br>Member of the Board of Directors | Managing Director of Investment Audit Practice, LLC [d] (United States) | Investment Audit Practice, LLC<br>580 Park Avenue<br>New York, NY 10065<br>United States | April 2009/2013<br>Annual Shareholders' Meeting |

| Name (age) and office presently held at AXA | Principal function (on December 31, 2011) | Principal business address | First appointment / term of office |
|---|---|---|---|
| Michel Pébereau (69)<br>Member of the Board of Directors | Honorary Chairman of BNP Paribas | BNP Paribas<br>3, rue d'Antin<br>75002 Paris – France | January 1997/2013 Annual Shareholders' Meeting |
| Mrs. Dominique Reiniche (56) [(a)]<br>Member of the Board of Directors | Chairman Europe of The Coca-Cola Company | The Coca-Cola Company<br>27, rue Camille Desmoulins<br>92784 Issy-les-Moulineaux<br>Cedex 9 – France | April 2005/2013 Annual Shareholders' Meeting |
| Marcus Schenck (46) [(a)]<br>Member of the Board of Directors | Member of the Management Board and Chief Financial Officer of E.ON AG (Germany) | E.ON AG<br>Platz 1<br>40479 Düsseldorf<br>Germany | April 2011/2015 Annual Shareholders' Meeting |

*(a) Independent.*
*(b) Formerly Financière de Cuzieu (SAS).*
*(c) Mr. Jacques de Chateauvieux resigned from his position of director of AXA as of February 17, 2012.*
*(d) Formerly ROC Partners.*

Mr. Claude Bébéar, who was the Honorary Chairman of the Supervisory Board since April 22, 2008, has been Honorary Chairman of the Board of Directors since April 29, 2010.

The Shareholders' Meeting to be held on April 25, 2012 will be asked to vote on the reappointment of a member of the Board of Directors whose term of office will end (Mr. François Martineau) as well as on the appointment of two new members of the Board of Directors, one of them as member of the Board of Directors representing the employee shareholders. In this context, the Board of Directors proposed, based on the recommendation of the Ethics & Governance Committee:

- the re-appointment as director of Mr. François Martineau for a four-year term (his biography is presented below in this Section 2.1);
- the appointment of Mr. Stefan Lippe as director for a four-year term. Mr. Stefan Lippe's (56 years old) candidacy was selected due to his large experience of the insurance business acquired through thirty years within the Swiss Re Group where he became a member of the Executive Committee in 2001 and was Chief Executive Officer from 2009 to the beginning of 2012;
- the appointment of Mrs. Doina Palici-Chehab, representing the employee shareholders, for a four-year term in replacement of Ms. Wendy Cooper, whose term of office will expire at the close of this Shareholders' Meeting. The Board of Directors acknowledges that Mrs. Doina Palici-Chehab (54 years old) has nearly thirty years of experience in the insurance business and in particular twenty-two years within the AXA Group in Germany, France and India. Chief Executive Officer of AXA Business Services in India (2,500 employees), she was head of Group reinsurance from 2000 to 2010 within AXA Global P&C (formerly "AXA Cessions"). The Board of Directors could benefit from Mrs. Doina Palici-Chehab's experience of the insurance business, her knowledge of the Group as well as her very international profile. Furthermore, Mrs. Doina Palici-Chehab's appointment as director would help maintain the proportion of women within the Board, considering the expiry of Ms. Wendy Cooper's term of office.

The Board of Directors reviewed the situation of Mr. Stefan Lippe and Mrs. Doina Palici-Chehab in light of the AFEP/MEDEF Code and considered Mr. Stefan Lippe as independent.

Subject to the Shareholders' Meeting approval, the Board of Directors would therefore be comprised of fifteen members including eleven members considered independent by the Board of Directors in accordance with the criteria of the AFEP/MEDEF Code of corporate governance.

## BOARD ACTIVITIES IN 2011

In 2011, the Board met fourteen times and the average attendance rate was 85.24%. The Board reviewed the strategy of the Group during a full day dedicated session. Within the framework of its principal assignments such as described above, the Board focused, in particular, on the following matters during 2011:

- review of the Group's strategy;
- examination of the 2010 financial statements and the 2011 half-year financial statements;
- review of the Board Committee reports;
- review of the significant proposed acquisitions and disposals;
- review of the Group's portfolio of businesses, capital allocation and activities;
- review of the composition of Board Committees;
- approval of the modifications of the Bylaws of the Board of Directors and the Audit Committee Terms of Reference;
- self-assessment of the Board of Directors;
- independence of the Board Members.

## INFORMATION ON CURRENT MEMBERS OF THE BOARD OF DIRECTORS (1)

**Henri de CASTRIES,**

***Chairman & Chief Executive Officer of AXA***

57, French nationality

*Business address*

AXA – 25, avenue Matignon – 75008 Paris – France

**Expertise and experience**

Mr. Henri de Castries is a graduate of the *École des Hautes Études Commerciales* (HEC) and obtained a law degree before completing preparatory studies at the *École Nationale d'Administration* (ENA). After graduating from ENA, Mr. de Castries began his career with the French Finance Ministry Inspection Office. Mr. de Castries joined AXA's Corporate Finance Department on September 1st, 1989. He was appointed Corporate Secretary in 1991 and Senior Executive Vice-President for the Group's asset management, financial and real-estate businesses in 1993. In 1997, Mr. de Castries was appointed Chairman of The Equitable Companies Incorporated (now AXA Financial, Inc.). From May 2000 to April 2010, Mr. de Castries was Chairman of the AXA Management Board. Since April 2010, Mr. Henri de Castries has been Chairman & Chief Executive Officer of AXA.

**Directorships currently held (2)**

AXA, *Chairman & Chief Executive Officer*

*Chairman of the Board of Directors:*

- AXA Assurances IARD Mutuelle
- AXA Assurances Vie Mutuelle
- AXA Financial, Inc. (United States)

*Director or member of the Management Committee:*

- AXA ASIA
- AXA France IARD
- AXA France Vie
- AllianceBernstein Corporation (United States)
- AXA America Holdings, Inc. (United States)
- AXA Equitable Life Insurance Company (United States)
- AXA UK plc (United Kingdom)
- MONY Life Insurance Company (United States)
- MONY Life Insurance Company of America (United States)

**Previous directorships held during the last five years**

AXA, *Chairman of the Management Board*

*Director or member of the Supervisory Board:*

- AXA Belgium SA (Belgium)
- AXA Holdings Belgium (Belgium)
- AXA Konzern AG (Germany)

**Norbert DENTRESSANGLE,**

***Vice-Chairman of the AXA Board of Directors, Lead Independent Director***

57, French nationality

*Business address*

Dentressangle Initiatives – 30 bis, rue Sainte Hélène – 69287 Lyon Cedex 02 – France

**Expertise and experience**

In 1979, Mr. Norbert Dentressangle founded the Norbert Dentressangle Group, a transportation and logistics services specialist, and served as Chairman until 1998. He is currently Chairman of the Supervisory Board. Mr. Norbert Dentressangle has also been, since its creation in 1988, Chairman of Financière Norbert Dentressangle, the family-owned holding company which, in addition to his majority stake in Norbert Dentressangle S.A., also holds equity interests in real estate, industrial and business services firms. From April 2008 to April 2010, Mr. Norbert Dentressangle was Vice-Chairman of the AXA Supervisory Board. Since April 2010, Mr. Norbert Dentressangle has been Vice-Chairman, Lead Independent Director, of the AXA Board of Directors.

**Directorships currently held**

*Chairman:*

- Dentressangle Initiatives (SAS) (formerly Financière de Cuzieu (SAS))
- ND Investissements (SAS)

Norbert Dentressangle, *Chairman of the Supervisory Board*

SOFADE (SAS), *Chief Executive Officer*

AXA, *Vice-Chairman of the Board of Directors*

Versailles Richaud ND (SARL), *co-manager*

*Director or member of the Supervisory Board:*

- HLD (SCA)
- SEB
- SOGEBAIL

**Previous directorships held during the last five years**

Financière Norbert Dentressangle (SAS), *Chairman* (3)

AXA, *member and Vice-Chairman of the Supervisory Board*

FINAIXAM, *Chairman of the Supervisory Board*

*(1) Except otherwise stated, the following information concerning the members of the Board of Directors is updated on December 31, 2011.*

*(2) Mr. Henri de Castries only holds directorships within the AXA Group.*

*(3) End of mandate January 1st, 2012 (dissolved company).*

**Denis DUVERNE,**

***Deputy Chief Executive Officer of AXA***

58, French nationality

*Business address*

AXA – 25, avenue Matignon – 75008 Paris – France

**Expertise and experience**

Mr. Denis Duverne is a graduate of the *École des Hautes Études Commerciales* (HEC). After graduating from the *École Nationale d'Administration* (ENA), he started his career in 1984 as commercial counsellor for the French Consulate General in New York before becoming director of the Corporate Taxes Department for the French Ministry of Finance in 1986. In 1988, he became Deputy Assistant Secretary for Tax Policy for the French Ministry of Finance and, in 1991, he was appointed Corporate Secretary of Compagnie Financière IBI. In 1992, he became a member of the Executive Committee of Banque Colbert, in charge of operations. In 1995, Mr. Denis Duverne joined the AXA Group and assumed responsibility for supervision of AXA's operations in the US and the UK and managed the reorganization of AXA companies in Belgium and the United Kingdom. From February 2003 until December 2009, Mr. Duverne was the Management Board member in charge of Finance, Control and Strategy. From January 2010 until April 2010, Mr. Duverne assumed broader responsibilities as Management Board member in charge of Finance, Strategy and Operations. Since April 2010, Mr. Denis Duverne has been director and Deputy Chief Executive Officer of AXA, in charge of Finance, Strategy and Operations.

**Directorships currently held (1)**

AXA, *director and Deputy Chief Executive Officer*

AXA America Holdings, Inc. (United States), *Chairman & Chief Executive Officer*

AXA Millésimes (SAS), *Chairman*

*Director or member of the Management Committee:*

- AXA ASIA
- AllianceBernstein Corporation (United States)
- AXA Assicurazioni S.p.A. (Italy)
- AXA Belgium SA (Belgium)
- AXA Equitable Life Insurance Company (United States)
- AXA Financial, Inc. (United States)
- AXA Holdings Belgium (Belgium)
- AXA Italia S.p.A. (Italy)
- AXA MPS Assicurazioni Danni S.p.A. (Italy)
- AXA MPS Assicurazioni Vita S.p.A. (Italy)
- AXA UK plc (United Kingdom)
- MONY Life Insurance Company (United States)
- MONY Life Insurance Company of America (United States)

**Previous directorships held during the last five years**

AXA, *member of the Management Board*

*Director:*

- AXA France IARD
- AXA France Vie

**Jacques de CHATEAUVIEUX,**

***Member of the AXA Board of Directors***

60, French nationality

*Business address*

BOURBON – 33, rue du Louvre – 75002 Paris – France

**Expertise and experience**

Mr. Jacques de Chateauvieux is a graduate of the *Institut Supérieur de Gestion* (Paris) and obtained an MBA from Columbia University (New York). In 1975, he joined l'Union des Transports Aériens as a management auditor. From 1977 to 1979, he worked as a consultant in business strategy and executive management for the Boston Consulting Group in Paris (BCG). From 1979 to 2010, Mr. Jacques de Chateauvieux was Chairman & Chief Executive Officer of BOURBON and since January 1st, 2011, he has been Chairman of the Board of Directors of BOURBON. From 1989 to 2001, he developed BOURBON into an international conglomerate and then listed the Company on the Paris Stock Exchange in 1998. From 2001, he has refocused BOURBON's strategy on making it a world leader in offshore oil and marine services. From April 2008 until April 2010, Mr. Jacques de Chateauvieux chaired the AXA Supervisory Board. From April 2010 until February 2012, he has been a member of the AXA Board of Directors. Mr. Jacques de Chateauvieux resigned from his position of director of AXA as of February 17, 2012.

**Directorships currently held**

*Chairman of the Board of Directors:*

- BOURBON
- Sapmer SA

Cana Tera SAS, *Chairman*

JACCAR Holdings SA (Luxembourg), *Chairman and Managing Director*

*Director:*

- AXA
- Piriou SAS
- Evergas (Denmark)
- Sinopacific Offshore and Engeneering Co Ltd (China)
- Sinopacific Shipbuilding Group (China)

CBo Territoria, *non voting member of the Board (Censor)*

**Previous directorships held during the last five years**

BOURBON, *Chief Executive Officer*

AXA, *Chairman of the Supervisory Board*

CBo Territoria, *Chairman of the Board of Directors*

INNODIS (Mauritius), *director*

*(1) Mr. Denis Duverne only holds directorships within the AXA Group.*

**Wendy COOPER,**

***Member of the AXA Board of Directors, representing the employee shareholders***

61, American nationality

*Business address*

AXA Financial, Inc. – 1290 Avenue of the Americas – New York – NY 10104 – United States

**Expertise and experience**

Ms. Wendy Cooper is a graduate of Allegheny College and Fordham Law School, New York, NY. From 1981 to 1987, she was Assistant Counsel to New York Governors Carey and Cuomo. From August 1987 to March 1995, she was the First Deputy Superintendent of Insurance of the New York Insurance Department and from January 1990 to June 1990, she held the position of Superintendent of Insurance of the New York Insurance Department. In May 1995, she joined The Equitable, which became AXA Equitable, as Vice-President & Associate General Counsel. Since September 1999, she has been Senior Vice-President & Associate General Counsel of AXA Equitable in charge of the Government Relations function, representing AXA Equitable's legislative and regulatory interests in front of the U.S. Congress, state legislatures, state insurance departments, state and national trade associations and other external audiences. As of April 2008, Ms. Wendy Cooper was elected employee shareholder member of the AXA Supervisory Board and the AXA Board of Directors (as of April 2010).

**Directorship currently held**

AXA, *director, representing the employee shareholders*

**Previous directorship held during the last five years**

AXA, *director, representing the employee shareholders*

**Jean-Martin FOLZ,**

***Member of the AXA Board of Directors***

64, French nationality

*Business address*

AXA – 25, avenue Matignon – 75008 Paris – France

**Expertise and experience**

Mr. Jean-Martin Folz is a graduate of the *École Polytechnique* and *ingénieur des Mines*. Between 1975 and 1978, he has held various French government cabinet positions, his last position being head of cabinet of the Secretary of State for Industry. In 1978, he joined Rhône-Poulenc to run the Saint-Fons plant, and was then promoted to Senior Executive Vice-President of Rhône-Poulenc for the Specialty Chemicals business unit. In 1984, he became Senior Executive Vice-President and then Chairman & Chief Executive Officer of Jeumont-Schneider (a Schneider subsidiary). In 1987, he was appointed Chief Executive Officer of Péchiney and Chairman of Carbone Lorraine (in 1988). In 1991, he became Group Chief Executive Officer of Eridania Béghin-Say and Chairman of Béghin-Say. Mr. Jean-Martin Folz joined PSA Peugeot Citroën in 1995 and became Chairman of the Management Board in 1997. He left PSA in February 2007. From June 2007 to March 2010, he was Chairman of the AFEP. Since November 8, 2011, Mr. Jean-Martin Folz has been Chairman of the Board of Directors of Eutelsat Communications.

**Directorships currently held**

Eutelsat Communications, *Chairman of the Board of Directors*

*Director or member of the Supervisory Board:*

- Alstom
- AXA
- Compagnie de Saint-Gobain
- ONF-Participations (SAS)
- Société Générale
- Solvay (Belgium)

**Previous directorships held during the last five years**

Peugeot SA, *Chairman of the Management Board*

*Chairman:*

- Automobiles Citroën
- Automobiles Peugeot

*Director or member of the Supervisory Board:*

- AXA (Supervisory Board)
- Banque PSA Finance
- Carrefour
- Faurecia
- Peugeot Citroën Automobiles

**Anthony HAMILTON,**

***Member of the AXA Board of Directors***

70, British nationality

*Business address*

AXA UK plc – 5 Old Broad Street – London EC2N 1AD – United Kingdom

**Expertise and experience**

Mr. Anthony Hamilton is a graduate of Oxford University. His early career was spent in London and New York working for the investment banks Schroders, Morgan Grenfell and Wainwright. In 1978, he joined Fox-Pitt, Kelton and was appointed Chief Executive Officer in 1994. In 1993, he became a non-executive director of AXA Equity and Law plc (Chairman, 1995) and in 1997 a non-executive director of AXA UK plc. Since September 2000, Mr. Anthony Hamilton has been non-executive Chairman of AXA UK plc.

**Directorships currently held**

*Non-executive Chairman:*

- AXA Equity and Law plc [(1)] (United Kingdom)
- AXA UK plc [(1)] (United Kingdom)

(1) AXA Group company.

*Director:*

- AXA
- AXA Equitable Life Insurance Company [(1)] (United States)
- AXA Financial, Inc. [(1)] (United States)
- MONY Life Insurance Company [(1)] (United States)
- MONY Life Insurance Company of America [(1)] (United States)
- Tawa plc (United Kingdom)
- The Game & Wildlife Conservation Trust (United Kingdom)

**Previous directorships held during the last five years**

*Director or member of the Supervisory Board:*

- AXA (Supervisory Board)
- Binley Limited (United Kingdom)
- Golf Club of Valderrama (Spain)
- Swiss Re Capital Markets Limited (United Kingdom)

**Isabelle KOCHER,**

***Member of the AXA Board of Directors***

45, French nationality

*Business address*

GDF SUEZ – Tour T1 – 35e étage – 1, place Samuel de Champlain – Faubourg de l'Arche - 92400 Courbevoie - France

**Expertise and experience**

Mrs. Isabelle Kocher is a graduate of the *École Normale Supérieure* (ENS-Ulm), is engineer of the *Corps des Mines* and earned a DEA (postgraduate degree) in quantum optics and an aggregation in Physics. From 1997 to 1999, she was in charge of budget of Telecommunication and Defense at the French Ministry of Economy. From 1999 to 2002, she was Advisor on Industrial Affairs of the French Prime Minister Office (Lionel Jospin). In 2002, she joined the Suez Group. She then held various positions: from 2002 to 2005, at Strategy & Development; from 2005 to 2007, director of Performance and Organisation; from 2007 to 2008, Deputy Chief Executive Officer of Lyonnaise des Eaux. From 2009 to September 30, 2011, Mrs. Isabelle Kocher was Chief Executive Officer of Lyonnaise des Eaux, in charge of the development of activities in Europe. Since October 1st, 2011, Mrs. Isabelle Kocher has been Executive Vice-President, Chief Financial Officer of GDF SUEZ.

**Directorships currently held**

*Director:*

- Arkema
- AXA
- Suez Environnement [(2)]
- International Power Plc (IPR) (United Kingdom)

**Previous directorships held during the last five years**

Lyonnaise des Eaux, *Chief Executive Officer*

Lyonnaise des Eaux, *Deputy Chief Executive Officer*

**Suet Fern LEE,**

***Member of the AXA Board of Directors***

53, Singaporean nationality

*Business address*

Stamford Law Corporation – 10 Collyer Quay #27-00 Ocean Financial Centre – Singapore 049315 – Singapore

**Expertise and experience**

Mrs. Suet Fern Lee graduated with a double first in law from Cambridge University in 1980 and qualified as a Barrister-at-Law at Gray's Inn London in 1981. She was admitted to the Singapore Bar in 1982 and has practised law in London and Singapore since then. She was President of the Inter-Pacific Bar Association (IPBA) until 2011. Since 2000, she has been Senior Director of Stamford Law Corporation (Singapore). She is Chairman of the Asian Civilisations Museum Board, and is also a member of the National Heritage Board, a member of the Advisory Board to the Law School at Singapore Management University, a trustee for Nanyang Technological University as well as a Fellow of the Singapore Institute of Directors.

**Directorships currently held**

Stamford Law Corporation (Singapore), *Senior Director*

Asian Civilisations Museum (Singapore), *Chairman*

*Director:*

- AXA
- Sanofi
- Macquarie International Infrastructure Fund Ltd (Bermuda)
- National Heritage Board (Singapore)
- Rickmers Trust Management Pte Ltd (Singapore)
- Stamford Corporate Services Pte Ltd (Singapore)

Nanyang Technological University (Singapore), *member of the Board of Trustees*

National University of Singapore Business School (Singapore), *member of the Accounting Advisory Board*

Singapore Management University School of Law (Singapore), *member of the Advisory Board*

**Previous directorships held during the last five years**

IPBA (Singapore), *President*

*Director:*

- China Aviation Oil (Singapore) Corporation Limited (Singapore)
- ECS Holdings Limited (Singapore)
- Richina Pacific Limited (Bermuda)
- SembCorp Industries Limited (Singapore)
- Sincere Watch Limited (Hong Kong)
- Transcu Group Limited (Singapore)

*(1) AXA Group company.*

*(2) As of February 7, 2012.*

**François MARTINEAU,**

***Member of the AXA Board of Directors***

60, French nationality

*Business address*

Lussan & Associés – 282, boulevard Saint-Germain – 75007 Paris – France

**Expertise and experience**

Mr. François Martineau is a graduate of the University Paris IV (Philosophy Degree), University Paris I (Law Master) and of l'*Institut d'Études Politiques de Paris*. Mr. François Martineau has been Attorney since 1976. In 1981, he was *"Secrétaire de la Conférence"*. In 1985, he was a lecturer at the University Paris I (Civil Procedure). In 1995, he was a Professor at the Paris Bar School (EFB) and since 1998, he is Honorary Professor at the Law and Political Sciences School of Lima (Peru). In 1996, he became an Expert at the Council of Europe and fulfilled various missions in Eastern Europe countries regarding the reform of the Code of the Judicial Organization, the reform of the magistrates' and lawyers' training and the revision of the Code of Civil Procedure. He also teaches professionals at the *École Nationale de la Magistrature* (ENM). Since 1987, Mr. François Martineau has been a Partner of the law firm SCP Lussan & Associés, and Managing Partner since 1995.

**Directorships currently held**

SCP Lussan & Associés, *Managing Partner*

*Vice-Chairman and director:*

- Associations Mutuelles Le Conservateur
- Assurances Mutuelles Le Conservateur
- Bred Banque Populaire

*Director:*

- AXA
- AXA Assurances IARD Mutuelle
- AXA Assurances Vie Mutuelle
- Conservateur Finance

**Previous directorship held during the last five years**

AXA, *member of the Supervisory Board*

**Giuseppe MUSSARI,**

***Member of the AXA Board of Directors***

49, Italian nationality

*Business address*

Banca Monte dei Paschi di Siena S.p.A. – Piazza Salimbeni, 3 – 53100 Siena – Italy

**Expertise and experience**

Mr. Giuseppe Mussari is a graduate in Law of the University of Siena (Barrister registered in the Rolls of the Court of Siena since 1993). In 1998, he became Deputy Chairman of the Criminal Section of the Court of Siena and then in 2000 Chairman of the Criminal Section of the Court of Siena. In July 2001, he was appointed Chairman of the Monte dei Paschi di Siena Foundation. Since April 2006, Mr. Giuseppe Mussari has been Chairman of Banca Monte dei Paschi di Siena (BMPS). Since July 2010, Mr. Giuseppe Mussari has been Chairman of the Italian Banking Association.

**Directorships currently held**

Banca Monte dei Paschi di Siena S.p.A. (Italy), *Chairman of the Board*

Italian Bankers' Association (Italy), *Chairman*

*Director:*

- AXA
- Interbank Deposit Protection Fund (Italy)
- Rosselli Foundation (Italy)

*Member:*

- Promoting Committee of Symbola Foundation (Italy)
- Steering Board of ABI-ANIA (Italy)
- Steering Board of Assonime (Italy)

**Previous directorships held during the last five years**

Cassa dei Depositi e Prestiti (Bank for Deposits and Loans) (Italy), *Chairman of the Guidance Committee*

*Chairman:*

- Chigiana Music Academy Foundation (Italy)
- Mecenate 90 Association (Italy)
- Monte dei Paschi di Siena Foundation (Italy)

Siena Biotech (Italy), *Chairman of the Ethical Monitoring Committee*

ACRI (Italy), *Vice-Chairman*

*Director or member of the Supervisory Board:*

- AXA (Supervisory Board)
- Cotec Foundation (Italy)
- Italy-China Foundation (Italy)
- Ravello Foundation (Italy)
- Sansedoni S.p.A. (Italy)

Clear Pacts Consortium (Italy), *member of the General Council*

Toscana Life Sciences Foundation (Italy), *member of the Guidance Committee*

**Ramon de OLIVEIRA,**

***Member of the AXA Board of Directors***

57, French nationality

*Business address*

Investment Audit Practice, LLC – 580 Park Avenue – New York, NY 10065 – United States

**Expertise and experience**

Mr. Ramon de Oliveira is a graduate of the University of Paris and of the *Institut d'Études Politiques* (Paris). Starting in 1977, Mr. de Oliveira spent 24 years at JP Morgan & Co. From 1996 to 2001, Mr. de Oliveira was Chairman & Chief Executive Officer of JP Morgan Investment Management. Mr. de Oliveira was also a member of the firm's Management Committee since its inception in 1995. Upon the merger with Chase Manhattan Bank in 2001, Mr. de Oliveira was the only executive from

JP Morgan & Co. asked to join the Executive Committee of the new firm with operating responsibilities. Between 2002 and 2006, Mr. de Oliveira was an Adjunct Professor of Finance at both Columbia University and New York University. Mr. Ramon de Oliveira is the Managing Director of the consulting firm Investment Audit Practice, LLC, based in New York.

**Directorships currently held**

Investment Audit Practice, LLC (United States) (formerly ROC Partners), *Managing Director*

Fonds de Dotation du Musée du Louvre, *Chairman of the Investment Committee*

*Director:*

- AXA
- AXA Equitable Life Insurance Company [(1)] (United States)
- AXA Financial, Inc. [(1)] (United States)
- JACCAR Holdings SA (Luxembourg)
- MONY Life Insurance Company [(1)] (United States)
- MONY Life Insurance Company of America [(1)] (United States)
- Quilvest (Luxembourg)
- Taittinger-Kobrand USA (United States)

**Previous directorships held during the last five years**

Friends of Education (not-for-profit organization) (United States), *Chairman of the Board of Directors*

The Kauffman Foundation (United States), *Trustee and Chairman of the Investment Committee*

*Director or member of the Supervisory Board:*

- American Century Company, Inc (United States)
- AXA (Supervisory Board)
- JP Morgan Suisse (Switzerland)
- SunGard Data Systems (SDS) (United States)
- The Hartford Insurance Company (United States)

The Red Cross (United States), *member of the Investment Committee*

**Michel PÉBEREAU,**

***Member of the AXA Board of Directors***

69, French nationality

*Business address*

BNP Paribas – 3, rue d'Antin – 75002 Paris – France

**Expertise and experience**

Mr. Michel Pébereau is a graduate of the *École Polytechnique* and the *École Nationale d'Administration* (ENA). In 1967, he started his career as auditor at the Treasury *(inspecteur des finances).* He then held various management positions at the *Direction du Trésor* and at the *"Cabinets"* of two Ministers (Valéry Giscard d'Estaing and René Monory). In 1982, he joined Crédit Commercial de France. In 1987, he was in charge of its privatization before becoming Chairman & Chief Executive Officer from 1987 to 1993. In 1993, he became Chairman & Chief Executive Officer of BNP, which he privatized, and after the merger with Paribas in 2000, Chairman & Chief Executive Officer of BNP Paribas. From 2003 to December 2011, Mr. Michel Pébereau was Chairman of the Board of Directors of BNP Paribas. Since December 2011, Mr. Michel Pébereau has been Honorary Chairman of BNP Paribas.

**Directorships currently held**

*Director or member of the Supervisory Board:*

- AXA
- BNP Paribas
- Compagnie de Saint-Gobain
- Total
- Banque Marocaine pour le Commerce et l'Industrie (BMCI) (Morocco)
- BNP Paribas SA (Switzerland)
- EADS N.V. (Netherlands)
- Pargesa Holding S.A. (Switzerland)

Société Anonyme des Galeries Lafayette, *non-voting member of the Board (Censor)*

Conseil de Direction de l'Institut d'Études Politiques de Paris, *Chairman*

*Member:*

- Académie des Sciences Morales et Politiques
- Conseil Exécutif du Mouvement des Entreprises de France (MEDEF)
- Conseil d'Orientation de l'Institut de l'Entreprise
- Conseil de Surveillance de l'Institut Aspen
- International Capital Markets Advisory Committee of the Federal Reserve Bank of New York (FED) (United States)

**Previous directorships held during the last five years**

BNP Paribas, *Chairman of the Board of Directors*

Institut Aspen, *Chairman of the Supervisory Board*

*Chairman:*

- Fédération Bancaire Européenne (FBE)
- Institut de l'Entreprise

*Director of member of the Supervisory Board:*

- AXA (Supervisory Board)
- Lafarge

*(1) AXA Group company.*

**Dominique REINICHE,**

***Member of the AXA Board of Directors***

56, French nationality

*Business address*

The Coca-Cola Company – 27, rue Camille Desmoulins – 92784 Issy-les-Moulineaux Cedex 9 – France

**Expertise and experience**

Mrs. Dominique Reiniche is a graduate of the Essec. In 1978, she joined Procter & Gamble and in 1983 became Associate Advertising Manager. In 1986, she joined Kraft Jacobs Suchard and was appointed Marketing & Strategy Manager. In 1992, she joined Coca-Cola Entreprise as a Marketing & Responsible *"Compte-clé"* Manager. In 1998, she was appointed Chairman & Chief Executive Officer of Coca-Cola Entreprise and Vice-Chairman of Coca Cola Enterprises - Groupe Europe in 2002. From January 2003 to May 2005, she was Chairman of Coca-Cola Enterprises – Groupe Europe. Since May 2005, Mrs. Dominique Reiniche has been Chairman Europe of The Coca-Cola Company.

**Directorships currently held**

ECR Europe (Belgium), *Vice-Chairman of the Board*

AXA, *director*

UNESDA (Union of European Beverages Associations) (Belgium), *Vice-Chairman*

FDE (Food & Drink Europe) (formerly CIAA – Confederation of the Food and Drink Industries of the EU) (Belgium), *member of the Executive Committee and member of the Board*

**Previous directorships held during the last five years**

Coca-Cola Enterprise – Groupe Europe, *Chairman*

AXA, *member of the Supervisory Board*

ING Direct, *member of the France Advisory Board*

MEDEF, *member of the Executive Committee*

**Marcus SCHENCK,**

***Member of the AXA Board of Directors***

46, German nationality

*Business address*

E.ON AG – Platz 1 – 40479 Düsseldorf – Germany

**Expertise and experience**

Dr. Marcus Schenck is a graduate of economics in Bonn (Germany) / Berkeley (United States) and holds a doctorate degree in economics from the University of Cologne (Germany). In 1991, he joined McKinsey & Co. in Germany as consultant. Initially, he worked on assignments in different industries including steel, tourism, retail and banking. As a Senior Engagement Manager, he was a member of the financial institutions practice. In 1997, he started as a senior associate for Goldman, Sachs & Co. oHG in Frankfurt am Main (Germany). In 2001, he became Managing Director and Partner in 2002. From 2005 to 2006, he was head of investment banking of the German speaking region. Since December 2006, Dr. Marcus Schenck is Chief Financial Officer of E.ON AG (Germany) in charge of accounting, controlling, finance, risk, taxes and M&A and is also a member of the Management Board of E.ON AG.

**Directorships currently held**

E.ON AG (Germany), *member of the Management Board*

*Director or member of the Supervisory Board:*

- AXA
- Commerzbank AG (Germany)
- E.ON IT GmbH (Germany)
- E.ON Ruhrgas AG (Germany)
- SMS Group GmbH (Germany)

HSBC Trinkaus & Burkhardt AG (Germany), *member of the Advisory Board*

*Member:*

- Berlin Center of corporate governance (Germany)
- Capital Markets Advisory Council to the German Finance Minister (Germany)

**Previous directorships held during the last five years**

Goldman, Sachs & Co. oHG (Germany), *Managing Director and Partner*

## SERVICE CONTRACTS BETWEEN THE AXA GROUP AND MEMBERS OF THE BOARD OF DIRECTORS

Ms. Wendy Cooper, who is the employee shareholder representative to the AXA Board of Directors, is an employee of AXA Equitable, which is AXA's principal United States subsidiary.

## FAMILY RELATIONSHIP

To the best knowledge of the Company, there are no family relationships among the members of the Board of Directors or with members of the Executive Management.

## OTHER INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

### Conflicts of interests

The Chairman & Chief Executive Officer and the Deputy Chief Executive Officer do not currently exercise any professional activity or hold any directorships outside the AXA Group, other than functions within non-profit organizations. Certain members of the Board of Directors, however, are corporate officers and/or directors of companies that may have agreements or enter into transaction from time to time with the AXA Group including 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 agreements or deals are generally fully negotiated and performed on arm's length terms and conditions. Consequently, AXA does not believe these agreements or transactions give rise to any conflicts of interests between (i) the director's duties towards AXA and (ii) their private interests and/or other duties of these individuals.

To the best of the Company's knowledge, there are no arrangements or understandings that have been entered into with major shareholders, customers, suppliers or others pursuant to which a member of the Board of Directors was selected, except for Mr. Giuseppe Mussari who was proposed for appointment to the AXA Supervisory Board during the AXA Shareholders' Meeting dated May 14, 2007 pursuant to the terms of a bancassurance partnership agreement entered into in March 2007 between AXA and Banca Monte dei Paschi di Siena (BMPS), an Italian bank.

#### 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 five years

To the best of the Company's knowledge based on information reported to it, none of the members of its Board of Directors have been, during the last five 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 Board of Directors may have been associated with other companies that have undertaken similar solvent liquidations.



### SELF-ASSESSMENT OF THE BOARD OF DIRECTORS' ACTIVITY

The Board of Directors conducts an annual self-assessment in order to review its composition, organization and functioning. The conclusions of this self-assessment are discussed annually during a Meeting of the Board of Directors.

The Chairman of the Ethics & Governance Committee collected, during individual interviews or through written answers to a questionnaire, the appreciations and suggestions of each director. The conclusions of this assessment and the principal areas identified for improvement were discussed at the Board of Directors' Meeting on February 15, 2012. During this Meeting, the members of the Board expressed their very favorable opinion regarding its membership and functioning in general, highlighting significant progress since last year. The main areas for improvement relate to the information provided to the directors in-between the Board meetings, the organisation of the Board sessions and the training programs of the directors.

## Board of Directors' Committees

The Board of Directors has four specialised Committees that review specific matters and report to the Board: (1) the Audit Committee, (2) the Finance Committee, (3) the Ethics & Governance Committee, and (4) the Compensation & Human Resources Committee.

In order to preserve a well balanced governance, the Board of Directors has ensured that independent directors have a major role on all Board Committees. In this context:

- each of the four Committees is chaired by an independent director;
- all members of the Audit Committee and the Compensation & Human Resources Committee are independent directors.

The role, organization and operating procedures of each Committee are set forth in the Board of Directors' Bylaws and in the Audit Committee Terms of Reference.

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

Each Committee is empowered to undertake or commission specific studies or reviews, if necessary by requesting external consulting expertise, within the scope of its responsibilities. They may also invite external participants to attend their meetings.

Committee Chairmen report to the Board of Directors on a regular basis following Committee meetings.

### AUDIT COMMITTEE

#### Composition

On December 31, 2011, the Audit Committee had four members: Messrs. Anthony Hamilton (Chairman), Jacques de Chateauvieux, Ramon de Oliveira and Marcus Schenck.

All members of the Audit Committee were determined by the Board to be independent in accordance with the criteria contained in the AFEP/MEDEF Code. In addition to assessing independence, the Board of Directors also reviewed the qualifications of all Audit Committee members in terms of their financial expertise and business experience and believes that all members have the requisite expertise, experience and qualifications to fulfil their assignments as Audit Committee members.

### Assignments and activities

The Audit Committee meets at least four times a year.

The scope of the Audit Committee's responsibilities is set forth in its Terms of Reference which define the Committee's principal assignments, including the following:

- reviewing annual and half-year financial statements;
- monitoring the statutory audit of AXA's annual and consolidated financial statements;
- providing for recommendations on proposals for appointment and replacement of the Statutory Auditors as well as monitoring their independence;
- overseeing the compensation of the Statutory Auditors;
- monitoring the accounting rules that apply within the Group;
- considering the Group's internal control systems and procedures for risk management;
- examining the program and the goals of the AXA Group's internal audit function.

The Audit Committee Terms of Reference are reviewed on a regular basis and are approved by the Board of Directors.

The Audit Committee met seven times in 2011. The average attendance rate was 96.43%. Within the framework of its principal assignments such as described above, the Committee focused, in particular, on the following issues:

- full year financial statements for 2010;
- 2010 Annual Report *(Document de Référence);*
- half-year financial statements for 2011;
- results of the Group's Internal Financial Control (IFC) program;
- risk management framework, appetite and reporting;
- results of internal and external audit work;
- reporting of litigation and regulatory matters;
- reporting of whistle-blowing and employee complaints;
- reporting of internal and external fraud events;
- internal audit resources and planning;
- Statutory Auditors' independence, remuneration and planning.

The review of financial statements by the Audit Committee is accompanied by a presentation from the Statutory Auditors on the Group's consolidated financial position and results of operations which includes the Auditors' views on the accounting choices adopted by Management. The Committee also receives a presentation from the Group Chief Risk Officer and Group Chief Financial Officer describing the Company's principal risk exposures.

The Deputy Chief Executive Officer, the Group Chief Financial Officer, the Group Head of Audit as well as the Group Chief Risk Officer attend each Audit Committee meeting. The Company's Statutory Auditors, the Group Chief Accounting Officer and Group General Counsel also attend the Committee's meetings on a regular basis.

The Committee may request external consulting expertise in connection with matters falling within the scope of its responsibility.

## FINANCE COMMITTEE

### Composition

On December 31, 2011, the Finance Committee had seven members: Mr. Ramon de Oliveira (Chairman), Mmes. Wendy Cooper, Suet Fern Lee, Dominique Reiniche and Messrs. Jean-Martin Folz, Giuseppe Mussari and Michel Pébereau.

Five of these members were determined by the Board to be independent in accordance with the criteria set forth in the AFEP/MEDEF Code.

### Assignments and activities

The Finance Committee meets at least four times a year.

It has the following principal assignments:

- to examine and issue an opinion on any plan that intends to set up sureties or grant guarantees, endorsements and warrantees in favor of third parties, when their value exceeds the authorizations granted to the Chairman & Chief Executive Officer by the Board of Directors;
- to examine and issue an opinion on any of the following plans:
  - to issue securities giving a claim, whether directly or indirectly, to the Company's share capital,
  - to propose share repurchase programs to the Ordinary Shareholders' Meeting,
  - financing operations that might substantially change the Company's financial structure,
  - to propose distribution of the annual profit and the payment of the dividend for the year ended to the Ordinary Shareholders' Meeting,
  - to set the dates of payment of the dividend and, if any, of interim dividends;
- to examine any proposed significant financing transaction by the Company or its subsidiaries, management of the Group's proprietary assets and, more generally, any issue involving the financial management of the AXA Group;
- to review the impact on capital and solvency at Group level of the main orientations and limits of the Asset-Liability Management policy as well as any significant implications of these orientations and limits on AXA's principal subsidiaries; and
- to review the risk appetite framework developed by the Executive Management for financial, insurance and operational exposures.

The Finance Committee met four times in 2011. The average attendance rate was 92.86% and focused, in particular, on the following issues:

- financial risk management;
- liquidity and financing;
- capital and solvency;
- risk appetite and asset allocation;

- acquisitions, restructurings and disposals;
- review of the financial resolutions proposed to the AXA Shareholders' Meeting;
- proposal for payments of dividends;
- review of the proposed capital increase reserved for the employees of the AXA Group ("SharePlan 2011").

## ETHICS & GOVERNANCE COMMITTEE

### Composition

On December 31, 2011, the Ethics & Governance Committee had four members: Messrs. Jean-Martin Folz (Chairman), Jacques de Chateauvieux, François Martineau and Michel Pébereau.

Three of these members were determined by the Board to be independent in accordance with the criteria set forth in the AFEP/MEDEF Code.

The Chairman of the Board of Directors even if not a member of the Committee takes part in the Committee's works and attends its meetings except when his personal situation is at stake.

### Assignments and activities

The Ethics & Governance Committee meets at least once a year.

It has the following principal assignments:

- to formulate proposals to the Board of Directors, for the appointment of:
  - members of the Board of Directors, its Chairman and its Vice-Chairman,
  - non-voting members (censors),
  - members of a specialised Committee of the Board of Directors and its Chairman;
- to organize the periodic self-assessment of the Board of Directors;
- to examine in more depth certain governance matters related to the operation and organization of the Board of Directors (Board assessment, communication with shareholders…);
- to review the AXA Group Compliance and Ethics Guide;
- to examine the Group's strategy on corporate responsibility and related issues;
- to examine every year the Company's policy with respect to professional equality as well as equal pay.

The Ethics and Governance Committee met four times in 2011. The average attendance rate was 88.24% and the Committee focused, in particular, on the following matters:

- Board functioning:
- process of selection of the future directors;
- composition of the Board and its Committees;
- independence of the members of the Board;
- self-assessment of the Board of Directors;
- review of the modifications of the Bylaws of the Board of Directors as well as the AXA Group Compliance and Ethics Guide;
- share ownership requirements for members of the Board of Directors;
- corporate responsibility;
- the Company's policy with respect to professional gender equality as well as equal pay.

## COMPENSATION & HUMAN RESOURCES COMMITTEE

### Composition

On December 31, 2011, the Compensation & Human Resources Committee had five members: Mr. Norbert Dentressangle (Chairman), Mrs. Isabelle Kocher, Messrs. Jean-Martin Folz, Anthony Hamilton and François Martineau.

All members of the Compensation & Human Resources Committee were determined to be independent by the Board in accordance with the criteria set forth in the AFEP/MEDEF Code.

The Chairman of the Board of Directors, even if not a member of the Committee, takes part in the Committee's works and attends its meetings except when his personal situation is at stake.

### Assignments and activities

The Compensation & Human Resources Committee meets at least once a year.

It has the following principal assignments:

- to issue proposals to the Board of Directors for the fixing of:
  - the compensation of the Chairman & Chief Executive Officer and the Deputy Chief Executive Officer and the preparation of their annual evaluation,
  - the amount of the directors' fees for the members of the Board of Directors to be submitted to the Shareholders' Meeting,
  - the number of Company stock options or performance shares/units to be granted to the Chairman & Chief Executive Officer, the Deputy Chief Executive Officer and the other members of the Executive Committee;
- to formulate an opinion on the proposals of the Chairman & Chief Executive Officer concerning:
  - the principles and conditions for the determination of the compensation of the executives of the AXA Group,
  - overall annual allocation of Company stock options or performance shares/units to employees of the AXA Group.

  The Committee is also informed of the compensation of the Group Executive Committee members (regarding cash compensation as well as the allocation of Company stock options, performance shares or performance units);
- to issue proposals on the appointments of the Company's Chairman & Chief Executive Officer and the Deputy Chief

Executive Officer. The Committee is also informed of the appointments of the main executives of the Group, and in particular of the members of the Management Committee and the Executive Committee. The Committee examines the provisions considered by the Chief Executive Officer in order to prepare the renewal of the members of the Executive Management (Chief Executive Officer and/or Deputy Chief Executive Officer);

- to examine in more depth certain Group human resources issues.

The Compensation & Human Resources Committee met five times in 2011. The average attendance rate was 96% and the Committee focused, in particular on the following matters:

- compensation policy and principles;
- compensation paid to the Company's Chairman & Chief Executive Officer, the Deputy Chief Executive Officer and to the members of the Management Committee and the Executive Committee;
- stock options and performance share/unit allocation;
- profit sharing premium implementation;
- organization & Talent Review (OTR) and succession plans;
- Directors' fees for Board members.

# Executive Management

AXA Executive Management comprises the Chairman & Chief Executive Officer and the Deputy Chief Executive Officer. A Management Committee and an Executive Committee also support the operational management of the Group.

## THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

In the context of the change in AXA's governance structure that occurred in 2010, the Board of Directors appointed, on April 29, 2010, Mr. Henri de Castries to hold the position of Chairman of the Board of Directors in addition to his functions as Chief Executive Officer, for the duration of his term of office as director, *i.e.* four years.

This combination of the position of Chairman & Chief Executive Officer is the result of an analysis of the specific circumstances of the Group at this stage in its development, the unique experience and abilities of Mr. Henri de Castries and the desire to optimize the Group's decision making processes and reactivity going forward.

The Chairman & Chief Executive Officer is vested with the broadest powers to act on behalf of the Company and represents the Company *vis-à-vis* third parties. He exercises these powers within the scope of the corporate purpose and subject to the powers expressly assigned by law to the Shareholders' Meetings and to the Board of Directors. In addition, the Bylaws of the Board of Directors provide for specific limitations of the powers of the Chairman & Chief Executive Officer and require prior Board approval for certain significant transactions (sales or acquisitions over €500 million; significant financing operations or other type of transactions that are not in line with the Company's announced strategy…).

## THE DEPUTY CHIEF EXECUTIVE OFFICER

Mr. Denis Duverne has been appointed Deputy Chief Executive Officer by the Board of Directors on April 29, 2010, for the duration of his term of office as director, *i.e.* four years. His role is to second the Chairman & Chief Executive Officer. The Board of Directors determines the scope of the powers vested in the Deputy Chief Executive Officer.

# The Management Committee

The Chairman & Chief Executive Officer has decided to establish a Management Committee to assist him in the operational management of the Group. The Management Committee has no formal decision making authority.

AXA Management Committee currently comprises seven members and generally meets once a week to discuss and take strategic, financial and operational decisions.



## COMPOSITION OF THE MANAGEMENT COMMITTEE ON JANUARY 1ST, 2012

| Name | Principal function currently held in AXA |
|---|---|
| Henri de Castries | Chairman & Chief Executive Officer |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations |
| Jean-Laurent Granier | Chief Executive Officer of the Mediterranean and Latin America Region business unit, Chairman & Chief Executive Officer of AXA Global P&C and in charge of overseeing the worldwide operations of AXA Corporate Solutions |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) |
| Nicolas Moreau | Chief Executive Officer of AXA France and in charge of overseeing the worldwide operations of AXA Assistance and AXA Global Direct |
| Mark Pearson | President & Chief Executive Officer of AXA Financial, Inc. (United States) |
| Jacques de Vaucleroy | Chief Executive Officer for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health |

Members of the Management Committee devote all of their professional time to the management of the Group and do not hold outside directorships or engage in any professional activity outside the AXA Group that would substantially interfere with or impede in any material way their availability to focus on the Group and its business.

# The Executive Committee

The Management Committee is supported by an Executive Committee. Its principal mission is to review and define the Group's strategy.

The Executive Committee is composed of the members of the Management Committee as well as other key senior executives from across the Group selected on the basis of their role in the organization (central or local).

The Executive Committee conducts quarterly business reviews (QBRs), during which the performance of the AXA Group is assessed. These QBRs were introduced in 2000 to provide a clear and consistent framework for:

- reviewing operational performance and monitoring the progress of key projects using defined quantifiable standards of measurement;
- assessing the status of Group transversal projects; and
- exchanging ideas and information on key Group strategic orientations.

As an internal management committee, the Executive Committee has no formal decision making authority. The Executive Committee is advisory in nature and serves as an important sounding board in formulating Group strategy and considering key business issues or strategic initiatives. As a team, the members of the Executive Committee also contribute to shape and disseminate AXA's management culture.

On January 1st, 2012, the Executive Committee was comprised of the following eighteen members, including ten non-French nationals:

| | |
|---|---|
| Henri de Castries | Chairman & Chief Executive Officer of AXA |
| Michael Bishop | Chief Executive Officer of AXA Asia |
| Dominique Carrel-Billiard | Chief Executive Officer of AXA Investment Managers |
| Denis Duverne | Deputy Chief Executive Officer of AXA in charge of Finance, Strategy and Operations |
| John R. Dacey | Vice-Chairman for Asia Pacific |
| Philippe Egger | Chief Executive Officer of Insurance activities in Switzerland |
| Paul Evans | Chief Executive Officer of AXA UK |
| Jean-Laurent Granier | Chief Executive Officer of the Mediterranean and Latin America Region business unit, Chairman & Chief Executive Officer of AXA Global P&C and in charge of overseeing the worldwide operations of AXA Corporate Solutions |
| Gérald Harlin | Group Chief Financial Officer |
| Frank Keuper [(a)] | Chief Executive Officer of AXA Konzern AG (Germany) |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) |
| Jean-Louis Laurent Josi | Chief Executive Officer of AXA Japan |
| Nicolas Moreau | Chief Executive Officer of AXA France and in charge of overseeing the worldwide operations of AXA Assistance and AXA Global Direct |
| Mark Pearson | President & Chief Executive Officer of AXA Financial, Inc. (United States) |
| George Stansfield | AXA Group General Counsel and Head of Group Human Resources |
| Emmanuel de Talhouët | Chief Executive Officer of AXA Belgium |
| Jacques de Vaucleroy | Chief Executive Officer for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health |
| Véronique Weill | Group Chief Operating Officer |

*(a) As announced on January 16, 2012, Mr. Frank Keuper will retire. Mr. Thomas Buberl will succeed him as Chief Executive Officer of AXA Germany and will join the Executive Committee.*

# AXA Group Subsidiaries

AXA's principal subsidiaries, whether publicly traded or not, are generally governed by:

- a board of directors or a supervisory board whose membership includes independent or non-executive directors; and
- various board committees including a compensation committee and an audit committee, whose membership includes independent or non-executive directors.

Over the past years, AXA initiated a process designed to harmonize corporate governance standards throughout the Group. This effort is focused, among other matters, on standardizing, to the extent practicable, principles relating to a number of corporate governance matters including board composition and size, directors' independence criteria, board committees' and their roles, and directors' fees.

The Group Governance Standards require the boards of AXA's principal subsidiaries 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 or that are required by local regulators. The role, duties, and composition of these committees (including the requirements for participation of independent directors) are specified in detailed Audit Committee guidelines and Compensation Committee Standard. The Audit Committee Terms of Reference require the Company's Audit Committee to be composed entirely of independent directors and the audit committee's of Group subsidiaries to have a significant component of independent directors in order to ensure that this committee is strongly independent towards the management. The audit committees have a critical role in reviewing financial results and other financial information prepared by management, financial reporting and control processes, critical accounting policies, particular accounting issues, key risks and systems of internal control, fraud and similar issues. In addition, the 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.

# Employees

The table below sets forth the number of salaried employees of the AXA Group over the past two years broken down by line of business and geographic region:

| Salaried employees (full time equivalent) | At December 31, 2010 | At December 31, 2011 |
|---|---|---|
| **Insurance** | **82,832** | **81,273** |
| - France [(a)] | 15,303 | 15,124 |
| - U. S [(b)] | 5,206 | 4,807 |
| - Japan | 2,478 | 2,497 |
| - UK [(c)] [(d)] | 10,051 | 9,907 |
| - Germany [(e)] | 9,976 | 9,614 |
| - Switzerland | 3,987 | 3,871 |
| - Belgium (Including AXA Bank Belgium) [(f)] | 5,270 | 5,085 |
| - Mediterranean and Latin American Region | 12,024 | 11,919 |
| - Direct | 5,039 | 5,190 |
| - Other countries and transversal entities | 5,351 | 5,028 |
| *Of which Hong Kong* | *1,258* | *1,149* |
| *Of which Singapore* | *540* | *492* |
| *Of which Indonesia* | *335* | *372* |
| *Of which Malaysia* | *682* | *619* |
| *Of which Central and Eastern Europe* | *2,256* | *2,146* |
| *Of which Luxemburg* | *191* | *180* |
| *Of which Axa Global Distributors* | *89* | *70* |
| **- International Insurance** | **8,147** | **8,231** |
| *AXA Corporate Solutions Assurance* | *1,299* | *1,340* |
| *AXA Global Life and AXA Global P&C* | *200* | *216* |
| *AXA Assistance* | *6,307* | *6,357* |
| *Other international activities* | *341* | *318* |
| **Asset Management** | **6,694** | **6,131** |
| - AllianceBernstein [(g)] | 4,256 | 3,764 |
| - AXA Investment Managers | 2,438 | 2,367 |
| **Banking (excluding AXA Bank Belgium) [(f)]** | **997** | **1,111** |
| - France | 542 | 670 |
| - Switzerland | 40 | 37 |
| - Germany | 84 | 82 |
| - AXA Bank CEE | 331 | 322 |
| **Group Management Services** | **637** | **1,061** |
| **AXA Technology, AXA Group Solutions, AXA Business Services [(h)]** | **6,741** | **7,423** |
| **TOTAL** | **97,901** | **96,999** |

*Employees of non-consolidated companies or companies accounted for using the equity method are not included in the above table. Employees of companies proportionally consolidated are included, pro-rata, in accordance with the percentage of consolidation.*

*(a) A portion of the employees of AXA' s French affiliates are included in GIEs. In addition, the employees included in insurance and financial services activities in France are included in the "cadre de convention" of four not consolidated "mutuelles".*

*(b) Decrease by 399 in the US due to the restructuring plan undertaken in June 2011.*

*(c) Decrease by 144 in UK is due to (i) UK P&C (-499 FTE) vs. FY10 reflecting a decrease in AXA PPP (-282 FTE) mainly driven by the sale of Denplan in December 2011 (-310 FTE) as well as a restructuring plan in the UK at the end of the year and (ii) UK life (+322) mainly due to the growth from Elevate and recruitments at end of 2011 related to a Bancassurance transaction.*

*(d) Including Ireland.*

*(e) Decrease by 362 in Germany due to productivity programs.*

*(f) Some employees of AXA Bank Belgium provide services in common for both the insurance activities and the bank activities. Consequently, split is not available.*

*(g) Decrease by 492 in AllianceBernstein due to a global staff reduction plan.*

*(h) The increase is mainly due to AGS (+581). From 2011, figures include the staff outside of France for the entities which are look through.*

# 2.2 FULL DISCLOSURE ON EXECUTIVE COMPENSATION AND SHARE OWNERSHIP

## Executive compensation and directors' fees

### COMPENSATION OF THE MANAGEMENT COMMITTEE MEMBERS ON DECEMBER 31, 2011

The general principles of AXA's executive compensation policy are regularly reviewed by the Compensation & Human Resources Committee of the AXA Board of Directors. These principles apply to all executives of the Group and are adapted to local regulations, as appropriate, under the supervision of the boards of directors and compensation committees of the Company's subsidiaries.

AXA's executive compensation policy is designed to:

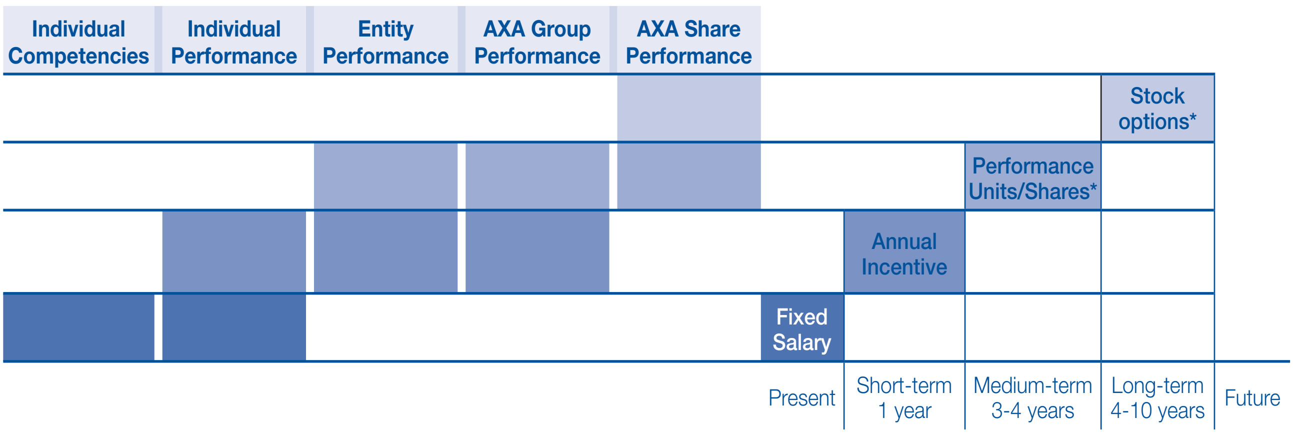
- attract, develop, retain and motivate the best talents;
- drive superior performance;
- align compensation levels with the Company's business performance.

It follows three guiding principles:

- compensation competitiveness;
- internal equity, based on individual and collective performance;
- the financial results and capacity of the Company.

Executive compensation is structured to foster and reward performance:

- at both the individual level and collective level (local business entity and AXA Group); and
- with a short-term, medium-term and long-term focus.




* Deferred compensation.

Executive compensation includes a fixed and a variable component. The fixed component is targeted to beat the median of the market. The variable component is linked to AXA's global performance, local entity performance, and the attainment of the executive's individual objectives. The variable portion is designed to represent a substantial component of the executive's annual global compensation such that, in cases where an executive attains or exceeds the objectives, the compensation levels of AXA executives will be between median and the third quartile (or, in certain cases, beyond the third quartile) of the benchmark market rate.

The AXA Board of Directors based on the recommendation of its Compensation & Human Resources Committee decided to maintain unchanged in 2011 the total cash compensation target of Mr. Henri de Castries at €3.3 million and of Mr. Denis Duverne to €2.2 million.

The fixed annual compensation of the Chairman & Chief Executive Officer was €950,000 in 2011.

The variable component of his compensation is determined on the basis of a predefined target amount (€2,350,000 in 2011) and is based on two metrics:

- Group performance, as measured by Underlying Earnings per Share, Return on Equity and customer scope index; and
- individual performance, which is evaluated by the Compensation & Human Resources Committee, then validated by the Board of Directors on the basis of specific strategic objectives set at the beginning of the year.

The proportion of his variable compensation linked to the Group results accounts for 60% and the proportion linked to the individual performance for 40%.

The variable compensation amounts awarded to Mr. Henri de Castries since he was appointed Chairman of the Management Board in May 2000 demonstrate the demanding objectives and the genuine variability of this compensation component:

| Executive compensation and director's fees | Target | Actual | % Target |
|---|---|---|---|
| Variable compensation for the year 2000 paid in 2001 | €1,750,000 | €1,381,373 | 79% |
| Variable compensation for the year 2001 paid in 2002 | €1,750,000 | €719,967 | 41% |
| Variable compensation for the year 2002 paid in 2003 | €2,000,000 | €1,419,277 | 71% |
| Variable compensation for the year 2003 paid in 2004 | €2,000,000 | €1,824,277 | 91% |
| Variable compensation for the year 2004 paid in 2005 | €2,000,000 | €2,304,277 | 115% |
| Variable compensation for the year 2005 paid in 2006 | €2,000,000 | €2,671,626 | 134% |
| Variable compensation for the year 2006 paid in 2007 | €2,500,000 | €3,045,987 | 122% |
| Variable compensation for the year 2007 paid in 2008 | €2,500,000 | €2,644,366 | 106% |
| Variable compensation for the year 2008 paid in 2009 | €2,700,000 | €1,846,304 | 68% |
| Variable compensation for the year 2009 paid in 2010 | €2,700,000 | €2,599,327 | 96% |
| Variable compensation for the year 2010 paid in 2011 | €2,466,667 | €2,061,087 | 84% |
| Variable compensation for the year 2011 paid in 2012 | €2,350,000 | €2,034,171 | 87% |

*"% Target" corresponds to the achievement of performance objectives related to the year.*

For other members of the Management Committee, the variable compensation is also determined on the basis of an individually predefined target amount and is based on three metrics:

- Group performance, as measured by the Underlying Earnings per share, Return on Equity, and customer scope index;
- performance of the business unit or functional area of responsibility, measured against objectives set at the beginning of the year;
- their individual performance, evaluated on the basis of predetermined strategic objectives.

For Management Committee members who have an operational responsibility (in 2011 Messrs. Peter Kraus, Nicolas Moreau, Mark Pearson, François Pierson and Jacques de Vaucleroy), the proportion of their variable compensation linked to the Group results accounts for 30%, the proportion linked to results of their operational entity for 40% and the proportion linked to their individual performance for 30%.

For Mr. Denis Duverne, who is a member of the Management Committee and Deputy Chief Executive Officer of the Group, the proportion of his variable compensation linked to the AXA Group results accounts for 40%, the proportion linked to the performance of his functional area of responsibility for 30% and the proportion linked to his individual performance for 30%.

The performance of operational entities is determined on the basis of the following performance indicators:

- underlying earnings;
- customer centricity index;
- economic Expenses;
- Life & Savings New Business Value;
- Life & Savings Annual Premium Equivalent;
- Life & Savings Operating return on European Embedded Value;
- P&C revenues;
- P&C combined ratio.

For each performance indicator that measures Group and/or the operational entities' performance, targets, floors and caps are defined at the beginning of the year:

- a target, aligned with the strategic plan, the attainment of which will deliver 100% of the variable component linked to the indicator;
- a floor, below which no variable component linked to the indicator will be paid;
- a cap, above which the variable component linked to the indicator is generally capped at 150%.

The individual performance is assessed both on (i) the achievement of results for each predetermined individual objective (the "what") and (ii) demonstrated leadership behaviors of the executive (the "how").

The assessment of the leadership skills is based on the dimensions of the AXA leadership framework:

- strategic vision;
- focus on customers;
- change leadership;
- results orientation;
- building capability;
- team leadership;
- share to succeed;
- living through AXA values.

The variable compensation paid to the Company's Executive Officers for 2009, 2010 and 2011 was:

## VARIABLE COMPENSATIONS PAID TO EXECUTIVE OFFICERS

| | | | Variable compensation for the year 2009 | | | Variable compensation for the year 2010 | | | Variable compensation for the year 2011 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro)* | | Country | Target | Actual | % Target | Target | Actual | % Target | Target | Actual | % Target |
| Henri de Castries | Chairman & Chief Executive Officer | France | 2,700,000 | 2,599,327 | 96% | 2,466,667 | 2,061,087 | 84% | 2,350,000 | 2,034,171 | 87% |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | France | 1,350,000 | 1,485,480 | 110% | 1,416,667 | 1,265,910 | 89% | 1,450,000 | 1,292,542 | 89% |

*"% Target" corresponds to the achievement of performance objectives related to the year.*

In reviewing the Group component of the variable compensation of Messrs. de Castries and Duverne, the Compensation & Human Resources Committee and the Board of Directors took into account the following measures (1) the underlying earnings per share which are stable compared to 2010, (2) the return on equity (operating Solvency II return) which is higher than target, and (3) the improvement of the customer scope index.

The Committee and the Board also considered the level of individual performance of Messrs. de Castries and Duverne on the basis of predefined strategic objectives set at the beginning of 2011, as well as the level of performance of Mr. Duverne with respect to the performance of the areas for which he is responsible.

The variable compensation paid to other members of the Management Committee for 2009, 2010 and 2011 was:

## VARIABLE COMPENSATIONS PAID TO OTHER MEMBERS OF THE MANAGEMENT COMMITTEE

| | | | Variable compensation for the year 2009 | | Variable compensation for the year 2010 | | Variable compensation for the year 2011 | |
|---|---|---|---|---|---|---|---|---|
| | | Country | Target | Actual | Target | Actual | Target | Actual |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein | United States | - | $6,000,000 | - | - | - | - |
| Nicolas Moreau | Chief Executive Officer of AXA France | France | £800,000 | £650,000 | €832,790 | €749,511 | €850,000 | €918,000 |
| Mark Pearson | "President" & Chief Executive Officer of AXA Financial, Inc. (United States) | United States | ¥65,000,000 | ¥71,500,000 | ¥65,000,000 | ¥76,700,000 | $1,955,000 | $1,818,000 |
| François Pierson (a) | Global Head of Property & Casualty | France | €1,200,000 | €1,188,967 | €1,052,000 | €1,030,467 | €978,000 | €1,005,803 |
| Jacques de Vaucleroy | CEO for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | Belgium | - | - | €802,083 | €786,000 | €1,050,000 | €849,123 |

*"% Target" corresponds to the achievement of performance objectives related to the year.*

*(a) Mr. François Pierson decided to retire as of January 1st, 2012.*

All the amounts presented in this Section 2.2 are gross amounts and before taxation.

In the tables below, compensation not paid in euro was converted into euro on the basis of the following yearly average exchange rates for 2011: USD/EUR 0.721121; GBP/EUR 1.154289; JPY/EUR 0.009017.

Due to substantial differences in the tax systems to which members of the Management Committee are subject, meaningful comparisons of the compensation and benefits earned are difficult. For information purposes, the relevant marginal tax rates are as follows: Belgium: 53.5% (50% corresponding to federal taxes and 3.5% to local taxes); France: 54.5% (including an additional 13.5% for social taxes and excluding an additional charge of 3% or 4%); Japan: 50%; United States (New York): 43.27% and the United Kingdom: 52% (including an additional 2% for National Insurance Contributions).

## SUMMARY OF COMPENSATION, OPTIONS AND PERFORMANCE SHARES/UNITS GRANTED TO MANAGEMENT COMMITTEE MEMBERS

| | | | Year 2010 | | | | |
|---|---|---|---|---|---|---|---|
| **Members of the Management Committee** *(in Euro)* | | **Country** | **Compensation due in respect of the year** | **Value of options granted during the year** | **Value of performance shares granted during the year** | **Value of performance units granted during the year** | **TOTAL** |
| Henri de Castries | Chairman & Chief Executive Officer | France | 2,980,624 | 554,400 | 1,137,240 | - | 4,672,264 |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | France | 1,966,075 | 443,520 | 909,792 | - | 3,319,387 |
| Peter Kraus [(a)] | Chairman & Chief Executive Officer of AllianceBernstein (United States) | United States | 601,921 | - | - | - | 601,921 |
| Nicolas Moreau | Chief Executive Officer of AXA France | France | 1,416,985 | 244,934 | - | 379,080 | 2,040,999 |
| Mark Pearson | "President" & Chief Executive Officer of AXA Financial, Inc. (United States) | United States | 2,090,865 | 134,714 | - | 208,494 | 2,434,073 |
| François Pierson [(b)] | Global Head of Property & Casualty | France | 1,632,394 | 355,740 | 729,729 | - | 2,717,863 |
| Jacques de Vaucleroy | Chief Executive Officer for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | Belgium | 1,646,714 | 183,700 | - | 284,310 | 2,114,724 |
| **TOTAL** | | | **12,335,578** | **1,917,008** | **2,776,761** | **871,884** | **17,901,231** |

*(a) In addition, in 2011, Mr. Peter Kraus received distributions on the AllianceBernstein Holding units granted to him in 2008 in connection with his employment.*
*(b) Mr. François Pierson decided to retire as of January 1st, 2012.*

At each date of grant, the fair value of stock options and performance shares/units is determined in accordance with IFRS standards. This is a historical value at the date of grant, calculated for accounting purposes as described in Note 26.3.1 of the 2011 "Consolidated Financial Statements" included in Part 4 of this Annual Report. This value does not represent a current market value, a current valuation of these options and performance shares/units or the actual proceeds if and when the options are exercised or the performance shares/units are acquired.

On March 19, 2010, the fair value of one option was €2.50 for options without performance conditions, €1.68 for options with performance conditions, and the fair value of one performance share/unit was €10.53.

On March 18, 2011, the fair value of one option was €1.89 for options without performance conditions, €1.42 for options with performance conditions, and the fair value of one performance share/unit was €9.57.

| Year 2011 | | | | |
|---|---|---|---|---|
| Compensation due in respect of the year | Value of options granted during the year | Value of performance shares granted during the year | Value of performance units granted during the year | TOTAL |
| 3,070,825 | 429,550 | 947,430 | - | 4,447,805 |
| 2,083,482 | 351,450 | 775,170 | - | 3,210,102 |
| 688,508 | - | - | - | 688,508 |
| 1,521,331 | 171,820 | 378,972 | - | 2,072,123 |
| 2,506,881 | 195,250 | - | 430,650 | 3,132,781 |
| 1,682,882 | 195,250 | 430,650 | - | 2,308,782 |
| 1,946,841 | 171,820 | - | 378,972 | 2,497,633 |
| **13,500,750** | **1,515,140** | **2,532,222** | **809,622** | **18,357,734** |

## SUMMARY OF THE MANAGEMENT COMMITTEE MEMBERS' COMPENSATION FOR THE YEAR 2011

| **Members of the Management Committee** *(in Euro)* | | | Amounts paid in respect of the year | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | **Fixed compensation** | **Variable compensation** | **Exceptional compensation** | **Board fees** | **Benefits in kind** | **TOTAL** |
| Henri de Castries | Chairman & Chief Executive Officer | France | 950,000 | 2,034,171 | - | 82,504 | 4,150 | 3,070,825 |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | France | 750,000 | 1,292,542 | - | 36,790 | 4,150 | 2,083,482 |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) | United States | 198,308 | - | - | - | 490,200 | 688,508 |
| Nicolas Moreau | Chief Executive Officer of AXA France | France | 600,000 | 918,000 | - | - | 3,331 | 1,521,331 |
| Mark Pearson | "President" & Chief Executive Officer of AXA Financial, Inc. (United States) | United States | 791,763 | 1,310,998 | - | - | 404,120 | 2,506,881 |
| François Pierson [(a)] | Global Head of Property & Casualty | France | 652,000 | 1,005,803 | - | 17,774 | 7,305 | 1,682,882 |
| Jacques de Vaucleroy | CEO for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | Belgium | 700,000 | 849,123 | - | 395,360 | 2,358 | 1,946,841 |
| **TOTAL** | | | **4,642,071** | **7,410,637** | **-** | **532,428** | 915,613 | **13,500,750** |

*(a) Mr. François Pierson decided to retire as of January 1st, 2012.*

| Year 2011 | | | | | | |
|---|---|---|---|---|---|---|
| | Amounts paid during the year | | | | | |
| | Fixed compensation | Variable compensation | Exceptional compensation | Board fees | Benefits in kind | TOTAL |
| | 950,000 | 2,031,000 | - | 82,504 | 4,150 | 3,067,654 |
| | 750,000 | 1,186,453 | - | 36,790 | 4,150 | 1,977,393 |
| | 198,308 | - | - | - | 490,200 | 688,508 |
| | 600,000 | 968,651 | - | - | 3,331 | 1,571,982 |
| | 791,763 | 1,256,213 | - | - | 404,120 | 2,452,096 |
| | 652,000 | 1,004,265 | - | 17,774 | 7,305 | 1,681,344 |
| | 700,000 | 786,000 | - | 395,360 | 2,358 | 1,883,718 |
| | **4,642,071** | **7,232,582** | **-** | **532,428** | **915,613** | **13,322,694** |

## SUMMARY OF THE MANAGEMENT COMMITTEE MEMBERS' COMPENSATION FOR THE YEAR 2010

| Members of the Management Committee *(in Euro)* | | Country | Amounts paid in respect of the year<br>Fixed compensation | Variable compensation | Exceptional compensation | Board fees | Benefits in kind | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Henri de Castries | Chairman & Chief Executive Officer | France | 833,333 | 2,061,087 | - | 82,054 | 4,150 | 2,980,624 |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | France | 660,000 | 1,265,910 | - | 36,015 | 4,150 | 1,966,075 |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) | United States | 205,689 | - | - | - | 396,232 | 601,921 |
| Nicolas Moreau | Chief Executive Officer of AXA France | France | 519,997 | 749,511 | - | - | 147,477 | 1,416,985 |
| Mark Pearson | "President" & Chief Executive Officer of AXA Life Japan (Japan) | Japan | 645,181 | 984,603 | - | - | 461,081 | 2,090,865 |
| François Pierson [(a)] | Global Head of Property & Casualty | France | 578,000 | 1,030,467 | - | 17,893 | 6,034 | 1,632,394 |
| Jacques de Vaucleroy | CEO for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | Belgium | 641,667 | 786,000 | - | 217,446 | 1,601 | 1,646,714 |
| **TOTAL** | | | **4,083,867** | **6,877,578** | **-** | **353,408** | **1,020,725** | **12,335,578** |

*(a) Mr. François Pierson decided to retire as of January 1st, 2012.*

Directors' fees paid for board memberships in AXA Group companies or in external companies when representing AXA, are deducted up to 70% from the variable compensation of the same year.

The only "Benefits in kind" for Messrs. Henri de Castries, Denis Duverne, and Jacques de Vaucleroy are a company car.

In addition, Mr. Mark Pearson benefits from travel, relocation and housing benefits paid in respect of his function in AXA Equitable and benefited from an accommodation allowance and other expatriation allowances paid in respect of his expatriate status in Japan until February 10, 2011. Mr. Nicolas Moreau benefited from a company car as well as an accommodation allowance paid in respect of his expatriate status in the UK until September 30, 2010 and Mr. François Pierson benefits from airplane tickets between Paris and his domicile in Marseille.

**Year 2010**

| Amounts paid during the year | | | | | |
|---|---|---|---|---|---|
| Fixed compensation | Variable compensation | Exceptional compensation | Board fees | Benefits in kind | TOTAL |
| 833,333 | 2,475,676 | - | 82,054 | 4,150 | 3,395,213 |
| 660,000 | 1,484,935 | - | 36,015 | 4,150 | 2,185,100 |
| 205,689 | - | - | - | 396,232 | 601,921 |
| 519,997 | 771,412 | - | - | 147,477 | 1,438,886 |
| 645,181 | 884,490 | - | - | 461,081 | 1,990,752 |
| 578,000 | 1,250,235 | - | 17,893 | 6,034 | 1,852,162 |
| 641,667 | - | - | 217,446 | 1,601 | 860,714 |
| **4,083,867** | **6,866,748** | **-** | **353,408** | **1,020,725** | **12,324,748** |

# DIRECTORS' FEES

## Directors' fees

During the fiscal year 2011, none of the members of the Board of Directors, except for its Chairman and the Deputy Chief Executive Officer, received compensation from the Company, with the exception of a fee for attending meetings. The amount of directors' fees paid to each AXA Board member is indicated in the table below.

| *(Gross amounts, in Euro)* | Directors' fees paid in 2012 for 2011 | Directors' fees paid in 2011 for 2010 |
|---|---|---|
| **Current members of the Board of Directors** | | |
| Henri de Castries – Chairman & Chief Executive Officer | 0 | 0 |
| Norbert Dentressangle – Vice-Chairman – Lead Independent Director | 167,063.09 | 161,336.37 |
| Denis Duverne – Deputy Chief Executive Officer | 0 | 0 |
| Jacques de Chateauvieux | 87,557.46 | 103,343.47 |
| Ms. Wendy Cooper | 79,705.81 | 75,567.82 |
| Jean-Martin Folz | 102,900.44 | 96,352.80 |
| Anthony Hamilton | 131,209.39 | 127,027.95 |
| Mrs. Isabelle Kocher | 68,148.53 | 44,584.54 |
| Mrs. Suet Fern Lee | 78,417.22 | 52,809.44 |
| François Martineau | 84,860.17 | 74,570.61 |
| Giuseppe Mussari | 59,328.57 | 59,142.17 |
| Ramon de Oliveira | 102,900.44 | 98,999.24 |
| Michel Pébereau | 78,457.25 | 68,395.19 |
| Mrs. Dominique Reiniche | 65,571.35 | 59,729.01 |
| Marcus Schenck | 52,774.40 | - |
| **Former members of the Board** | | |
| Léo Apotheker | - | 13,029.82 |
| Jean-René Fourtou | - | 16,117.53 |
| Gérard Mestrallet | - | 17,688.91 |
| Ezra Suleiman | 41,105.90 | 97,971.13 |
| **TOTAL** | **1,200,000** | **1,166,666** |

### CRITERIA OF DIRECTORS' FEES ALLOCATION

The total annual amount of directors' fees to be allocated to the members of the Board of Directors was set by the Shareholders' Meeting of April 29, 2010 at €1,200,000.

No directors' fee is paid by the Company to directors exercising executive functions (*i.e.* Chief Executive Officer and Deputy Chief Executive Officer).

The total amount of directors' fees is determined by the Shareholders' Meeting, in accordance with applicable laws, and apportioned by the Board of Directors to its members in accordance with its Bylaws:

- half of the value of the directors' fees is distributed evenly among the members of the Board of Directors as a fixed fee, with the Vice-Chairman receiving a double fee;
- a first half of the remaining amount is distributed among the members of the Board of Directors in proportion to their actual attendance at the meetings of the Board, with the Vice-Chairman receiving a double fee;
- a second half of the remaining amount is allocated by the Board of Directors to the various Board Committees and distributed among their members in proportion to the number of Committee meetings attended by each member, with the Chairmen of the Committees receiving a double fee.

Due to the importance of their role and the significant demand on their time, members of the Audit Committee receive a higher proportion of directors' fees.

The Vice-Chairman – Lead Independent Director, when attending the meetings of a Committee without being one of its members, receives the same fee as other Committee members.

Ms. Wendy Cooper, member of the Board of Directors representing the employee shareholders of the AXA Group, received in 2011 an annual gross compensation of USD 514,315 paid by AXA Equitable in the US in connection with her position there as Senior Vice-President and Associate General Counsel. This compensation consists of USD 254,315 of fixed compensation and USD 260,000 of variable compensation.

Messrs. Anthony Hamilton, Ezra Suleiman and Ramon de Oliveira received in 2011, as directors of several companies of the Group, director's fees for a gross amount of GBP 250,000 as well as USD 84,619 for Mr. Hamilton, USD 77,000 for Mr. Suleiman, and USD 42,037 for Mr. de Oliveira.



# Stock options

Since 1989, AXA has granted stock options to its directors, officers and a large number of its employees in France and abroad, aiming to reward 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 limit authorized by the Shareholders' Meetings, the Board of Directors approves all stock option programs prior to their implementation.

Each year, the Board of Directors, acting upon the recommendation of its Compensation & Human Resources Committee, approves the grant of a global option pool. The pool of options allocated to each business unit is essentially determined on the basis of their contribution to the Group financial results during the previous year.

Stock options are valid for a period of 10 years. They are granted at market value, with no discount, and become exercisable by tranches generally in thirds between 2 and 4 years following the grant date. Pursuant to the stock option plan rules, beneficiaries who resign from the Group loose their right to exercise the options.

Usually, annual grants are made during the first half of the year, generally 20 trading days after the date the annual earnings of the Group are published. As such, in 2011, the annual consolidated earnings were published on February 17, 2011 and the option grant took place on March 18, 2011. The strike price, equal to the average of the share price during the 20 trading days before the grant date, was set at €14.73. Key executives and talents, including technical experts across all entities in the Group are selected to participate in the stock option program based on selection criteria that include:

- importance of the position ➪ role
- importance of the individual within the position ➪ retention
- importance of the individual in the future ➪ potential
- quality of the individual contribution ➪ performance

The recommendations for individual grants of options are made by the Chief Executive Officers of the business units and by the Group functional department heads. These recommendations are reviewed by the Executive Management to ensure coherence and fairness. Individual grants of options are then decided by the Board of Directors, while individual grants to the Chairman & Chief Executive Officer, the Deputy Chief Executive Officer and other members of the Executive Committee are reviewed by the Compensation & Human Resources Committee of the Board of Directors.

Since 2006, performance conditions apply to the last tranche of each options grant (*i.e.* the last 1/3rd of options granted) to (i) to the Company's Executive Officers (members of the Management Board until 2010), (ii) Group Executive Committee members, and (iii) since 2007, to any other beneficiary receiving a grant of 5,000 options or more. Pursuant to this performance condition, the last 1/3rd of the options granted become exercisable only if the AXA share performs at least as well as the EuroStoxx Insurance index.

Beginning in 2009, this condition was extended and applied to all options granted to the Company's Executive Officers (members of the Management Board until 2010) and in 2010 the Board decided to apply this same condition to all Management Committee members.

If the performance condition has not been met at the expiry date of the options, the options under performance conditions are automatically cancelled.

The Board of Directors, acting upon recommendation of its Compensation & Human Resources Committee, decided on December 22, 2010 that the total number of options granted to the Executive Officers (Chairman & CEO and Deputy CEO) each year may not exceed 10% of the aggregate number of options granted to all beneficiaries during the same year.

In 2011, AXA stock options were granted as follows: 9,129,162 subscription or purchase options at a weighted average price of €14.73 granted to 6,965 employees, representing 0.39% of the share capital as of December 31, 2011(disregarding the dilution related to the exercise of these options).

The portion of options granted in 2011 to the Executive Officers (Chairman & CEO and Deputy CEO) represented 6% of the total number of options granted.

On December 31, 2011, more than 11,800 AXA employees had a total of 79,103,348 outstanding options, representing 3.36% of the Company's share capital on the same date, and 1,177 employees in the United States had a total of 7,817,037 outstanding purchase options on AXA ADS, representing 0.33% of the share capital.

On the basis of the AXA share price on December 30, 2011, *i.e.* €10.045, only 4,697,378 subscription or purchase options are in the money, *i.e.* 5.94% of the outstanding stock options, (excluding purchase options on AXA ADS).

## STOCK OPTIONS PLAN SUMMARY

| Date of the Shareholders' Meeting | | 09/05/2001 | 26/05/1999 [b] | 09/05/2001 | 09/05/2001 |
|---|---|---|---|---|---|
| **Grant date (Board of Directors or Management Board)** | | **09/05/2001** | **30/05/2001** | **27/02/2002** | **14/03/2003** |
| **Total number of beneficiaries** | | **1,419** | **1** | **1,655** | **1,721** |
| **Total number of shares to be subscribed [a]** | | **10,311,692** | **892,889** | **10,321,827** | **8,405,543** |
| **or purchased, from which to be subscribed** | | - | - | - | - |
| **or purchased by:** | | - | - | - | - |
| **Executive directors:** | Henri de Castries | 946,300 | - | 841,156 | - |
| | Denis Duverne | 210,289 | - | 231,318 | - |
| | Wendy Cooper | - | - | - | - |
| **The first 10 employees beneficiaries [c]** | | 782,276 | - | 844,314 | 762,301 |
| **Start date of exercise** | | 09/05/2003 | 30/05/2003 | 27/02/2004 | 14/03/2005 |
| **Expiry date of options** | | 09/05/2011 | 30/05/2011 | 27/02/2012 | 14/03/2013 |
| **Subscription or purchase price of options [a]** | | **30.74** | **32.57** | **19.96** | **10.47** |
| **Exercise schedule of options** | | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y |
| **Number of options exercised at 31/12/2011** | | 94,631 | - | 2,670,294 | 4,693,057 |
| **Options cancelled at 31/12/2011** | | 10,217,061 | 892,889 | 1,691,333 | 1,003,866 |
| **Options outstanding at 31/12/2011** | | **-** | **-** | **5,960,200** | **2,708,620** |

*(a) Number of options and exercise prices have been adjusted, pursuant to applicable regulation, as a result of operations on the AXA stock.*
*(b) Options that were initially granted by FINAXA that merged into AXA on December 16, 2005.*
*(c) "Employees" non directors at grant date.*

| Date of the Shareholders' Meeting | | 03/05/2002 | 03/05/2002 | 03/05/2002 | 20/04/2005 |
|---|---|---|---|---|---|
| **Grant date (Board of Directors or Management Board)** | | **06/06/2005** | **27/06/2005** | **01/07/2005** | **21/09/2005** |
| **Total number of beneficiaries** | | **5** | **238** | **1** | **6** |
| **Total number of shares to be subscribed [a]** | | **16,981** | **240,849** | **25,039** | **114,443** |
| **or purchased, from which to be subscribed** | | - | - | - | - |
| **or purchased by:** | | - | - | - | - |
| **Executive directors:** | Henri de Castries | - | - | - | - |
| | Denis Duverne | - | - | - | - |
| | Wendy Cooper | - | - | - | - |
| **The first 10 employees beneficiaries [b]** | | - | 39,049 | - | - |
| **Start date of exercise** | | 06/06/2007 | 27/06/2007 | 01/07/2007 | 21/09/2007 |
| **Expiry date of options** | | 06/06/2015 | 27/06/2015 | 01/07/2015 | 21/09/2015 |
| **Subscription or purchase price of options [a]** | | **19.02** | **19.32** | **19.91** | **20.97** |
| **Exercise schedule of options** | | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y |
| **Number of options exercised at 31/12/2011** | | - | 2,171 | - | - |
| **Options cancelled at 31/12/2011** | | 3,297 | 27,206 | 25,039 | 55,457 |
| **Options outstanding at 31/12/2011** | | **13,684** | **211,472** | **-** | **58,986** |

*(a) Number of options and exercise prices have been adjusted, pursuant to applicable regulation, as a result of operations on the AXA stock.*
*(b) "Employees" non directors at grant date.*

| 03/05/2002 | 30/05/2001 [(b)] | 03/05/2002 | 21/05/2002 [(b)] | 03/05/2002 | 03/05/2002 |
|---|---|---|---|---|---|
| 14/03/2003 | 02/04/2003 | 26/03/2004 | 14/04/2004 | 29/03/2005 | 29/03/2005 |
| 229 | 3 | 2,186 | 1 | 2,132 | 774 |
| 2,975,030 | 1,825,459 | 10,725,180 | 496,049 | 8,855,437 | 3,697,059 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 946,300 | - | | - | 784,664 | - |
| 394,292 | - | | - | 329,559 | - |
| - | - | | - | - | 11,933 |
| 675,028 | - | 968,927 | - | 812,127 | 646,371 |
| 14/03/2005 | 02/04/2005 | 26/03/2006 | 14/04/2006 | 29/03/2007 | 29/03/2007 |
| 14/03/2013 | 02/04/2013 | 26/03/2014 | 14/04/2014 | 29/03/2015 | 29/03/2015 |
| 10.47 | 11.82 | 16.90 | 15.00 | 19.70 | 19.95 |
| 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y |
| 2,068,362 | 560,964 | 1,390,554 | - | 328,238 | 116,969 |
| 136,628 | - | 1,565,861 | - | 1,368,257 | 535,081 |
| 770,040 | 1,264,495 | 7,768,765 | 496,049 | 7,158,942 | 3,045,009 |

| 20/04/2005 | 20/04/2005 | 20/04/2005 | 20/04/2005 | 20/04/2005 | 20/04/2005 |
|---|---|---|---|---|---|
| 31/03/2006 | 31/03/2006 | 31/03/2006 | 25/09/2006 | 25/09/2006 | 13/11/2006 |
| 2,418 | 861 | 1,002 | 10 | 29 | 5 |
| 7,628,101 | 2,768,553 | 1,223,253 | 53,733 | 22,805 | 7,409 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 585,882 | - | - | - | - | - |
| 326,420 | - | - | - | - | - |
| - | 6,640 | - | - | - | - |
| 830,960 | 656,518 | 227,593 | 53,733 | 36,684 | - |
| 31/03/2008 | 31/03/2008 | 31/03/2010 | 25/09/2008 | 25/09/2010 | 13/11/2010 |
| 31/03/2016 | 31/03/2016 | 31/03/2016 | 25/09/2016 | 25/09/2016 | 13/11/2016 |
| 27.75 | 27.93 | 27.93 | 28.03 | 28.03 | 29.59 |
| 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 100% after 4 y |
| 2,877 | - | - | - | - | - |
| 1,315,539 | 320,016 | 129,346 | 22,299 | 985 | - |
| 6,309,685 | 2,448,537 | 1,093,907 | 31,434 | 21,820 | 7,409 |

| Date of the Shareholders' Meeting | | 20/04/2005 | 20/04/2005 | 20/04/2005 | 20/04/2005 |
|---|---|---|---|---|---|
| Grant date (Board of Directors or Management Board) | | 10/05/2007 | 10/05/2007 | 10/05/2007 | 24/09/2007 |
| Total number of beneficiaries | | 2,866 | 876 | 1,163 | 4 |
| Total number of shares to be subscribed [a] | | 6,818,804 | 1,815,676 | 1,312,233 | 10,681 |
| or purchased, from which to be subscribed | | - | - | - | - |
| or purchased by: | | - | - | - | - |
| Executive directors: | Henri de Castries | - | - | - | - |
| | Denis Duverne | 327,816 | - | - | - |
| | Wendy Cooper | - | 5,046 | - | - |
| The first 10 employees beneficiaries [c] | | 645,899 | 246,161 | 284,022 | - |
| Start date of exercise | | 10/05/2009 | 10/05/2009 | 10/05/2011 | 24/09/2009 |
| Expiry date of options | | 10/05/2017 | 10/05/2017 | 10/05/2017 | 24/09/2017 |
| Subscription or purchase price of options [a] | | 32.95 | 33.78 | 33.78 | 29.72 |
| Exercise schedule of options | | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y |
| Number of options exercised at 31/12/2011 | | - | - | - | - |
| Options cancelled at 31/12/2011 | | 1,064,717 | 271,400 | 191,664 | 8,594 |
| Options outstanding at 31/12/2011 | | 5,754,087 | 1,544,276 | 1,120,569 | 2,087 |

*(a) Number of options and exercise prices have been adjusted, pursuant to applicable regulation, as a result of operations on the AXA stock.*
*(c) "Employees" non directors at grant date.*

| Date of the Shareholders' Meeting | | 22/04/2008 | 22/04/2008 | 22/04/2008 | 22/04/2008 |
|---|---|---|---|---|---|
| Grant date (Board of Directors or Management Board) | | 19/05/2008 | 22/09/2008 | 22/09/2008 | 24/11/2008 |
| Total number of beneficiaries | | 10 | 3 | 40 | 7 |
| Total number of shares to be subscribed [a] | | 12,360 | 19,127 | 46,929 | 19,047 |
| or purchased, from which to be subscribed | | - | - | - | - |
| or purchased by: | | - | - | - | - |
| Executive directors: | Henri de Castries | - | - | - | - |
| | Denis Duverne | - | - | - | - |
| | Wendy Cooper | - | - | - | - |
| The first 10 employees beneficiaries [b] | | 12,360 | - | 21,250 | - |
| Start date of exercise | | 19/05/2012 | 22/09/2010 | 22/09/2012 | 24/11/2012 |
| Expiry date of options | | 19/05/2018 | 22/09/2018 | 22/09/2018 | 24/11/2018 |
| Subscription or purchase price of options [a] | | 23.42 | 21.19 | 21.19 | 13.89 |
| Exercise schedule of options | | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 100% after 4 y |
| Number of options exercised at 31/12/2011 | | - | - | - | - |
| Options cancelled at 31/12/2011 | | - | - | - | - |
| Options outstanding at 31/12/2011 | | 12,360 | 19,127 | 46,929 | 19,047 |

*(a) Number of options and exercise prices have been adjusted, pursuant to applicable regulation, as a result of operations on the AXA stock.*
*(b) "Employees" non directors at grant date.*

| 20/04/2005 | 20/04/2005 | 24/04/2005 | 20/04/2005 | 20/04/2005 | 22/04/2008 |
|---|---|---|---|---|---|
| **24/09/2007** | **19/11/2007** | **19/11/2007** | **01/04/2008** | **01/04/2008** | **19/05/2008** |
| **16** | **2** | **6** | **4,339** | **1,027** | **2** |
| **12,587** | **4,689** | **8,205** | **8,056,370** | **1,240,890** | **6,004** |
| **-** | **-** | **-** | **-** | **-** | **-** |
| **-** | **-** | **-** | **-** | **-** | **-** |
| - | - | - | 399,526 | - | - |
| - | - | - | 319,621 | - | - |
| - | - | - | 4,865 | - | - |
| 8,903 | - | - | 592,194 | 265,967 | - |
| 24/09/2011 | 19/11/2009 | 19/11/2011 | 01/04/2010 | 01/04/2012 | 19/05/2010 |
| 24/09/2017 | 19/11/2017 | 19/11/2017 | 01/04/2018 | 01/04/2018 | 19/05/2018 |
| **29.72** | **28.53** | **28.53** | **21.00** | **21.00** | **23.42** |
| 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y |
| - | - | - | - | - | - |
| 1,842 | - | - | 1,103,208 | 151,105 | - |
| **10,745** | **4,689** | **8,205** | **6,953,162** | **1,089,785** | **6,004** |

| 22/04/2008 | 22/04/2008 | 22/04/2008 | 22/04/2008 | 22/04/2008 | 22/04/2008 | 22/04/2008 |
|---|---|---|---|---|---|---|
| **20/03/2009** | **20/03/2009** | **02/04/2009** | **10/06/2009** | **10/06/2009** | **21/09/2009** | **08/12/2009** |
| **4,627** | **759** | **28** | **29** | **17** | **16** | **2** |
| **4,870,844** | **407,692** | **114,324** | **22,291** | **2,137,462** | **53,237** | **3,134** |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - | - | - | - | 271,473 | - | - |
| - | - | - | - | 226,398 | - | - |
| 4,597 | - | - | - | - | - | - |
| 293,954 | 51,018 | 84,309 | 20,317 | 615,165 | 47,753 | - |
| 20/03/2011 | 20/03/2013 | 02/04/2011 | 10/06/2013 | 10/06/2011 | 21/09/2013 | 08/12/2011 |
| 20/03/2019 | 20/03/2019 | 02/04/2019 | 10/06/2019 | 10/06/2019 | 21/09/2019 | 08/12/2019 |
| **9.76** | **9.76** | **9.76** | **13.03** | **15.47** | **15.88** | **16.60** |
| 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y |
| 70,388 | 871 | - | - | - | - | - |
| 580,258 | 13,576 | 30,389 | - | 206,619 | - | - |
| **4,220,198** | **393,245** | **83,935** | **22,291** | **1,930,843** | **53,237** | **3,134** |

| Date of the Shareholders' Meeting | | 22/04/2008 | 22/04/2008 | 22/04/2008 | 22/04/2008 |
|---|---|---|---|---|---|
| Grant date (Board of Directors or Management Board) | | 08/12/2009 | 19/03/2010 | 19/03/2010 | 18/08/2010 |
| Total number of beneficiaries | | 13 | 5,062 | 476 | 3 |
| Total number of shares to be subscribed [(a)] | | 20,890 | 7,671,540 | 278,986 | 22,846 |
| or purchased, from which to be subscribed | | - | - | - | - |
| or purchased by: | | - | - | - | - |
| Executive directors: | Henri de Castries | - | 330,000 | - | - |
| | Denis Duverne | - | 264,000 | - | - |
| | Wendy Cooper | - | 7,025 | - | - |
| The first 10 employees beneficiaries [(b)] | | 18,280 | 742,217 | 75,035 | - |
| Start date of exercise | | 08/12/2013 | 19/03/2012 | 19/03/2014 | 18/08/2012 |
| Expiry date of options | | 08/12/2019 | 19/03/2020 | 19/03/2020 | 18/08/2020 |
| Subscription or purchase price of options [(a)] | | 16.60 | 15.43 | 15.43 | 13.89 |
| Exercise schedule of options | | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y |
| Number of options exercised at 31/12/2011 | | - | - | - | - |
| Options cancelled at 31/12/2011 | | - | 553,867 | - | - |
| Options outstanding at 31/12/2011 | | 20,890 | 7,117,673 | 278,986 | 22,846 |

*(a) Number of options and exercise prices have been adjusted, pursuant to applicable regulation, as a result of operations on the AXA stock.*
*(b) "Employees" non directors at grant date.*

| 22/04/2008 | 22/04/2008 | 22/04/2008 | 22/04/2008 | 22/04/2008 | 22/04/2008 | 22/04/2008 |
|---|---|---|---|---|---|---|
| 18/08/2010 | 13/10/2010 | 13/10/2010 | 22/12/2010 | 18/03/2011 | 18/03/2011 | 04/04/2011 |
| 5 | 1 | 17 | 8 | 6,372 | 423 | 170 |
| 10,619 | 4,274 | 27,772 | 12,758 | 8,598,469 | 154,705 | 375,988 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 302,500 | - | - |
| - | - | - | - | 247,500 | - | - |
| - | - | - | - | 9,136 | - | - |
| - | - | 21,364 | - | 980,684 | 21,412 | 183,500 |
| 18/08/2014 | 13/10/2012 | 13/10/2014 | 22/12/2014 | 18/03/2013 | 18/03/2015 | 04/04/2013 |
| 18/08/2020 | 13/10/2020 | 13/10/2020 | 22/12/2020 | 18/03/2021 | 18/03/2021 | 04/04/2021 |
| 13.89 | 13.01 | 13.01 | 12.22 | 14.73 | 14.73 | 14.73 |
| 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y | 100% after 4 y | 33% after 2 y<br>66% after 3 y<br>100% after 4 y |
| - | - | - | - | - | - | - |
| 1,291 | - | - | - | 174,401 | - | 12,949 |
| 9,328 | 4,274 | 27,772 | 12,758 | 8,424,068 | 154,705 | 363,039 |

## STOCK OPTIONS GRANTED TO EXECUTIVE OFFICERS AND MANAGEMENT COMMITTEE MEMBERS DURING 2011

| Members of the Management Committee | | Plan date | Nature of options | Value of options (in Euro) | Number of options granted during the year | % of capital | Exercise price (in Euro) | Exercise period | Performance conditions |
|---|---|---|---|---|---|---|---|---|---|
| Henri de Castries | Chairman & Chief Executive Officer | 18/03/2011 | subscription or purchase | 429,550 | 302,500 | 0.013% | 14.73 | 18/03/2013-18/03/2021 | 100% of options: EuroStoxx Inurance index |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | 18/03/2011 | subscription or purchase | 351,450 | 247,500 | 0.010% | 14.73 | 18/03/2013-18/03/2021 | 100% of options: EuroStoxx Inurance index |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) | - | - | - | - | - | - | - | 0 |
| Nicolas Moreau | Chief Executive Officer of AXA France | 18/03/2011 | subscription or purchase | 171,820 | 121,000 | 0.005% | 14.73 | 18/03/2013-18/03/2021 | 100% of options: EuroStoxx Inurance index |
| Mark Pearson | "President" & Chief Executive Officer of AXA Financial Inc. (United States) | 18/03/2011 | subscription or purchase | 195,250 | 137,500 | 0.006% | 14.73 | 18/03/2013-18/03/2021 | 100% of options: EuroStoxx Inurance index |
| François Pierson (a) | Global Head of Property & Casualty | 18/03/2011 | subscription or purchase | 195,250 | 137,500 | 0.006% | 14.73 | 18/03/2013-18/03/2021 | 100% of options: EuroStoxx Inurance index |
| Jacques de Vaucleroy | CEO for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | 18/03/2011 | subscription or purchase | 171,820 | 121,000 | 0.005% | 14.73 | 18/03/2013-18/03/2021 | 100% of options: EuroStoxx Inurance index |
| **Member of the Board of Directors** | | | | | | | | | |
| Wendy Cooper | Representative of employee shareholders to the Board of Directors | 18/03/2011 | subscription or purchase | 15,836 | 9,136 | 0.000% | 14.73 | 18/03/2013-18/03/2021 | Last third of options: EuroStoxx Insurance Index |

*(a) Mr. François Pierson decided to retire as of January 1st, 2012.*

In the tables above all dates that are indicated are in the format of day/month/year.

The fair value of stock options is determined in accordance with IFRS standards. This is a historical value at the date of grant, calculated for accounting purposes as described in Note 26.3.1 to the 2011 "Consolidated Financial Statements" included in Part 4 of this Annual Report. This value does not represent a current market value, a current valuation of these options or the actual proceeds if and when the options are exercised. On March 18, 2011, the fair value of one option was €1.89 for options without performance conditions, €1.42 for options with performance conditions.

Under the AXA Group Compliance and Ethics Guide, all employees (including all Executive Officers) are prohibited from engaging in any transaction designed to hedge the value of equity based compensation awards (including stock options, performance units, restricted shares, or similar awards) granted under any plan or arrangement maintained by AXA or any of its subsidiaries. This restriction applies from the date of grant until such time as the beneficiary receives the securities underlying the award upon, for example, the exercise of a stock option, the lapse of restrictions on performance units, restricted shares or similar events.

## STOCK OPTIONS EXERCISED BY EXECUTIVE OFFICERS AND MANAGEMENT COMMITTEE MEMBERS DURING 2011

| | | AXA options | | | | ADS AXA options | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Members of the Management Committee** | | **Date of grant** | **Number of options exercised during the year** | **Exercise price** (in Euro) | **Date of exercise** | **Date of grant** | **Number of options exercised during the year** | **Exercise price** (in USD) | **Date of exercise** |
| Henri de Castries | Chairman & Chief Executive Officer | - | - | - | - | - | - | - | - |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | 14/03/2003 | 28,516 | 10.47 | 23/12/2011 | - | - | - | - |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) | - | - | - | - | - | - | - | - |
| Nicolas Moreau | Chief Executive Officer of AXA France | - | - | - | - | - | - | - | - |
| Mark Pearson | "President" & Chief Executive Officer of AXA Financial, Inc. (United States) | - | - | - | - | - | - | - | - |
| François Pierson (a) | Global Head of Property & Casualty | 14/03/2003 | 140,000 | 10.47 | 30/06/2011 | - | - | - | - |
| Jacques de Vaucleroy | CEO for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | - | - | - | - | - | - | - | - |
| **Member of the Board of Directors** | | | | | | | | | |
| Wendy Cooper | Representative of employee shareholders to the Board of Directors | - | - | - | - | 27/02/2002 | 19,464 | 17.16 | 08/04/2011 |

*(a) Mr. François Pierson decided to retire as of January 1st, 2012.*

In the tables above all dates that are indicated are in the format of day/month/year.

## STOCK OPTIONS GRANTED AND/OR EXERCISED BY THE TOP 10 BENEFICIARIES (OUTSIDE THE EXECUTIVE OFFICERS) DURING 2011

| Stock options granted or exercised by the top 10 beneficiaries (outside management bodies' members) during the year | Number of options granted or exercised | Weighted average price (in Euro) |
|---|---|---|
| Stock options granted during the year by AXA or any eligible AXA Group subsidiary, to the ten employees, outside management bodies' members of the Company or of eligible AXA Group subsidiaries, who received the highest number of stock options (aggregate information) | 980,684 | 14.73 |
| Stock options on AXA or any eligible AXA Group subsidiary, exercised during the year by the ten employees, outside management bodies' members of the Company or of eligible AXA Group subsidiaries, who exercised the highest number of stock options (aggregate information) | 217,971 | 10.43 |

## STOCK OPTIONS HELD BY EXECUTIVE OFFICERS (OPTIONS GRANTED BUT NOT EXERCISED AS AT DECEMBER 31, 2011)

| Members of the Management Committee | | Balance of options at December 31, 2011 | |
|---|---|---|---|
| | | AXA | ADS AXA |
| Henri de Castries | Chairman & Chief Executive Officer | 4,575,284 | - |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | 2,619,453 | - |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) | - | - |
| Nicolas Moreau | Chief Executive Officer of AXA France | 918,890 | - |
| Mark Pearson | "President" & Chief Executive Officer of AXA Financial, Inc. (United States) | 276,910 | - |
| François Pierson [(a)] | Global Head of Property & Casualty | 2,522,644 | - |
| Jacques de Vaucleroy | Chief Executive Officer for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | 203,500 | - |

| Member of the Board of Directors | | Balance of options at December 31, 2011 | |
|---|---|---|---|
| | | AXA | ADS AXA |
| Wendy Cooper | Representative of employee shareholders to the Board of Directors | 49,242 | 54,435 |

*(a) Mr. François Pierson decided to retire as of January 1st, 2012.*

# Performance shares and performance units

Since 2004, stock options have been partially replaced by Performance Shares and Performance Units.

From 2005 onwards, as a result of the new French law related to the grant of free shares, Performance Units have been replaced in France by Performance Shares. Performance Shares are free shares for which the final acquisition is subject to performance conditions.

Performance Units/Shares are designed to:

- reward and retain the best talents by aligning their interests with the performance of the AXA Group and of their operational business unit/region as well as to the performance of the AXA share in the medium-term (3 to 4 years);
- reducing shareholder dilution by granting less subscription options.

Criteria for grants of Performance Units/Shares are similar to those used for stock options.

Performance Shares are usually granted to beneficiaries residing in France while Performance Units are generally granted to beneficiaries residing outside of France.

The rules regarding Performance Units/Shares are as follows:

- each beneficiary receives an initial grant of Performance Units/Shares. This number will be used to calculate the actual number of units or shares that will definitely be granted at the end of a 2-year performance period;
- during the performance period, the Performance Units/Shares initially granted are subject to collective performance conditions measuring both the performance of the AXA Group and the beneficiary's operational business unit/region, based on pre-determined targets;
- for beneficiaries in operating business units, the performance of the business unit/region weights 2/3 of the total performance while the AXA Group performance weights 1/3. For beneficiaries in Group support functions, the performance is measured at AXA Group level only;
- in 2006 and 2007, the performance indicators for both the AXA Group and the operational business units were: Underlying Earnings, P&C revenues and New Business Value in Life & Savings;
- in 2008 and 2009, the performance indicators were:
  - for the operational business units performance: underlying earnings, P&C revenues and new business value in Life & Savings,
  - for the AXA Group performance: underlying earnings per share, P&C revenues and new business value in Life & Savings;
- for the Performance Units and Performance Shares granted in 2010 and 2011, the cumulated performance in 2010-2011, and 2011-2012, will be measured over a two year period, based on the following performance indicators:
  - for the operational business units performance/regions: underlying earnings and net income,
  - for the AXA Group performance: net income per share;
- the achievement of these performance targets determines the number of Units/Shares that will be acquired by the beneficiary at the end of the acquisition period, subject to the beneficiary still being employed by the AXA Group. The number of Units/Shares acquired may vary between 0% and 130% of the Performance Units/Shares initially granted.

As far as Performance Units are concerned:

- since 2004, units acquired at the end of the 2-year performance period are valued on the basis of the average closing price of the AXA share during the last 20 trading days of the acquisition period;
- for the grants prior to 2010, if the number of units acquired is less than 1,000, the amount corresponding to the value of these units is paid in cash to the beneficiary. If the number of units acquired is equal to or higher than 1,000, the beneficiary only receives 70% of the value in cash to allow her/him to pay social contributions and income taxes calculated on 100% of that value, and 30% of these units are reinvested into AXA shares which are restricted from sale during a 2-year period.
- for the Performance Units granted in 2010, 50% of the units definitely granted at the end of the 2-year acquisition period will be subject to an additional 1-year acquisition period, and will be valued on the basis of the average closing price of the AXA share during the last 20 trading days of the acquisition period.
- for the Performance Units granted since 2011, the Units acquired at the end of the 2-year performance period will be subject to an additional 1-year acquisition period and will be paid in cash to the beneficiary.

As far as Performance Shares are concerned:

- shares acquired, under the condition that the beneficiary is still employed by the AXA Group, at the end of the 2-year performance 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 generally result in less shareholder dilution than stock options, due to the smaller volume of the grant.

Within the global cap authorized by the shareholders, the Board of Directors approves all Performance Shares programs prior to their implementation.

Each year, the Board of Directors, acting upon recommendation of its Compensation & Human Resources Committee approves a global Performance Shares pool to be granted. The annual grants of Performance Shares are generally made simultaneously with the granting of stock options.

The recommendations for individual grants of Performance Shares and Performance Units are made by the business units Chief Executive Officers and by the Group functional department heads. These recommendations are reviewed by the Executive Management to ensure coherence and fairness. Individual grants of Performance Shares and Performance Units are then decided by the Board of Directors, provided that individual grants to the Chairman & Chief Executive Officer, the Deputy Chief Executive Officer and other members of the Executive Committee are preceded by a proposal of the Compensation & Human Resources Committee of the Board of Directors.

Following the change of governance in 2010, the Board of Directors, acting upon recommendation of its Compensation & Human Resources Committee, decided on December 22, 2010 that the total number of Performance Shares granted to the Executive Officers (Chairman & Chief Executive Officer and Deputy Chief Executive Officer) each year may not exceed 10% of the aggregate number of Performance Shares granted to all beneficiaries during the same year.

## PERFORMANCE UNITS

The acquisition period of the Performance Unit plan launched on April 1, 2008 with 2,441,070 Performance Units initially granted to 2,752 beneficiaries outside France, ended on April 1, 2010. At that date, a total of 1,639,604 units had been acquired by 2,438 employees. The settlement of these units was made partly in cash (€21.8 million) and partly in AXA shares (276,786 shares) which are subject to a 2-year restriction period until April 1, 2012.

The acquisition period of the Performance Unit plan launched on March 20, 2009 with 2,957,911 Performance Units initially granted to 3,608 beneficiaries outside France, ended on March 20, 2011 for 2,707,238 Performance Units granted initially and will end on March 20, 2013 for 250,673 Performance Units initially granted.

On March 20, 2011, a total of 2,233,609 units had been acquired by 2,749 employees. The settlement of these units was made partly in cash (€26.8 million) and partly in AXA shares (402,262 shares) which are subject to a 2-year restriction period until March 20, 2013.

The acquisition period of the Performance Unit plan launched on April 2, 2009 with 160,025 Performance Units initially granted to 216 beneficiaries in Japan ended on April 2, 2011. At that date, a total of 122,361 units had been acquired by 182 employees. The settlement of these units was made partly in cash (€1.5 million) and partly in AXA shares (19,492 shares) which are subject to a 2-year restriction period until April 2, 2013.

The acquisition period of the Performance Unit plan launched on June 10, 2009 with 350,792 Performance Units initially granted to 28 beneficiaries outside France ended on June 10, 2011 for 348,448 Performance Units initially granted and will end on June 10, 2013 for 2,344 Performance Units initially granted.

On June 10, 2011, a total of 304,926 units had been acquired by 8 employees. The settlement of these units was made partly in cash (€4 million) and partly in AXA shares (23,933 shares) which are subject to a 2-year restriction period until June 10, 2013.

The acquisition period of the Performance Unit plan launched on March 19, 2010 with 3,924,244 Performance Units initially granted to 3,972 beneficiaries outside France will end on March 19, 2012 for 50% of the units definitely granted and on March 19, 2013 for the remaining units definitely acquired.

A new Performance Unit plan was launched on March 18, 2011 and 4,728,124 Performance Units were initially granted to 5,059 beneficiaries outside France.

A second Performance Unit plan was launched on April 4, 2011 and 323,105 Performance Units were initially granted to 215 beneficiaries outside of France.

## PERFORMANCE SHARES

The acquisition period of the Performance Shares plan launched on April 1, 2008 with 1,401,587 Performance Shares granted to 1,566 beneficiaries in France, ended on April 1, 2010. At that date, a total of 1,087,393 shares had been acquired by 1,450 employees. These shares are subject to a 2-year restriction period until April 1, 2012.

The acquisition period of the Performance Shares plan launched on April 28, 2008 with 51,223 Performance Shares granted to 13 beneficiaries, ended on April 28, 2010 for 28,172 Performance Shares granted to 7 employees in France (the 23,634 acquired shares being restricted for another 2-year period, *i.e.* until April 28, 2012), and will end on April 28, 2012 for 23,051 Performance Shares granted to 6 employees outside of France (the acquired shares will not be subject to any restriction period).

The acquisition period of the Performance Shares plan launched on March 20, 2009 with a total of 1,528,418 Performance Shares granted to 1,740 beneficiaries in France ended on March 20, 2011. At that date, a total of 1.398.136 shares had been acquired by 1,605 employees. These shares are subject to a 2-year restriction period until March 20, 2013.

The acquisition period of the Performance Shares plan launched on June 10, 2009 with a total of 433,231 Performance Shares granted to 8 beneficiaries in France ended on June 10, 2011. At this date, a total of 323,376 shares had been acquired by 6 employees. The shares are subject to a 2-year restriction period until June 10, 2013.

The acquisition period of the Performance Shares plan launched on March 19, 2010 with a total of 1,940,338 Performance Shares initially granted to 1,774 beneficiaries in France will end on March 19, 2012. The shares acquired will be subject to a 2-year restriction period until March 19, 2014.

A new Performance Shares plan was launched on March 18, 2011 and 2,056,780 Performance Shares were initially granted to 1,984 beneficiaries in France. The 2-year acquisition period of this plan will end on March 18, 2013 and the acquired shares will be subject to a 2-year restriction period until March 18, 2015.



## PERFORMANCE UNITS/SHARES SUMMARY

### Performance Units

| Initial grant | | | | | | Acquisition | |
|---|---|---|---|---|---|---|---|
| Grant date | Number of beneficiaries | Performance Units granted | Performance Units cancelled | Performance Units acquired at December 31, 2011 | Balance at December 31, 2011 | Acquisition date | Units acquired |
| 26/03/2004 | 2,550 | 1,037,116 | 484,934 | - | - | 26/03/2007 | 645,604 |
| 29/03/2005 | 1,707 | 938,880 | 81,334 | - | - | 29/03/2007 | 960,520 |
| 31/03/2006 | 2,072 | 1,453,441 | 150,323 | - | - | 31/03/2008 | 1,365,787 |
| 10/05/2007 | 2,346 | 1,361,869 | 152,364 | - | - | 10/05/2009 | 902,288 [a] |
| 01/04/2008 | 2,752 | 2,441,070 | 215,793 | - | - | 01/04/2010 | 1,639,604 [b] |
| 20/03/2009 | 3,608 | 2,957,911 | 285,068 | 2,233,609 | 229,181 [d] | 20/03/2011 | 2,233,609 [c] |
| 02/04/2009 | 216 | 160,025 | 27,298 | 122,361 | - | 02/04/2011 | 122,361 [e] |
| 10/06/2009 | 28 | 350,792 | 20,612 | 304,926 | 2,228 [g] | 10/06/2011 | 304,926 [f] |
| 19/03/2010 | 3,972 | 3,924,244 | 358,866 | 5,335 [h] | 3,561,274 | 19/03/2012 [f] | 5,335 |
| 18/03/2011 | 5,059 | 4,728,124 | 112,863 | 1,170 [i] | 4,614,361 | - | 1,170 |
| 04/04/2011 | 215 | 323,105 | 31,560 | 390 [j] | 291,245 | - | 390 |

*(a) The 902,288 units acquired by 2,046 beneficiaries of the May 10, 2007 plan have been settled as €9.3 million and 152,364 shares restricted until May 10, 2011.*

*(b) The 1,639,604 units acquired (from which 5,722 units acquired by anticipation due to deceased beneficiaries) by 2,438 beneficiaries of the April 1st, 2008 plan have been settled as €21.8 million and 276,786 shares restricted until April 1st, 2012.*

*(c) The 2,233,609 units acquired by 2,749 beneficiaries of the March 20, 2009 plan have been settled as €26.8 million and 402,262 shares restricted until March 20, 2013.*

*(d) The acquisition period for those units will end on March 20, 2013.*

*(e) The 122,361 units acquired by 182 beneficiaries of the April 2, 2009 plan have been settled as €1.5 million and 19,492 shares restricted until April 2, 2013.*

*(f) The 304,926 units acquired by 8 beneficiaries of the June 10, 2009 plan have been settled as €4 million and 23,933 shares restricted until June 10, 2013.*

*(g) The acquisition period for those units will end on June 10, 2013.*

*(h) 5,335 units of the March 19, 2010 plan acquired by anticipation related to deceased beneficiaries.*

*(i) 1,170 units of the March 18, 2011 plan acquired by anticipation related to deceased beneficiaries.*

*(j) 390 units of the April 4, 2011 plan acquired by anticipation related to deceased beneficiaries.*

In the table above all dates that are indicated are in the format of day/month/year.

The numbers of Performance Units indicated from the April 1st, 2008 plan to the June 10, 2009 plan have been adjusted to take into account the impact of the share capital increase with preferential subscription rights of December 4, 2009.

## Performance Shares

| Initial grant | | | Performance shares cancelled | Shares acquired at December 31, 2011 | Balance at December 31, 2011 | Acquisition | |
|---|---|---|---|---|---|---|---|
| Grant date | Number of beneficiaries | Performance shares granted | | | | Acquisition date | Shares acquired |
| 21/04/2005 | 1,154 | 743,310 | 19,621 | - | - | 21/04/2007 | 793,139 |
| 21/04/2005 | 770 | 250,306 [(a)] | 4,741 | - | - | 21/04/2005 | 268,965 |
| 21/04/2005 | 770 | 143,630 [(b)] | 2,690 | - | - | 21/04/2005 | 140,882 |
| 31/03/2006 | 1,186 | 893,326 | 34,582 | - | - | 31/03/2008 | 885,312 |
| 10/05/2007 | 1,433 | 782,432 | 26,973 | - | - | 10/05/2009 | 608,757 [(c)] |
| 01/04/2008 | 1,566 | 1,401,587 | 45,212 | - | - | 01/04/2010 | 1,087,393 [(c)] |
| 28/04/2008 | 7 | 28,172 | - | - | - | 28/04/2010 | 23,634 |
| 28/04/2008 | 6 | 23,501 | - | - | 17,668 | 28/04/2012 | - |
| 20/03/2009 | 1,740 | 1,528,418 | 71,618 | 1,398,136 | - | 20/03/2011 | 1,398,136 |
| 10/06/2009 | 8 | 433,231 | 91,112 | 323,376 | - | 10/06/2011 | 323,376 |
| 19/03/2010 | 1,774 | 1,940,338 | 91,515 | 975 [(d)] | 1,848,073 | 19/03/2012 | 975 |
| 18/03/2011 | 1,984 | 2,056,780 | 20,299 | 780 [(e)] | 2,035,881 | 18/03/2013 | 780 |

*(a) Performance Shares granted as replacement for 250,306 Performance Units 2004 cancelled.*
*(b) Restricted Shares granted as replacement for 143,630 Performance Units 2004 cancelled.*
*(c) From which 461 shares of the May 10, 2007 Plan and 506 shares of the April 1st. 2008 Plan acquired by anticipation related to deceased beneficiaries.*
*(d) 975 shares of the March 19, 2010 acquired by anticipation related to deceased beneficiaries.*
*(e) 780 shares of the March 18, 2011 acquired by anticipation related to deceased beneficiaries.*

In the table above all dates that are indicated are in the format of day/month/year.

The numbers of Performance Shares indicated from the April 1st, 2008 plan to the June 10, 2009 have been adjusted to take into account the impact of the share capital increase with preferential subscription rights of December 4, 2009.

## PERFORMANCE SHARES GRANTED TO EXECUTIVE OFFICERS AND MANAGEMENT COMMITTEE MEMBERS DURING 2011

| Members of the Management Committee | | Plan date | Performance shares granted | % of capital | Value of Performance shares (in Euro) | Acquisition date | End of restriction | Performance conditions |
|---|---|---|---|---|---|---|---|---|
| Henri de Castries | Chairman & Chief Executive Officer | 18/03/2011 | 99,000 | 0.004% | 947,430 | 18/03/2013 | 18/03/2015 | - net income - underlying earning -net income per share |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | 18/03/2011 | 81,000 | 0.003% | 775,170 | 18/03/2013 | 18/03/2015 | - net income - underlying earning -net income per share |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) | - | - | - | - | - | - | - |
| Nicolas Moreau | Chief Executive Officer of AXA France | 18/03/2011 | 39,600 | 0.002% | 378,972 | 18/03/2013 | 18/03/2015 | - net income - underlying earning -net income per share |
| Mark Pearson | "President" & Chief Executive Officer of AXA Financial, Inc. (United States) | - | - | - | - | - | - | - |
| François Pierson (a) | Global Head of Property & Casualty | 18/03/2011 | 45,000 | 0.002% | 430,650 | 18/03/2013 | 18/03/2015 | - net income - underlying earning -net income per share |
| Jacques de Vaucleroy | Chief Executive Officer for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | - | - | - | - | - | - | - |
| **Member of the Board of Directors** | | | | | | | | |
| Wendy Cooper | Representative of employee shareholders to the Board of Directors | - | - | - | - | - | - | - |

*(a) Mr. François Pierson decided to retire as of January 1st, 2012.*

In the tables above all dates that are indicated are in the format of day/month/year.

The fair value of Performance Shares is determined in accordance with IFRS standards. It corresponds to a historical value at the date of grant, calculated for accounting purposes as described in Note 26.3.1 to the 2011 "Consolidated Financial Statements" included in Part 4 of this Annual Report. This value does not represent a current market value, a current valuation of these performance shares or the actual proceeds if and when the Performance Shares are acquired.

Under the AXA Group Compliance and Ethics Guide, all employees (including all Executive Officers) are prohibited from engaging in any transaction designed to hedge the value of equity based compensation awards (including stock options, performance units, restricted shares, or similar awards) granted under any plan or arrangement maintained by AXA or any of its subsidiaries. This restriction applies from the date of grant until such time as the beneficiary receives the securities underlying the award upon, for example, the exercise of a stock option, the lapse of restrictions on performance units, restricted shares or similar events.

## PERFORMANCE SHARES ACQUIRED BY EXECUTIVE OFFICERS AND MANAGEMENT COMMITTEE MEMBERS DURING 2011

| Members of the Management Committee | | Plan date | Performance shares granted | Acquisition date | Shares acquired during the year | Performance rate over the acquisition period | End of the restriction period |
|---|---|---|---|---|---|---|---|
| Henri de Castries | Chairman & Chief Executive Officer | 10/06/2009 | 110,638 | 10/06/2011 | 105,519 | 95.4% | 10/06/2013 |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | 10/06/2009 | 92,198 | 10/06/2011 | 87,932 | 95.4% | 10/06/2013 |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) | - | - | - | - | - | - |
| Nicolas Moreau | Chief Executive Officer of AXA France | - | - | - | - | - | - |
| Mark Pearson | "President" & Chief Executive Officer of AXA Financial, Inc. (United States) | - | - | - | - | - | - |
| François Pierson [(a)] | Global Head of Property & Casualty | 10/06/2009 | 79,291 | 10/06/2011 | 79,816 | 100.7% | 10/06/2013 |
| Jacques de Vaucleroy | Chief Executive Officer for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | - | - | - | - | - | - |
| **Member of the Board of Directors** | | | | | | | |
| Wendy Cooper | Representative of employee shareholders to the Board of Directors | - | - | - | - | - | - |

*(a) Mr. François Pierson decided to retire as of January 1st, 2012.*

In the tables above all dates that are indicated are in the format of day/month/year.

## PERFORMANCE SHARES BECOMING UNRESTRICTED DURING 2011 FOR EACH EXECUTIVE OFFICER AND MANAGEMENT COMMITTEE MEMBERS



| Members of the Management Committee | | Plan date | Number shares becoming unrestricted during the year | Date of availability |
|---|---|---|---|---|
| Henri de Castries | Chairman & Chief Executive Officer | - | - | - |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | 10/05/2007 | 23,954 | 10/05/2011 |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) | - | - | - |
| Nicolas Moreau | Chief Executive Officer of AXA France | - | - | - |
| Mark Pearson | "President" & Chief Executive Officer of AXA Financial, Inc. (United States) | - | - | - |
| François Pierson [a] | Global Head of Property & Casualty | 10/05/2007 | 20,434 | 10/05/2011 |
| Jacques de Vaucleroy | Chief Executive Officer for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | - | - | - |
| **Member of the Board of Directors** | | | | |
| Wendy Cooper | Representative of employee shareholders to the Board of Directors | - | - | - |

*(a) Mr. François Pierson decided to retire as of January 1st, 2012.*

In the tables above all dates that are indicated are in the format of day/month/year.

## PERFORMANCE UNITS GRANTED TO EXECUTIVE OFFICERS AND MANAGEMENT COMMITTEE MEMBERS DURING 2011

| Members of the Management Committee | | Plan date | Performance units granted | Value of Performance units (in Euro) | Acquisition date | End of restriction of Performance Units * | Performance conditions |
|---|---|---|---|---|---|---|---|
| Henri de Castries | Chairman & Chief Executive Officer | - | - | - | - | - | - |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | - | - | - | - | - | - |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) | - | - | - | - | - | - |
| Nicolas Moreau | Chief Executive Officer of AXA France | - | - | - | - | - | - |
| Mark Pearson | "President" & Chief Executive Officer of AXA Financial, Inc. (United States) | 18/03/2011 | 45,000 | 430,650 | 18/03/2014 | 18/03/2014 | - net income<br>- underlying earnings<br>- net income per share |
| François Pierson (a) | Global Head of Property & Casualty | - | - | - | - | - | - |
| Jacques de Vaucleroy | Chief Executive Officer for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | 18/03/2011 | 39,600 | 378,972 | 18/03/2014 | 18/03/2014 | - net income<br>- underlying earnings<br>- net income per share |
| **Member of the Board of Directors** | | | | | | | |
| Wendy Cooper | Representative of employee shareholders to the Board of Directors | 18/03/2011 | 6,786 | 64,942 | 18/03/2014 | 18/03/2014 | - net income<br>- underlying earnings<br>- net income per share |

* *Paid in cash from March 18, 2014.*
(a) *Mr. François Pierson decided to retire as of January 1st, 2012.*

In the tables above all dates that are indicated are in the format of day/month/year.

## PERFORMANCE UNITS ACQUIRED BY EXECUTIVE OFFICERS AND MANAGEMENT COMMITTEE MEMBERS DURING 2011

| Members of the Management Committee | | Plan date | Performance units granted | Acquisition date | Performance units acquired | Performance score over the period | Cash settlement (in Euro) | Share settlement | End of restriction period |
|---|---|---|---|---|---|---|---|---|---|
| Henri de Castries | Chairman & Chief Executive Officer | - | - | - | - | - | - | - | - |
| Denis Duverne | Deputy Chief Executive Officer in charge of Finance, Strategy and Operations | - | - | - | - | - | - | - | - |
| Peter Kraus | Chairman & Chief Executive Officer of AllianceBernstein (United States) | - | - | - | - | - | - | - | - |
| Nicolas Moreau | Chief Executive Officer of AXA France | 10/06/2009 | 33,191 | 10/06/2011 | 24,732 | 74.5% | 253,101 | 7,420 | 10/06/2013 |
| Mark Pearson | "President" & Chief Executive Officer of AXA Financial, Inc. (United States) | 10/06/2009 | 16,903 | 10/06/2011 | 15,729 | 93.1% | 160,966 | 4,719 | 10/06/2013 |
| François Pierson [(a)] | Global Head of Property & Casualty | - | - | - | - | - | - | - | - |
| Jacques de Vaucleroy | Chief Executive Officer for the Northern, Central and Eastern Europe business unit and Global Head of Life & Savings and Health | - | - | - | - | - | - | - | - |

| Member of the Board of Directors | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Wendy Cooper | Representative of employee shareholders to the Board of Directors | 20/03/2009 | 3,414 | 20/03/2011 | 3,223 | 94.4% | 33,073 | 967 | 20/03/2013 |

*(a) Mr. François Pierson decided to retire as of January 1st, 2012.*

In the tables above all dates that are indicated are in the format of day/month/year.

# Share ownership policy for Executives of the Group

As proposed by the Management Board, the Supervisory Board had decided to implement, as from January 1, 2007, a shareholding policy applicable to all members of the Management Board and the Executive Committee. Following the governance change in 2010, the Board of Directors reviewed the shareholding requirements for the Chairman & Chief Executive Officer, the Deputy Chief Executive Officer, the members of the Management Committee and the members of the Executive Committee.

This policy requires each executive director to hold, during the entire duration of his/her functions, a minimum number of AXA shares (the "Minimum Shareholding Requirement") representing a multiple of the annual total cash compensation (fixed salary plus annual variable compensation) received for his/her functions within the Group:

- the Chairman & Chief Executive Officer is required to hold the equivalent of his total cash compensation multiplied by 3;
- the Deputy Chief Executive Officer is required to hold the equivalent of his total cash compensation multiplied by 2;
- Management Committee members are required to hold the equivalent of their total cash compensation multiplied by 1.5;
- Executive Committee members are required to hold the equivalent of their total cash compensation multiplied by 1.

AXA shares, ADS or shares of listed Group subsidiaries, held directly or indirectly through Mutual funds or similar investment vehicles, are taken into account for the purposes of calculating this Minimum Shareholding Requirement.

Each executive director is required to meet this Minimum Shareholding Requirement within a period of 5 years as from January 1, 2007 or the date of his/her first appointment if after January 1, 2007.

Pursuant to Articles L.225-197-1 and L.225-185 of the French Commercial Code, the Supervisory Board and later the Board of Directors have decided that, as long as an Executive Officer (Chairman & Chief Executive Officer and Deputy Chief Executive Officer) has not met his/her Minimum Shareholding Requirement, all stock options and Performance Shares granted to him/her after January 1, 2007 will be subject to the following restrictions:

- upon each exercise of these stock options granted after January 1, 2007, the Executive Officers must continue to hold in registered form a number of shares obtained upon exercise equal in value to at least 25% of the pre-tax capital gain realized upon exercise (*i.e.* in France, this equals approximately 50% of the post-tax capital gain). These shares shall be held during the entire term of office of the Executive Officer;
- for Performance Shares granted after January 1, 2007, the Executive Officers must, at every share acquisition date, hold in registered form at least 25% of the Performance Shares acquired during the entire term of office of the Executive Officer.

These restrictions do not apply if an Executive Officer complies with his/her Minimum Shareholding Requirement.

## EXECUTIVE OFFICERS

On December 30, 2011, based on the AXA share value (€10.045) and on the AllianceBernstein share value (€9.43) at that date, the Company's Executive Officers already met their Minimum Shareholding Requirement such as described in the above Section "Share ownership policy for executives of the Group". The following table summarizes the compensation granted to Executive Officers during the fiscal year 2011:

| | Compensation paid in 2011 | | | Shareholding requirement | | | Shareholding on 31/12/2011 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fixed compen-sation | Variable compen-sation | Total compen-sation | Number of years | Amount | Target date | Number of years | Amount | AXA shares | ADS AXA | AXA Share-plan units | Alliance Bernstein shares |
| Henri de Castries | €950,000 | €2,031,000 | €2,981,000 | 3 | €8,943,000 | 01/01/2012 | 5.6 | €16,599,498,62 | 1,621,297 | 0 | 29,339 | 2,000 |
| Denis Duverne | €750,000 | €1,186,453 | €1,936,453 | 2 | €3,872,906 | 01/01/2012 | 3.9 | €7,592,860.32 | 724,411 | 18,734 | 10,862 | 2,000 |

Pursuant to the AXA Group Compliance and Ethics Guide, Executive Officers and other employees must refrain from any purchase or sale of AXA securities during specific time periods ("blackout periods") prior to the earnings releases. These blackout periods generally begin about 30 days before its annual or half-year earnings releases and about 15 days before its quarterly financial information releases. Depending on the circumstances, these blackout periods could be declared at other times or be longer.

### Discretionary management agreements signed by Messrs. Henri de Castries and Denis Duverne

Messrs. Henri de Castries and Denis Duverne each signed on March 31, 2010 with Banque Degroof a discretionary mandate to manage a portion of the AXA securities they personally own.

As a matter of principle, the discretionary management agreement has been submitted for advice to the Ethics & Governance Committee and to the AXA Supervisory Board at the beginning of 2010. It has been considered that this type of agreement was likely to prevent insider trading offences or defaults and, therefore, protect the rightful interests of relevant executives of the Company.

The main features of this mandate are the following:

- the mandate is signed for an indefinite term;
- each instruction agreed between the executive and the bank, within the framework of the mandate, is valid for a duration it determines and starts after the expiry of a 3-month abstention period;
- the mandate and the instructions shall be signed when the executive is not in possession of any inside information and outside blackout periods. During a 3-month abstention period following the signing of each instruction, the bank shall be prohibited from engaging in any transaction on behalf of the executive;
- the executive may not intervene in management by the bank who exercises discretion in application of the instructions. The executive generally commits to proscribe all communications with the bank and not to exercise any influence on it prior to the expiry of a standing instruction.

The transactions on AXA's securities that will be engaged by Banque Degroof on behalf of the relevant executives in application of the annual instruction will be notified pursuant to the provisions of Article L.621-18-2 of the French Monetary and Financial Code *(Code monétaire et financier).* The notifications of such transactions will state that they have been engaged by an investment services provider, on behalf of the executives, in application of a discretionary management mandate.

## MEMBERS OF THE BOARD OF DIRECTORS

To the best of the company's knowledge and based on information reported to it, each AXA Board of Directors member held, on December 31, 2011, the number of AXA shares or ADS indicated in the table below.

| | Number of shares * owned on December 31, 2011 | |
|---|---|---|
| | AXA Shares | ADS AXA |
| Henri de Castries – Chairman & Chief Executive Officer | 1,621,297 | 0 |
| Norbert Dentressangle – Vice-Chairman – Lead Independent Director | 16,687 (a) | - |
| Denis Duverne – Deputy Chief Executive Officer | 724,411 | 18,734 |
| Jacques de Chateauvieux | 17,270 | - |
| Ms. Wendy Cooper | 5,404 | 16,879 |
| Jean-Martin Folz | 11,084 | - |
| Anthony Hamilton | 4,813 | 35,275 |
| Mrs. Isabelle Kocher | 5,960 | - |
| Mrs. Suet Fern Lee | 8,000 (b) | - |
| François Martineau | 6,797 | - |
| Giuseppe Mussari | 10,176 | - |
| Ramon de Oliveira | - | 8,100 |
| Michel Pébereau | 9,859 | - |
| Mrs. Dominique Reiniche | 6,500 | - |
| Marcus Schenck | 5,500 | - |

** AXA's shares which could be indirectly held through Mutual funds are not taken into account.*
*(a) On January 6, 2012.*
*(b) On February 23, 2012.*

# Transactions involving Company securities completed in 2011 by the members of the Board of Directors

To the best of the Company's knowledge and based on the information reported to it, several members of the Board of Directors made the following disclosures in the course of 2011 concerning their transactions involving Company securities. Detailed information about all of these transactions, as well as individual disclosures filed in accordance with Articles 223-22 and 223-25 of the AMF *(Autorité des marchés financiers)* General Regulations, are published on the Company's website (www.axa.com) and on the AMF website (www.amf-france.org).

| Name | Sale of AXA Shares (Number) | Sale of AXA ADS (Number) | Purchase of AXA Shares (Number) | Automatic re-investment into the Company Savings Plan of dividends attached to shares held in the Company Savings Plan (Number of units) | Sale of call options (Number) |
|---|---|---|---|---|---|
| Henri de Castries | - | - | - | 18,708.84 | 600,000* |
| Denis Duverne | - | - | - | 10,116.79 | - |
| Wendy Cooper | - | - | - | - | - |
| Norbert Dentressangle | - | - | 8,020 | - | - |
| Jean-Martin Folz | - | - | 3,500 | - | - |
| Isabelle Kocher | - | - | 5,960 | - | - |
| François Martineau | - | - | 1,500 | - | - |
| Giuseppe Mussari | - | - | 2,850 | - | - |
| Michel Pébereau | - | - | 3,720 | - | - |
| Dominique Reiniche | - | - | 1,680 | - | - |
| Marcus Schenck | - | - | 5,500 | - | - |

* *OTC. Transaction performed by an independent financial intermediary pursuant to a discretionary mandate.*

| Options | Subscription of stock options | | | | Equity issue reserved for employees (SharePlan) | |
|---|---|---|---|---|---|---|
| Acquisition of put options (Number) | Subscription to AXA shares (Number) | Subscription to AXA ADS (Number) | Subscription and sale of stock options AXA Shares / AXA ADS (Nombre) | Sale of units of AXA Group Mutual funds invested in AXA shares (Number) | Subscription to units of AXA Group Mutual funds invested in AXA shares (Number) | Subscription to AXA Shares (Number) |
| 600,000* | - | - | - | 8,677.48 | 12,805.26 | - |
| - | 28,516 | - | - | 30,717.44 | 5,936.27 | - |
| - | - | - | 19,464 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |

# Commitments made to Executive Officers

## PENSION

The Executive Officers of the Company (Messrs. Henri de Castries and Denis Duverne) participate, as all other executive employees *(directeurs)* of AXA Group entities in France, in a supplementary pension scheme with defined benefits.

This scheme, which has existed since January 1st, 1992, has been modified twice with effect from January 1st, 2005 and July 1st, 2009.

The current pension scheme rules were approved by the Supervisory Board on October 7, 2009, after having been presented for advice to all work councils and central work councils in France during the third quarter of 2009.

Under this scheme, a supplementary pension is paid to executives who retire immediately upon leaving the AXA Group, and who have a minimum length of service of 10 years, of which at least 5 years as an executive. May also benefit from the scheme, executives whose employment is terminated by the Company after the age of 55, under the condition that they do not resume any professional activity before retiring.

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 under mandatory schemes (Social Security, ARRCO, AGIRC…) and under 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 within the AXA Group, at achieving a global pension equivalent to:

- 40% of the average gross compensation of the past 5 years preceding the retirement date, if this average is superior to 12 annual Social Security ceilings [(1)];
- 50% of the average gross compensation 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 gross compensation of the past 5 years preceding the retirement date, if this average is between 8 and 12 annual Social Security ceilings.

Reduced rates shall apply for an executive seniority of less than 20 years. As an example, with 10 years of 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 AXA Group before retirement, no supplementary pension is paid.

The Company's commitments as regard to pension or retirement to the aforementioned executives was €27.5 million on December 31, 2011.

The evolution of these commitments between December 31, 2010 and December 31, 2011 is due to the cost attributable to one year of additional service within the AXA Group and the cost of one year less discounting and the integration of social contributions in the commitments (such as required by the International Accounting Standard).

Mr. Henri de Castries decided in 2010, on an individual and voluntary basis but in consultation with the Board of Directors, to limit the compensation to be taken into account in order to calculate his global pension. For information purposes, as of today considering his length of service within the Group (more than 22 years on the date of this Annual Report), the part of his global pension would be paid under the supplementary pension scheme would represent approximately 31.5% of his current annual target compensation.

## TERMINATION PROVISIONS

| | Employment contract | | Supplementary pension scheme | | Indemnities or advantages due or likely to be due upon termination of functions | | Indemnities due for non-competition clause | |
|---|---|---|---|---|---|---|---|---|
| **Executive officers** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** |
| Henri de Castries<br>Chairman & CEO<br>Beginning of current mandate: 29/04/2010<br>Term of office: 2014 | – | X | X | – | X | – | – | X |
| Denis Duverne<br>Deputy CEO<br>Beginning of current mandate: 29/04/2010<br>Term of office: 2014 | – | X | X | – | X | – | – | X |

*(1) For information, the annual Social Security ceiling for 2012 is equal to €36,372.*

In accordance with the AFEP/MEDEF recommendations Messrs. Henri de Castries and Denis Duverne have decided to renounce their respective employment contracts following AXA's Shareholders' Meeting of April 29, 2010.

In connection with this decision, the Supervisory Board undertook a review of the consequences of this renunciation including with respect to the continuity of the social benefits (health insurance, life insurance, disability insurance, retirement, etc.) to which Messrs. de Castries and Duverne were entitled as employees of AXA. In this context, the Supervisory Board (i) noted that Messrs. de Castries and Duverne have been long-standing employees of the AXA Group (for 20 years and 14 years, respectively) and had the same social benefits as all other director-level employees of AXA in France (with no special benefits or arrangement designed specifically for them), and (ii) was concerned that the decision of Messrs. de Castries and Duverne to renounce their employment contracts in accordance with the AFEP/MEDEF recommendations would not jeopardize the continuity of their accrued and future social benefits.

In this context, on February 17, 2010, the Supervisory Board took the following decisions:

- the Supervisory Board authorized that, following the termination of their employment contracts, Messrs. Henri de Castries and Denis Duverne will continue to have social benefits (health insurance, life insurance, disability insurance, retirement, etc.) on terms equivalent to those of all other director-level employees of the AXA Group in France;
- the Supervisory Board authorized a contractual severance benefit for Messrs. de Castries and Duverne designed to replicate the benefits to which they were entitled as AXA employees under the 1993 collective agreement covering director-level employees of the insurance sector, but with the addition of new performance conditions in accordance with the AFEP/MEDEF recommendations. A severance benefit would be applicable, except in the case of gross or wilful misconduct, solely in the event of dismissal, non-renewal or resignation within 12 months following a change in the Company's control or strategy that has not been initiated by the beneficiary. The payment of the severance benefit would also be subject to the three following performance conditions: (1) achievement, for at least 2 of the 3 preceding fiscal years, of the objectives set for the beneficiary's variable compensation and corresponding to the payment of at least 65% of his variable compensation target; (2) evolution of the AXA share price at least equal to the Dow Jones Eurostoxx Insurance index (in percentage) over a 3-year period preceding the termination of the term of office; (3) financial strength ratings of the AXA Group's principal insurance subsidiaries above or equal to the minimum ratings set by the Board with regard to the insurance industry and the ratings of AXA's principal competitors. The amount of severance benefit to be paid to the beneficiary would be adjusted in accordance with the level of achievement against these performance conditions: (1) 100% of the severance benefit will be paid if at least 2 of the 3 performance conditions are met; (2) 40% of the severance benefit will be paid if only 1 performance condition is met; and (3) no severance benefit shall be paid if none of the performance conditions are met. Notwithstanding the foregoing, if only 2 of the 3 performance conditions are met, the amount of severance benefit will be reduced by 50% if the performance condition (1) is not met or if AXA's consolidated net income for the preceding fiscal year was negative.

  No severance benefit will be paid if the beneficiary is entitled to an additional pension scheme within the 6 months following his termination.

  The initial amount of the severance benefit would be equal to 19 months of the average compensation (fixed and variable) paid during the 24-month period preceding termination for Mr. Henri de Castries, and equal to 12 months of this average for Mr. Denis Duverne. For each beneficiary, one month will be added to the initial amount of the severance benefit for each additional year of future service up to a maximum cap of 24 months.

  These commitments took effect upon the effective renunciation by Messrs. Henri de Castries and Denis Duverne of their respective employment contracts and will continue so long as they remain executive officers of AXA (including under renewed mandates);
- Messrs. Henri de Castries and Denis Duverne also renounced the indemnities to which they were entitled as employees, pursuant to the 1993 collective agreement, (i) at the time of their retirement *(indemnités de départ en retraite)* and (ii) in case of termination (six month prior notice).

# Employee shareholders

## SHAREPLAN

Since 1993, the AXA Group has promoted employee shareholding by offering each year to its employees an opportunity to become shareholders through a special share capital increase reserved exclusively to them ("SharePlan").

By virtue of the authorization granted by the Shareholders' Meeting of April 27, 2011, the Board of Directors increased the Company's share capital through the issue of shares reserved to the Group employees under the SharePlan 2011 program. The shareholders waived their preferential subscription rights so that this offering could be made to employees.

In countries that met the legal, regulatory and tax requirements for participation in SharePlan, two investment options were offered to the Group employees in 2011:

- the traditional plan, offered in 41 countries;
- the leveraged plan, offered in 38 countries.

The traditional plan allowed employees to subscribe through a personal investment to AXA shares (either through Mutual funds (FCPE) or through direct share ownership, depending on countries) with a 20% discount. The shares are held within the Group Company Savings Plan and are restricted from sale during a period of approximately 5 years (except specific early exit cases allowed by applicable laws). Employees are subject to the share price evolution, up or down, as compared to the subscription price.

At the end of the 5 year holding period, the employees can, depending on their residence country, do any one of the following: (1) receive the cash value of their assets; (2) receive the value of their assets in the form of AXA shares; or (3) transfer their assets invested in the leveraged plan into the traditional plan.

The leveraged plan allowed employees to subscribe, on the basis of 10 times their personal investment, to AXA shares (either through Mutual funds (FCPE) or through direct share ownership, depending on countries) with a 13.60% discount in 2011. The shares are held within the Group Company Savings Plan and are restricted from sale during a period of approximately 5 years (except specific early exit cases allowed by applicable laws). Employees' personal investment is guaranteed by a bank, and employees also benefit from a portion of the share appreciation, as compared to the non-discounted reference price.

Mutual funds (FCPE) with direct voting rights have been created since 2005 to allow beneficiaries, in most cases, to directly exercise their voting rights during the Company's Shareholder Meetings.

The SharePlan 2011 program was carried out through a capital increase that took place in December 2011 and was open to almost all Group employees through voluntary contributions:

- more than 26,000 employees took part in SharePlan 2011, representing approximately 23% of eligible employees;
- the total amount invested was more than €332 million, as follows:
  - €19.1 million in the traditional plan, and
  - €313.5 million in the leveraged plan;
- A total of approximately 37 million new shares were issued, each with a par value of €2.29. These shares began earning dividends on January 1st, 2011.

On December 31, 2011, AXA employees and agents held 7.34% of the share capital and 8.48% of the voting rights. These shares are owned through Mutual funds or directly either in the form of ordinary shares or ADS.

# 2.3 DESCRIPTION OF THE COMPANY'S SHARE REPURCHASE PROGRAM



Pursuant to Article 241-2 of the AMF General Regulations, this section constitutes the description of the Company's share repurchase program that will be submitted to the shareholders for approval at AXA's Ordinary Shareholders' Meeting on April 25, 2012.

## DATE OF THE SHAREHOLDERS' MEETING CONVENED TO AUTHORIZE THE PROGRAM

April 25, 2012.

## TREASURY SHARES (HELD DIRECTLY BY THE COMPANY OR OWNED BY COMPANY SUBSIDIARIES) ON JANUARY 31, 2012

The table below sets forth the number of AXA shares and the percentage of shares held by the Company directly (treasury shares) or indirectly (treasury shares held by Company subsidiaries).

| | Number of shares | % of the share capital [a] | Par value (in Euro) |
|---|---|---|---|
| Treasury shares held directly by the Company | 1,676,321 | 0.07% | 3,838,775.09 |
| Treasury shares owned by Company subsidiaries | 16,466,811 | 0.70% | 37,708,997.19 |
| **TOTAL** | **18,143,132** | **0.77%** | **41,547,772.28** |

*(a) Percentage calculated on the basis of the number of AXA's outstanding ordinary shares as of January 31, 2012 (Source: Euronext Notice of January 27, 2012).*

## ANALYSIS OF TREASURY SHARES ON JANUARY 31, 2012

| | Liquidity contract | Hedging of free shares granted to employees | Cancellation |
|---|---|---|---|
| Number of treasury shares held directly by the Company | - | 1,676,321 | – |

## OBJECTIVES OF THE COMPANY'S SHARE REPURCHASE PROGRAM

Pursuant to the provisions of the European Commission Regulation n° 2273/2003 which came into force on December 22, 2003 and in accordance with market practices permitted by the AMF, the objectives of the Company's share repurchase program that will be submitted to the shareholders' approval on April 25, 2012 are the following:

**a)** (i) hedging stock options or other share allocations offered to some or all eligible employees or executive officers of the Company and/or affiliated entities or economic interest groups as defined in Article L.225-180 of the French Commercial Code, (ii) granting for free or assigning free shares to some or all present or former eligible employees, former employees, executive officers and general insurance agents enrolled in any employee savings plan sponsored by the Company or the AXA Group pursuant to applicable law, in particular Articles L.3332-1 *et seq.* of the French Labor Code, or (iii) granting free shares to eligible employees or executive officers of the Company in accordance with the provisions of Article L.225-197-1 of the French Commercial Code and/or its affiliated entities or economic interest groups in accordance with the provisions of Article L.225-197-2 of the French Commercial Code;

**b)** optimizing the liquidity of the AXA ordinary share through a liquidity contract that complies with the *Association française des marchés financiers* (AMAFI) Code of Conduct approved by the AMF, and entered into with an investment service provider, in accordance with the market practice accepted by the AMF;

**c)** holding the shares for the purpose of subsequent payment or exchange in the context of potential external growth transactions, in accordance with the market practice accepted by the AMF;

**d)** delivering the shares upon exercise of the rights attached to securities corresponding to debt instruments giving a claim to the Company's share capital through repayment, conversion, exchange, presentation of a warrant or in any other manner;

**e)** cancelling some or all of the repurchased shares, provided that the Board of Directors is duly authorized by the shareholders, under an extraordinary resolution, to reduce the capital through the cancellation of the shares acquired pursuant to a share repurchase program; or

**f)** more generally, performing all operations relating to hedging operations or any other admissible operation or to be subsequently admissible, by the laws and regulations in force.

## MAXIMUM PERCENTAGE OF SHARE CAPITAL, MAXIMUM NUMBER AND TYPES OF SECURITIES THAT MAY BE REPURCHASED BY THE COMPANY AND MAXIMUM PURCHASE PRICE

| | Share repurchase program submitted to the shareholders' approval on April 25, 2012 | | |
|---|---|---|---|
| **Type of securities** | **Maximum % of share capital** | **Maximum number of shares [a]** | **Maximum purchase price (per share)** |
| Ordinary shares | 10% | 235,719,752 | €35 |

*(a) This number represents the theoretical maximum number of shares that may be purchased by the Company, calculated on the basis of the Company's registered share capital on February 15, 2012, i.e. €5,397,982,320.80 divided into 2,357,197,520 shares. Based on the number of treasury shares already held directly by the Company on that date, AXA may purchase up to 234,043,431 of its own shares.*

## DURATION OF THE REPURCHASE PROGRAM

18 months as of April 25, 2012, subject to the approval of the program by the Ordinary Shareholders' Meeting.

## TRANSACTIONS COMPLETED IN 2011 BY AXA ON ITS OWN SHARES

In connection with its share repurchase program, which was approved by AXA's shareholders at their General Meeting held on April 29, 2010 (11th resolution), AXA, in accordance with the provisions of Article L.225-209 of the French Commercial Code, continued the liquidity contract dated May 16, 2005 compliant with the AMAFI Code of Conduct approved by AMF. This contract had an initial duration of one year and was automatically renewed unless terminated by one of the parties and appointed Crédit Agricole Cheuvreux to execute transactions pursuant to the terms of the contract. AXA announced the termination, as of February 18, 2011, of this liquidity contract.

Between January 1, 2011 and February 18, 2011, 130,000 shares were purchased under this liquidity contract for an average weighted gross unit price of €15.48 and 3,130,000 shares were sold for an average weighted gross unit price of €14.88. Related transaction fees incurred over the same period amounted to €39,720.

In addition, and in connection with the two share repurchase programs which were respectively approved by AXA's shareholders at their General Meeting held on April 29, 2010 (11th resolution) and at their General Meeting held on April 27, 2011 (8th resolution) carried out pursuant to Article L.225-209 of the French Commercial Code (liquidity contracts being excluded), no AXA share was bought or sold between January 1st and December 31st, 2011.

As a result, on December 31, 2011 the total number of treasury shares, all allocated for hedging purposes, was 979,168, corresponding to 0.04% of AXA's share capital at the year-end closing date, acquired for an aggregate purchase price of €17,405,939.33 (with a par value of €2.29 per share).

# 2.4 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

## Capital Ownership

On December 31, 2011, AXA's fully paid up and issued share capital amounted to €5,397,982,320.80 divided into 2,357,197,520 ordinary shares, each with a par value of €2.29 and eligible for dividends as of January 1st, 2011.

To the best of the Company's knowledge, the table below summarizes the ownership of its issued outstanding ordinary shares and related voting rights as of December 31, 2011:

| | Number of shares | % of capital ownership | % of voting rights [(a)] |
|---|---|---|---|
| Mutuelles AXA [(b)] | 342,767,775 | 14.54% | 22.76% |
| Treasury shares held directly by the Company | 979,168 | 0.04% | [0.03%] [(c)] |
| Treasury shares held by Company subsidiaries (directly or indirectly) [(d)] | 16,489,792 | 0.70% | [1.03%] [(c)] |
| Employees and agents | 172,910,876 | 7.34% | 8.48% |
| BNP Paribas SA | 126,082,466 | 5.35% | 8.33% |
| General public | 1,697,967,443 | 72.03% | 59.37% |
| **TOTAL** | **2,357,197,520 [(e)]** | **100%** | **100%** |

*(a) In this table, voting rights' percentages are calculated on the basis that all outstanding ordinary shares are entitled to voting rights, notwithstanding the fact that certain of these shares may be deprived of voting rights by law or otherwise (for example, treasury shares held by AXA or its subsidiaries are deprived of voting rights under French law).*

*(b) AXA Assurances IARD Mutuelle (11.58% of capital ownership and 17.99% of voting rights) and AXA Assurances Vie Mutuelle (2.96% of capital ownership and 4.77% of voting rights).*

*(c) These shares will be entitled to vote when they cease to be treasury shares (e.g. upon their sale or other transfer to an unaffiliated third party).*

*(d) Treasury shares as indicated in Note 13 to "Consolidated Financial Statements" included in Part 4 of this Annual Report.*

*(e) Source: Euronext Notice of January 3, 2012.*

AXA Assurances IARD Mutuelle and AXA Assurances Vie Mutuelle (the "Mutuelles AXA") are parties to agreements pursuant to which they have stated their intention to collectively vote their shares in AXA. As part of these agreements, the Mutuelles AXA have established a Strategy Committee *(Comité de coordination stratégique)* composed of certain directors from their respective Boards. The Strategy Committee elects a Chairman among its members (at present, Mr. Claude Bébéar) and is generally consulted on all significant matters relating to the Mutuelles AXA including their collective shareholding in AXA and overall relationship with the Company.

To the best of the Company's knowledge, no shareholder held more than 5% of the Company's share capital or voting rights on December 31, 2011 except as indicated in the table above.

Certain of the Company's shares are entitled to double voting rights as described in Part 5 – "Certain additional information" – "Voting rights" Section of this Annual Report. Of the Company's 2,357,197,520 outstanding ordinary shares on December 31, 2011, 570,139,811 shares entitled their holders to double voting rights as of that date.

## SIGNIFICANT CHANGES IN CAPITAL OWNERSHIP

Significant changes in the Company's share capital ownership between December 31, 2009 and December 31, 2011 are set forth in the table below:

| | On December 31, 2011 [(a)] | | | |
|---|---|---|---|---|
| | Number of shares | Capital ownership (%) | Number of voting rights | Voting rights (%) |
| Mutuelles AXA [(b)] | 342,767,775 | 14.54% | 666,123,259 | 22.76% |
| Treasury shares held directly by the Company | 979,168 | 0.04% | [979,168] [(c)] | [0.03%] [(c)] |
| Treasury shares held by Company subsidiaries (directly and indirectly) [(d)] | 16,489,792 | 0.70% | [30,258,184] [(c)] | [1.03%] [(c)] |
| Employees and agents | 172,910,876 | 7.34% | 248,106,725 | 8.48% |
| General public [(e)] | 1,824,049,909 | 77.38% | 1,981,869,995 | 67.70% |
| **TOTAL** | **2,357,197,520** [(f)] | **100%** | **2,927,337,331** | **100%** |

*(a) In this table, voting rights' percentages are calculated on the basis that all outstanding ordinary shares are entitled to voting rights, notwithstanding the fact that certain of these shares may be deprived of voting rights by law or otherwise (for example, treasury shares are deprived of voting rights under French law).*

*(b) AXA Assurances IARD Mutuelle and AXA Assurances Vie Mutuelle.*

*(c) These share will be entitled to vote when they cease to be treasury shares (e.g. upon their sale or other transfer to an unaffiliated third party).*

*(d) Treasury shares as indicated in Note 13 to "consolidated financial statements" included in Part 4 of this Annual Report.*

*(e) Including BNP Paribas SA.*

*(f) Source: Euronext Notice of January 3, 2012.*

On December 31, 2011, to the best of the Company's knowledge based on the information available to it, the Company had approximately 11,000 total registered holders of its ordinary shares (*i.e.* shareholders holding in nominative form).

## FULLY DILUTED CAPITAL ON DECEMBER 31, 2011

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 and warrants.

| | Fully diluted capital |
|---|---|
| Ordinary shares issued on December 31, 2011 [(a)] | 2,357,197,520 |
| Stock options | 79,103,348 |
| Stock subscription warrants related to the SharePlan operation in Germany | 3,674,454 |
| Maximum total number of shares | 2,439,975,322 |

*(a) Source: Euronext Notice of January 3, 2012.*

| On December 31, 2010 [a] | | | | On December 31, 2009 [a] | | | |
|---|---|---|---|---|---|---|---|
| Number of shares | Capital ownership (%) | Number of voting rights | Voting rights (%) | Number of shares | Capital ownership (%) | Number of voting rights | Voting rights (%) |
| 323,355,484 | 13.94% | 621,837,469 | 21.88% | 323,355,484 | 14.12% | 621,837,469 | 22.20% |
| 8,273,983 | 0.36% | [8,273,983] [c] | [0.29%] [c] | 8,616,128 | 0.38% | [8,616,128] [c] | [0.31%] [c] |
| 17,372,038 | 0.75% | [30,875,964] [c] | [1.08%] [c] | 17,766,863 | 0.78% | [31,246,043] [c] | [1.12%] [c] |
| 150,840,244 | 6.50% | 214,844,721 | 7.56% | 135,653,412 | 5.92% | 191,670,224 | 6.84% |
| 1,820,263,488 | 78.45% | 1,966,987,435 | 69.19% | 1,804,573,237 | 78.80% | 1,947,585,692 | 69.53% |
| **2,320,105,237** | **100%** | **2,842,819,572** | **100%** | **2,289,965,124** | **100%** | **2,800,955,556** | **100%** |

# AXA subordinated convertible bonds on December 31, 2011 [(a)]

| | Subordinated convertible bonds issued on February 17, 2000 |
|---|---|
| Number of bonds initially issued | 6,646,524 |
| Issue price | €165.50 |
| Total principal amount | €1,099,999,722 |
| Closing date | February 17, 2000 |
| Maturity date | January 1st, 2017 |
| Coupon | 3.75% |
| Conversion | Starting February 17, 2000: 4.41 [(b)] shares for 1 bond |
| Maturity of the bonds | Total redemption on January 1st, 2017 at €269.16 per bond, i.e. 162.63% of the nominal amount |
| Early redemption | – The Company may purchase the bonds 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% 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 if the number of bonds in circulation is below 10% of the number of bonds issued. |
| **Number of bonds outstanding as of December 31, 2011** | **6,613,129** |

*(a) AXA's 2017 convertible bonds can still be converted, but any dilutive impact created by the issuance of new shares resulting from the conversion of the bonds is neutralized by the automatic exercise of call options on the AXA shares that were put in place in January 2007.*

*(b) As a result of certain financing transactions (capital increases with preferential subscription rights, reserves distribution), the conversion conditions of AXA 2017 convertible bonds were adjusted on several occasions since their issue in 2000. The conversion ratio was increased to 4.41 AXA shares with a par value of €2.29 for one convertible bond (see Euronext notice n° PAR_20091109_05426 published on November 9, 2009 and Euronext notice n° PAR_20091209_05954 published on December 9, 2009).*

# Related party transactions, employee shareholders and cross-shareholding agreements

## RELATED PARTY TRANSACTIONS

For information concerning related party transactions, please see Part 4 – "Consolidated Financial Statements" – Note 28 "Related Party Transactions" of this Annual Report.

## EMPLOYEE SHAREHOLDERS

### SharePlan

Since 1993, the AXA Group has promoted employee shareholding by offering each year to its employees an opportunity to become shareholders through a special equity issue reserved exclusively for them ("SharePlan").

By virtue of the authorization granted by the shareholders at the Annual General Meeting of April 27, 2011 (19th resolution), the Board of Directors increased the Company's share capital, through the issue of shares to Group employees under the SharePlan 2011 program. The shareholders waived their preferential subscription rights to facilitate this offering to employees. In the countries that met the legal and tax requirements for participation in SharePlan, two investment options were offered in 2011:

- the traditional plan, offered in 41 countries;
- the leveraged plan, offered in 38 countries.

More than 26,000 employees in 42 countries took part in SharePlan 2011, and participating employees invested a total of more than €332 million, as follows:

- €19.1 million in the traditional plan; and
- €313.5 million in the leveraged plan.

Following the 2011 SharePlan offering in December 2011, AXA issued a total of approximately 37 million new ordinary shares each with a par value of €2.29, all of which were entitled to dividends for 2011.

On December 31, 2011, AXA employees and agents held 7.34% of the Company's share capital and 8.48% of the voting rights. These shares are owned through Mutual funds or directly either in the form of ordinary shares or ADS in the framework of the Group Employee Stock Purchase Plans.

### AXA Miles

In order to reward its employees for the results obtained in 2005 and 2006, AXA implemented a worldwide program in order to grant free shares to all its employees, called "AXA Miles".

By virtue of the authorization granted by the shareholders at the Shareholders' Meeting of May 14, 2007, the Management Board granted on July 1st, 2007, 50 AXA shares to each employee of the AXA Group, with the exception of Management Board and Executive Committee members, who renounced them.

In 2011, the AXA Miles program resulted in a grant of more than 2 millions AXA shares to nearly 40,000 employees.

## CROSS-SHAREHOLDING AGREEMENTS

AXA has entered into cross-shareholding agreements with BNP Paribas and Schneider Electric which are described hereafter.

### Agreement with the BNP Paribas Group

On August 5, 2010, and after authorization by the AXA Board of Directors of August 3, 2010, the AXA Group and the BNP Paribas Group entered into an agreement that replace the prior agreement between them dated December 15, 2005.

The 2010 agreement maintains the option for each party to repurchase its shares in the event of a hostile change of control of the other party.

In force for a period of three years starting from August 5, 2010, this agreement is renewable automatically for successive periods of one year thereafter, unless one of the two parties decides to terminate the agreement earlier, in which case the terminating party is required to give three month notice prior to the next renewal date.

The agreement was made public by the AMF on August 9, 2010.

### Agreement with the Schneider Group

On May 15, 2006, and after authorization by the AXA Supervisory Board of December 21, 2005, the AXA Group, the Mutuelles AXA 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 AXA ordinary shares. The number of shares held under this cross-shareholding agreement is adjusted as needed to reflect the impact of certain capital transactions, including, but not limited to: free allotments of stock or of exchange of stocks of the same company (stock splits, stock grouping, etc.). In addition, the agreement includes an option for each party to repurchase its shares in the event of a hostile change of control of the other party.

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

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

AXA and Schneider Electric informed the AMF of their decision not to renew their May 15, 2006 agreement. The termination of this agreement was published by the AMF on December 27, 2011. The current agreement will expire at the term planned by the agreement, *i.e.* on May 15, 2012.

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

Mazars
61, rue Henri Régnault
92400 Courbevoie

# Special report of the Statutory Auditors on regulated agreements and commitments

## (For the year ended December 31, 2011)

*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 SA**
25, avenue Matignon
75008 Paris

Ladies and Gentlemen,

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

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 provided to us, to inform you, the shareholders, of the main features of the agreements of which we have been informed. It is not our responsibility to express an opinion on the use or merits of such agreements. Pursuant to Article R.225-31 of the French Commercial Code, you are asked to form an opinion on the relevance of such agreements for the purpose of approving them.

Furthermore, we are required, if necessary, to provide information, in accordance with Article R.225-31 of the French Commercial Code, on agreements and commitments previously approved by the General Meeting which remained in force.

We performed our work in accordance with the standards of our profession applicable in France. These standards consisted in the verification of the consistency of the information we received with the basis documentation from which they are extracted.

## Agreement to be approved by the General Meeting

### AGREEMENT AUTHORIZED DURING THE FISCAL YEAR 2011

In accordance with Article L.225-40 of the French Commercial Code, we were advised of the following agreement which was previously authorized by your Board of Directors.

#### With AXA ASIA – Directors concerned: Messrs. Henri de Castries and Denis Duverne

***Nature, purpose, terms and conditions:***

On October 12, 2011, the AXA Board of Directors authorized the signing of a contribution in kind agreement (hereinafter the "Agreement") between AXA and AXA ASIA,

- the Agreement, entered into on November 16, 2011 then reiterated by deeds on December 14 and 23, 2011, was implemented in order for AXA to transfer, according to the contribution in kind system provided for in Articles L.225-147, R.225-136, R.225-7 and R.225-8 of the French Commercial Code, to its wholly-owned subsidiary AXA ASIA, participating interests in Life, Property and Casualty businesses of the Group in Asia;
- in performance of the Agreement and after the relevant regulatory authorisations have been obtained, the contribution in kind has occurred on December 23, 2011, when AXA ASIA acquired ownership of 1,966,924,000 shares that represent a full ownership of AXA China Region Limited, 253,205,188 shares that represent a full ownership of AXA Financial Services (Singapore) Pte. Ltd., 14,365,317 shares that represent a 99.99% ownership of AXA General insurance Hong Kong Ltd., 151,500,000 shares that represent a full ownership of AXA Insurance Singapore Pte. Ltd. and 500,000 shares that represent a full ownership of AXA Asia Regional Pte. Ltd.;

- the Agreement provides that, in accordance with Regulation n°2004-01 of May 4, 2004 of the *Comité de la Réglementation Comptable* (French Accounting Regulation Committee), the contribution was realized at the carrying value for a total amount of €5.26 billion. The remuneration of the contribution was calculated based on the net book values of the contributed shares and on the net book value of AXA ASIA, in accordance with the exemption provided for in the administrative instruction BOI 4-I-1-05 n°123;
- AXA was awarded 469,866,968 new shares of AXA ASIA with a par value of €11.20, as compensation for the above-mentioned shareholdings contribution.

## Agreements and commitments previously approved by the General Meeting

### AGREEMENTS AND COMMITMENTS APPROVED DURING PRIOR FISCAL YEARS THAT REMAINED IN FORCE IN 2011

In accordance with Article L.225-30 of the French Commercial Code, we were advised of the following commitments and regulated agreements, approved during previous fiscal years, which remained in force in 2011.

**With the Schneider Electric Group**

On May 15, 2006, and after authorization by the AXA Supervisory Board on December 21, 2005, the AXA Group (the Mutuelles AXA, AXA and its subsidiaries) and the Schneider Group entered into an agreement that provided for the maintenance of minimal cross-shareholdings. Under the terms of this agreement, the AXA Group undertook to hold at least 2,583,300 shares of Schneider stock and the Schneider Group undertook to hold at least 8,816,681 shares of AXA stock. The number of shares held under this cross-shareholding agreement would be adjusted as needed in order 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 or regrouping, etc.). In addition, the parties had consented to a reciprocal repurchase option in the event of a hostile takeover on either AXA or Schneider.

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

The agreement had been made public by the AMF *(Autorité des marchés financiers)* on May 31, 2006.

AXA and Schneider Electric informed the AMF of their decision not to renew their May 15, 2006 agreement. The termination of this agreement was published by the AMF on December 27, 2011. The current agreement will expire at the term planned by the agreement, *i.e.* on May 15, 2012.

**With the following Executive Officers: Messrs. Henri de Castries and Denis Duverne**

***Nature, purpose, terms and conditions:***

On October 7, 2009, the AXA Supervisory Board confirmed that Messrs. Henri de Castries, Denis Duverne and François Pierson, then members of the Management Board, were entitled to the supplementary pension scheme under the same conditions that apply to director-level employees of the AXA Group in France.

This scheme, which has existed since January 1st, 1992, has been modified twice with effect from January 1st, 2005 and July 1st, 2009.

Under this scheme, a supplementary pension is paid to Executives who retire immediately upon leaving the AXA Group, at age 60 or older and who have a minimum length of service of 10 years, of which at least 5 years as Executive. May also benefit from this scheme, Executives whose employment is terminated by the Company after the age of 55, under the condition that they do not resume any professional activity before retiring.

The amount of the supplementary pension is calculated at the time of retirement and is added to the total amount of retirement pensions paid under mandatory schemes (Social Security, ARRCO, AGIRC…) and under 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 gross compensation of the past 5 years preceding the retirement date, if this average is superior to 12 annual Social Security ceilings;
- 50% of the average gross compensation 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 gross compensation of the past 5 years preceding the retirement date, if this average is between 8 and 12 annual Social Security ceilings.

Reduced rates shall apply for an executive seniority of less than 20 years. As an example, with 10 years of 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 from the Group before retirement, no supplementary pension is paid.

During 2011, these commitments applied to Messrs. Henri de Castries and Denis Duverne (respectively Chairman & Chief Executive Officer and Deputy Chief Executive Officer as of April 29, 2010).

### With Mr. Henri de Castries

*Nature, purpose, terms and conditions:*

On February 17, 2010, the Supervisory Board acknowledged the effective renunciation by Mr. Henri de Castries to his employment contract as of the Shareholders' Meeting of April 29, 2010 during which the former dual structure consisting of a Management Board and a Supervisory Board was replaced by a unitary Board of Directors structure in which Mr. Henri de Castries holds the position of Chairman in addition to his functions as Chief Executive Officer.

The Supervisory Board was concerned that the decision of Mr. Henri de Castries to renounce his employment contract, in accordance with the AFEP/MEDEF recommendations, would not jeopardize the continuity of his accrued and future social benefits. Consequently, the Supervisory Board took the following decisions:

- the Supervisory Board authorized the Company to take all appropriate commitments to ensure that Mr. Henri de Castries will continue to have social benefits (health insurance, life insurance, disability insurance, retirement…) identical or on terms equivalent to those applicable to AXA Group director-level employees in France, including by amending Group benefit plans in terms of health, life and disability insurance;
- the Supervisory Board authorized the grant to Mr. Henri de Castries of a contractual severance benefit upon termination of his term of office as executive officer. This severance benefit, subject to performance conditions in conformity with the AFEP/MEDEF recommendations and the applicable laws and regulations, would be equivalent to that provided for in the collective agreement relative to director-level employees of insurance companies of1993 and which was previously applicable to Mr. Henri de Castries as employee.

A severance benefit would be applicable, except in the case of gross or wilful misconduct, solely in the event of dismissal, non-renewal or resignation within 12 months following a change in the Company's control or strategy that has not been initiated by the beneficiary.

The payment of the severance benefit would also be subject to the three following performance conditions: (1) achievement, for at least 2 of the 3 preceding fiscal years, of the objectives set for the beneficiary's variable compensation and corresponding to the payment of at least 65% of his variable compensation target; (2) evolution of the AXA share price at least equal to the Dow Jones Eurostoxx Insurance index (in percentage) over a 3-year period preceding the termination of the term of office; (3) financial strength ratings of the AXA Group's principal insurance subsidiaries above or equal to the minimum ratings set by the Supervisory Board with regard to the insurance industry and the ratings of AXA's principal competitors.

The amount of the severance benefit to be paid to the beneficiary would be adjusted in accordance with the level of achievement against these performance conditions as follows: (1) 100% of the severance benefit would be paid if at least 2 of the 3 performance conditions are met; (2) 40% of the severance benefit would be paid if only 1 performance condition is met; and (3) no severance benefit would be paid if none of the performance conditions are met. Notwithstanding the foregoing, if only 2 of the 3 performance conditions are met, the amount of severance benefit will be reduced by 50% if the performance condition (1) is not met or if AXA's consolidated net income for the preceding fiscal year was negative.

No severance benefit will be paid if the beneficiary is entitled to an additional pension scheme within the 6 months following his termination.

The initial amount of the severance benefit would be equal to 19 months of average compensation (fixed and variable) paid during the 24-month period preceding termination for Mr. Henri de Castries. One month will be added to the initial amount of the severance benefit for each additional year of future service up to a maximum cap of 24 months.

These commitments are in force upon the effective renunciation by Mr. Henri de Castries to his employment contract, *i.e.* on April 30, 2010 and will continue so long as he remains an executive officer of AXA (including under renewed mandates).

### With Mr. Denis Duverne

*Nature, purpose, terms and conditions:*

On February 17, 2010, the Supervisory Board acknowledged the effective renunciation by Mr. Denis Duverne to his employment contract as of the Shareholders' Meeting of April 29, 2010 during which the former dual structure consisting of a Management Board and a Supervisory Board was replaced by a unitary Board of Directors structure in which Mr. Denis Duverne holds the position Deputy Chief Executive Officer.

The Supervisory Board was concerned that the decision of Mr. Denis Duverne to renounce his employment contract, in accordance with the AFEP/MEDEF recommendations, would not jeopardize the continuity of his accrued and future social benefits. Consequently, the Supervisory Board took the following decisions:

- the Supervisory Board authorized the Company to take all appropriate commitments to ensure that Mr. Denis Duverne will continue to have social benefits (health insurance, life insurance, disability insurance, retirement…) identical or on terms equivalent to those applicable to AXA Group director-level employees in France, including by amending Group benefit plans in terms of health, life and disability insurance;

- the Supervisory Board authorized the grant to Mr. Denis Duverne of a contractual severance benefit upon termination of his term of office as executive officer. This severance benefit, subject to performance conditions in conformity with the AFEP/MEDEF recommendations and the applicable laws and regulations, would be equivalent to that provided for in the collective agreement relative to director-level employees of insurance companies of 1993 and which was previously applicable to Mr. Denis Duverne as employee.

  The terms and conditions under which this severance benefit would be granted are the same as for Mr. Henri de Castries except for the initial amount of the benefit which would be equal to 12 months of average compensation (fixed and variable) paid during the 24-month period preceding termination.

  These commitments are in force upon the effective renunciation by Mr. Denis Duverne to his employment contract, *i.e.* on April 30, 2010 and will continue so long as he remains an executive officer of AXA (including under renewed mandates).

### AGREEMENTS AND COMMITMENTS APPROVED DURING THE FISCAL YEAR 2011

We were also advised of the performance, during the fiscal year ended December 31, 2011, of the following agreements and commitments which were previously approved by the Shareholders' Meeting of April 27, 2011 after review of the Statutory Auditors' report dated March 17, 2011.

#### With the BNP Paribas Group – concerned director: Mr. Michel Pébereau

***Nature, purpose, terms and conditions:***

On August 3, 2010, the AXA Board of Directors authorized the signing of an agreement between AXA and BNP Paribas.

- This agreement, entered into on August 5, 2010, came into force on the signing date and replaces the one in force since December 15, 2005;
- this agreement contains provisions in terms of information requirements in case of change in the cross-shareholdings between the two Groups;
- this agreement provides, specifically, a reciprocal repurchase option with BNP Paribas in the event of a hostile takeover by a third party of the share capital of AXA or BNP Paribas. In these circumstances, and pursuant to the agreement, AXA would be entitled to repurchase, partly or entirely, the outstanding shareholding of the BNP Paribas Group in AXA on the date it exercises its repurchase option. Reciprocally, BNP Paribas will enjoy the same repurchase option over the outstanding shareholding of the AXA Group in BNP Paribas;
- in force for a period of three years as from August 5, 2010, this agreement is renewable automatically for successive periods of one year, unless one of the two parties decides to terminate it beforehand, in which case it is required to give a three month notice prior to the next renewal date;
- the agreement was made public by the AMF *(Autorité des marchés financiers)* on August 9, 2010.

Neuilly-sur-Seine and Courbevoie, March 14, 2012

The Statutory Auditors

| PricewaterhouseCoopers Audit | Mazars |
| --- | --- |
| Pierre Coll – Michel Laforce | Philippe Castagnac – Gilles Magnan |

# 2.5 THE OFFER AND LISTING

## Markets

The principal trading market for the Company's ordinary shares is the Compartment A of Euronext Paris. Since the delisting of ADS (*American Depositary Shares,* each representing one AXA ordinary share) from the New York Stock Exchange on March 26, 2010, the Company's ADS are traded on the U.S. over-the-counter market and are listed on the OTC QX platform under the symbol AXAHY.

### TRADING ON EURONEXT PARIS

Official trading of listed securities on Euronext Paris, including the Company's ordinary shares, is transacted through French stockbrokers *(sociétés de bourse)* and takes place continuously on each business day in Paris from 9:00 a.m. to 5:30 p.m. (Paris time), with a fixing of the closing price at 5:35 p.m.

In France, the Company's ordinary shares are included in the principal index published by Euronext Paris (the "CAC 40 Index"). The Company's ordinary shares are also included in Euronext 100, the index representing Euronext's blue chip companies based on market capitalization, and in EURO STOXX 50, the blue chip index comprised of the 50 most highly capitalized and most actively traded equities within the Eurozone. In addition, the Company's ordinary shares are also included in the EURO STOXX Insurance, the insurance related index for companies within the Eurozone.

The table below sets forth, for the periods indicated, the reported high and low prices (intraday) in Euro for the Company's ordinary shares on Euronext Paris:

| Calendar Period | Intraday High (in Euro) | Intraday Low (in Euro) |
|---|---|---|
| **2010** | | |
| Third quarter | 15.240 | 11.950 |
| Fourth quarter | 14.095 | 10.880 |
| **2011** | | |
| First quarter | 16.160 | 12.530 |
| Second quarter | 15.965 | 14.125 |
| Third quarter | 15.935 | 7.880 |
| Fourth quarter | 12.650 | 8.500 |
| Annual | 16.160 | 7.880 |
| **2011 and 2012** | | |
| August 2011 | 13.725 | 9.270 |
| September 2011 | 11.375 | 7.880 |
| October 2011 | 12.650 | 8.831 |
| November 2011 | 11.400 | 8.500 |
| December 2011 | 11.690 | 9.622 |
| January 2012 | 12.380 | 9.392 |
| February 2012 | 12.920 | 11.560 |

# 3 REGULATION, RISK FACTORS

## Certain disclosures about market risk and related matters

# 3.1 REGULATION

AXA is engaged in regulated business activities on a global basis through numerous operating subsidiaries and the Group's principal business activities of insurance and asset management are subject to comprehensive regulation and supervision in each of the various jurisdictions where the Group operates. AXA SA, the ultimate parent holding company of the AXA Group, is also subject to extensive regulation as a result of its listing on Euronext Paris and its interest in numerous regulated insurance and asset management subsidiaries. Given that the AXA Group is headquartered in Paris, France, this supervision is based to a significant extent on European Union directives, discussed more fully below, and on the French regulatory system. The AXA Group's principal regulators in France are the *Autorité des marchés financiers* ("AMF"), which is the French financial market regulator, and the *Autorité de contrôle prudentiel* ("ACP"), which is the principal French insurance regulator following the merger in 2010 of the *Commission bancaire* with the *Comité des entreprises d'assurance* and the *Autorité de contrôle des assurances et des mutuelles* ("ACAM") to create ACP.

## REGULATORY AND LEGISLATIVE INITIATIVES RELATED TO THE FINANCIAL CRISIS

The financial crisis of 2008-2009 gave rise to numerous legislative and regulatory initiatives across various jurisdictions where the Group does business. The first phase of these initiatives was generally designed to stabilize financial markets and financial institutions around the world in the wake of the Lehman Brothers bankruptcy and the bail-out of American International Group in September 2008. These initiatives included government programs in France, the United States and most of the other principal markets where the Group does business.

Since 2009, when many emergency government programs slowed or wound down, global regulatory and legislative focus generally moved to a second phase of broader reform and a restructuring of the way in which financial institutions are regulated. While the final nature, scope and extent of this second phase of initiatives are still evolving, many of the principal jurisdictions where the Group does business have considered or enacted major, and in some cases transformational, changes to the way financial institutions are regulated.

For example, in the European Union, significant efforts towards establishing a more cohesive and streamlined European supervisory framework have been made, including by adjusting the current insurance regime to include a European Insurance and Occupational Pensions Authority and establishing a European Systemic Risk Board. In the US, the Dodd-Frank Wall Street Reform and Consumer Protection Act represents a fundamental change to the US financial regulatory landscape and, while directly impacting US financial institutions, may also have a substantial impact on large non-US financial institutions such as AXA and its US affiliates. In addition, while many international reform initiatives revolve around common themes and attempts are being made to coordinate and harmonize these reforms internationally, Management believes that the multitude of reform initiatives under consideration may ultimately result in the enactment of a series of technically inconsistent measures across the various jurisdictions where the Group does business, with broad potential implications for the Group and its business.

Management expects the regulatory landscape to continue evolving during 2012 and beyond with further legislative and regulatory initiatives likely to grow out of the ongoing European sovereign debt crisis and other significant economic and political events (including any structural reforms or other changes made to the Euro, the Eurozone or the European Union that may come out of the European sovereign debt crisis).

### The Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"or "Dodd-Frank") continues to have a significant impact on the US financial regulatory landscape. The full scope of the regulatory changes imposed by the Dodd-Frank Act will only be determined once extensive implementing regulations have been promulgated and become effective and the regulators are still in the process of promulgating and implementing those rules. While the focus of the Dodd-Frank Act is on US financial institutions, many of its provisions could significantly affect non-US companies, with financial operations in the United States, such as AXA. Certain changes that could potentially have a meaningful impact on non-US institutions such as AXA include, but are by no means limited to:

- the newly established Financial Stability Oversight Council ("FSOC") may, among other powers:
  - designate non-US non-bank financial companies, including possibly AXA, as "systemically important" and therefore subject to supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), as well as enhanced prudential standards, which may include stress testing, and

- make recommendations to the Federal Reserve regarding the establishment of the supervisory requirements and prudential standards applicable to "systematically important" entities and activities and work with all primary financial regulatory agencies (including state insurance regulators) to establish regulations, as necessary, in order to address financial stability concerns;
- a new resolution procedure for large financial companies;
- imposition of comprehensive regulation of the over the counter derivatives market (including new margin and capital requirements on market participants recently imposed by the Commodity Future Trading Commission ("CFTC"), and which may be imposed by the Securities and Exchange Commission ("SEC") which could substantially increase the cost of hedging and related operations);
- the Volcker Rule, which will potentially limit in important respects the ability of US and non-US "banking entities" to engage in proprietary trading or to sponsor or invest in hedge funds and private equity funds, both in and even outside the United States, could, if applied to AXA as a non-US non-bank financial company, result in heightened capital requirements for such activities;
- enhanced reporting and regulation of incentive-based compensation structures regarding certain regulated entities, including registered broker-dealers and investment advisers such as certain of the Group's subsidiaries and affiliates;
- elimination of the private adviser exemption from registration, thereby requiring advisers to hedge funds and private equity funds to register with the SEC, subject to certain exceptions;
- additional levels of regulation over broker-dealers and investment advisers, including harmonizing broker-dealer and investment adviser regulation, and possibly appointing a self-regulatory organization to oversee investment advisers, much as the Financial Industry Regulatory Authority ("FINRA") does for broker-dealers; and
- expanding reach of the anti-fraud provisions of the US securities laws with respect to non-US issuers to actions brought by the United States or the SEC if they involve significant US contacts.

Dodd-Frank also contains measures designed to enhance consumer protection for various types of financial services, including by increasing SEC enforcement powers and anti-fraud provisions, and centralizing responsibility for consumer financial protection by creating a new agency, the Bureau of Consumer Financial Protection, responsible for implementing, examining and enforcing compliance with federal consumer financial laws, many of which are strengthened. Dodd-Frank also facilitates sharing of information between the SEC and US and non-US regulators, including law enforcement authorities, expands extraterritorial jurisdiction in actions brought by the US Department of Justice or the SEC and extends the statute of limitations for securities fraud offenses. This expansion of enforcement power potentially includes conduct within the US that constitutes significant steps in furtherance of the violation, even if the securities transaction occurs outside the US and involves only foreign investors, as well as conduct occurring outside the United States that have a foreseeable substantial effect within the US.

## Selected French financial and banking reforms

Significant French and European Union reforms impacting the French financial sector include, but are not limited to:

- the creation of the French prudential supervisory authority (ACP), which, in addition to prudential supervision, has broad competence for implementing, examining and enforcing compliance with numerous aspects of consumer financial laws;
- additional prudential requirements on financial institutions with respect to capital, liquidity, leverage and business activities;
- increased restrictions on securitization transactions, in particular retention of risk by originators/sponsors;
- enhanced regulation of, or recommendations with respect to, incentive-based compensation structures at certain financial regulated entities;
- increased restrictions as to counterparts of certain financial institutions;
- enhanced customer protection *via* higher thresholds of guaranty funds in the event of insolvent financial institutions;
- supervision and regulation of rating agencies;
- temporary measures prohibiting net short positions on certain securities, including AXA shares;
- proposed legislation (which remains under discussion in the French parliament) on the adoption in France of a financial transactions tax that would be applicable to certain transfers of shares in French-listed companies with a market capitalization exceeding €1 billion. The tax, if enacted, is expected to be equal to 0.1% of the acquisition price of covered transactions;
- the enactment of the French Banking and Financial Regulation Law of October 22, 2010, which provides, among other measures:
  - the creation of a financial regulation and systemic risk council, chaired by the Minister of the Economy,
  - enhanced powers of the AMF, the French financial markets authority,
  - the tighter regulation of short selling and prohibition of naked short selling,
  - enhanced regulation of financial solicitation,
  - enhanced regulation of the derivatives market, and

- enhanced corporate governance standards, including the creation of new board committees or by additional responsibilities of existing committees, in particular with respect to supervising risks within financial institutions, and to specifically identify and address financial incentives that may lead to "excessive" risk taking by an institution.

## Potential areas of reform in other jurisdictions where the Group operates

Management believes that ongoing reforms in other jurisdictions where the Group operates are likely to involve regulatory and legislative changes that will revolve around areas and themes similar to those that have already been addressed by the Dodd-Frank Act (where extensive rulemaking is expected with respect to many provisions), French law and regulation (including in the French Financial and Banking Regulation Law), and European Union regulations. These areas and themes are likely to include:

- potential reforms to regulatory structures and schemes:
  - various proposals designed to optimize regulatory structures and coordination with respect to supervision of the largest "systemically significant" global financial institutions including proposals to impose new/additional prudential requirements/restrictions on these institutions with respect to capital, liquidity, leverage and/or business activities,
  - proposals to establish new regulatory or judicial "resolution authorities" designed to stabilize, merge, wind-up/or take other appropriate actions with respect to systemically significant financial institutions that become insolvent or otherwise unable to meet their obligations,
  - proposals to impose new taxes and/or fees on (1) financial institutions, (2) financial transactions (*e.g.* the "Tobin tax"), and/or (3) bonuses or other executive compensation in excess of defined limits,
  - proposals to establish new national and/or supra-national "guaranty funds" (funded with new taxes or fees similar to those described above) to stabilize insolvent financial institutions, protect customers and ensure stability of the overall financial system,
  - proposals to create new or additional consumer protection bodies designed to ensure that retail financial services products are suitable for their target markets, understandable by consumers and marketed appropriately,
  - similar proposals aimed at ensuring the continued stability of the overall financial system and addressing the risk of "regulatory arbitrage" arising from fractured and inconsistent regulation of financial institutions both nationally and internationally;
- potential legislative initiatives designed to "cure" perceived excessive risk taking and misaligned financial incentives:
  - increased responsibilities of boards and board committees to specifically identify and address financial incentives that may lead to "excessive" risk taking by an institution with broad potential implications for fiduciary duties and liabilities of directors,
  - increased taxes, restrictions and/or disclosure requirements with respect to executive and employee compensation, including disclosure requirements and restrictions on compensation determined to encourage excessive risk-taking,
  - increased restrictions on, and new disclosure requirements with respect to, related party transactions including payment of dividends, transfers of assets and/or liabilities and other transactions between related parties,
  - increased restrictions on, and new disclosure requirements with respect to, conflicts of interest – in particular aimed at misaligned financial incentives,
  - increased restrictions on, and new disclosure requirements with respect to, securitization transactions – in particular retention of risk by originators/sponsors,
  - increased restrictions on, and new disclosure requirements with respect to, off-balance sheet arrangements,
  - attempts to legislate corporate governance standards and principles;
- potential financial market regulation reforms:
  - potential regulation of CDSs as "credit insurance" requiring licensing of institutions offering these instruments,
  - regulation of rating agencies and redefinition of the relationship (including compensation relationship) between agencies and issuers,
  - regulation of hedge funds, mortgage brokers, non-bank lenders and other participants in the "shadow" financial systems,
  - greater regulation of auditors including with respect to provision of non-audit services to their audit clients as well as partner (and potentially audit firm) rotation requirements,
  - tighter regulation of short selling,
  - review of mark-to-market accounting rules and impairment rules.

Management believes that 2012 is likely to see significant additional regulation in some or all of these areas, among others. In addition, during 2012, Management believes that US and European authorities are likely to designate certain companies as "systemically important". Certain national authorities have already done so and AXA Belgium has been designated systemically important by the Belgian authorities. The full consequences and implications of being so designated are not yet clear but, if the AXA Group were to be so designated, it could have a variety of consequences (including imposition of new/additional prudential requirements and restrictions with respect to capital, liquidity, leverage and/or business activities) and could adversely affect the Group's competitive position. See Section 3.2 "Risk Factors – Financial crisis related legislative and regulatory initiatives designed to reform the regulation of financial institutions, such as the Dodd-Frank Act and recent reforms in France and the European Union, may adversely impact AXA's business, results of operations and financial condition".

The massive injection of government funds into a number of major financial institutions during 2008 and 2009, and the still-developing international response to the ongoing sovereign debt and Euro crises in Europe (which could potentially involve further capital injections for some institutions and rescue packages for certain sovereigns) have broad potential implications, the full extent of which is not yet clear, for those institutions (and for the financial services sector more generally) in terms of the extent and nature of continuing government influence and control.

The Group will continue to monitor the evolution of these initiatives and their potential impact on its business closely over the coming months.

### Regulatory environment with respect to executive compensation

Since 2008 there have been a variety of proposals with respect to executive compensation practices at financial institutions including from the Financial Stability Board (FSB) and other regulatory bodies. Certain of these proposals have been embodied in regulation or legislation while others remain best practice recommendations.

In 2009, the FSB published implementation standards for its Principles of Sound Compensation Practices. Among the matters covered in these standards and principles are a variety of mechanisms (including minimum recommended deferrals of cash bonuses, greater use of long-term equity grants rather than cash as a form of compensation, minimum vesting/deferral periods, and performance criteria for vesting of long-term awards) that are designed to ensure an appropriate alignment of interests between (i) Executive management and certain employees (such as traders) who can have a potentially significant impact on the nature and duration of risks incurred, (ii) the company, and (iii) shareholders.

These principles and standards are reflected in a variety of regulations and legislations that have been enacted over the past two years in various jurisdictions where the Group does business. While these restrictions are often aimed primarily at the banking sector and do not apply uniformly to the Group across the various jurisdictions where we do business, the Group has aligned its global executive compensation practices with these standards and principles and conducts regular reviews of its compensation practices and policies in light of these standards as well as applicable legal and regulatory requirements. The uneven application of these principles and standards to the different actors in the financial sector (*e.g.* banks, insurers, asset managers, private equity funds, hedge funds, etc.) and across the various jurisdictions where the Group does business raises competitive issues for the Group – including our ability to attract and retain top-rate talent – because certain of our direct and indirect competitors, which do not apply these principles or do not apply them to the same extent as the Group, compete directly with us for talent in key markets where we operate.

## INSURANCE RELATED REGULATION

While the extent and nature of regulation varies from country to country, most jurisdictions in which AXA's insurance subsidiaries operate have laws and regulations governing sales practices, standards of solvency, levels of capital and reserves, permitted types and concentrations of investments, business conduct, agent licensing, approval of policy forms and, for certain lines of insurance, approval or filing of rates. In certain jurisdictions, regulations limit sales commissions and certain other marketing expenses that may be incurred by the insurer. In general, insurers are required to file detailed annual financial statements with their supervisory agencies in each of the jurisdictions in which they do business. Such agencies may conduct regular or targeted examinations of the insurers' operations and accounts and make requests for information from the insurer. Certain jurisdictions also require registration and periodic reporting by holding companies that control a licensed insurer. This holding company legislation typically requires periodic disclosure concerning the corporation that controls the licensed insurer and other affiliated companies, including prior approval of transactions between the insurer and other affiliates such as inter-Group transfers of assets and payment of dividends by the controlled insurer. In general, these regulatory regimes are designed to protect the interests of policyholders rather than shareholders.

## REGULATORY CAPITAL REQUIREMENTS

The Company's insurance subsidiaries are subject to regulatory capital requirements in the jurisdictions where they do business, which are designed to monitor capital adequacy and to protect policyholders. While the specific regulatory capital requirements (including definition of admitted assets and methods of calculation) vary between jurisdictions, an insurer's required capital can be impacted by a wide variety of factors including, but not limited to, business mix, product design, sales volume, invested assets, liabilities, reserves and movements in the capital markets, including interest rates and equity markets. Regulatory capital requirements may increase, possibly significantly, during periods of declining equity markets and/or lower interest rates such as those experienced during 2008 and parts of 2009.

At the consolidated Group level, the Company is required to calculate, in accordance with applicable French "Solvency I" regulations, a consolidated solvency margin ratio which represents the Company's total available capital as compared to its required regulatory capital. Under applicable French regulations, 100% is the minimum required consolidated solvency margin for the Company. As at December 31, 2011 the Company's consolidated solvency margin was 188%. The Company's year-end 2011 solvency margin stood at a higher level than its consolidated solvency margin at December 31, 2010 (182%).

Insurance regulators have broad discretion in interpreting, applying and enforcing their rules and regulations with respect to regulatory capital requirements and, during periods of extreme financial market turmoil of the type we have experienced over the past several years, regulators may become more conservative in the interpretation, application and enforcement of these rules which may involve them, for example, imposing increased reserving requirements for certain types of risks, greater liquidity requirements, higher discounts/"haircuts" on certain assets or asset classes, more conservative calculation methodologies or taking other similar measures which may significantly increase regulatory capital requirements.

Rating agencies also take into account the Company's consolidated solvency margin and the regulatory capital position of its insurance subsidiaries in assessing its financial strength and credit ratings. Rating agencies may make changes to their internal models from time to time that may increase or decrease the amount of capital the Company must hold in order to maintain its current ratings.

Management monitors the Company's consolidated solvency margin and the regulatory capital requirements of its insurance subsidiaries on an ongoing basis both for regulatory compliance purposes and to ensure that the Company and its subsidiaries are appropriately positioned from a competitive point of view. In the event of a failure by the Company and/or any of its insurance subsidiaries to meet minimum regulatory capital requirements, insurance regulators have broad authority to require or take various regulatory actions including limiting or prohibiting the issuance of new business, prohibiting payment of dividends, and/or, in extreme cases, putting a company into rehabilitation or insolvency proceedings. A failure of any of the Company's insurance subsidiaries to meet their regulatory capital requirements may also result in the Company having to inject significant amounts of new capital into its insurance subsidiaries which could adversely affect the Company's liquidity position, results of operations and financial position. For further information, please see Section 3.2 "Risk Factors – Our consolidated solvency margin and the regulatory capital requirements of our insurance subsidiaries may be negatively impacted by adverse capital market conditions, evolving regulatory interpretations and other factors, which could have a material adverse effect on our business, liquidity, credit ratings, result of operations and financial position".

## EUROPE

Within the European Union, AXA operates in most major markets, including France, Germany, the United Kingdom ("UK"), Ireland and Belgium through free-standing subsidiaries that are subject to a comprehensive regulatory regime based on the European Union insurance directives on life insurance and insurance other than life insurance. These directives have been implemented in France, Germany, UK and other European jurisdictions and are founded on the "home country control" principle, according to which the ongoing regulation of insurance companies, including their non-home country insurance operations (whether direct or through branches), is the responsibility of the home country insurance regulatory authority. The home country insurance regulator monitors compliance with applicable regulations, including regulations governing solvency, actuarial reserves, investment of assets, statutory accounting principles, internal governance and periodic reporting requirements. In France, ACP monitors compliance with applicable regulations, the insurer's capital base and actuarial reserves, as well as the assets of the insurer that support such reserves. Selling activities of non-home country insurance operations are generally supervised by the regulator in the country in which the sale of the insurance product takes place. As a result of the implementation of these directives, an insurance company that has been licensed to conduct insurance business in one jurisdiction of the European Union may do business directly or through branches in all other jurisdictions of the European Union without being subject to additional licensing requirements in the other jurisdictions.

The European Union has also adopted various directives concerning solvency margin requirements for insurers and insurance groups. Certain of these solvency-related measures, as well as additional legislative measures affecting other aspects of insurance company operations in Europe, are described below :

- a 1998 European Union directive, implemented into French law in 2002, requires insurance groups to calculate a consolidated solvency margin. In accordance with this directive, AXA must establish appropriate internal controls to ensure sufficient solvency to cover all of the Group's insurance liabilities, inform the French insurance regulatory authorities annually of certain intra-group transactions, and calculate on a consolidated basis the capital needed to meet the respective solvency requirements of the Group's insurance subsidiaries. Similar solvency requirements must be fulfilled by intermediate holding companies that own AXA Group insurance subsidiaries in different European Union jurisdictions;
- a 2002 European Union directive, implemented into French law in 2005, concerns the regulation and supervision of financial conglomerates and provides for the assessment of financial conglomerates capital requirements at the consolidated Group level, the supervision of risk concentration

and intra-group transactions, and the prevention of double-leveraging of the capital of a parent holding company, *i.e.* once at the holding parent level and a second time at the subsidiary level ("double gearing"). Although the AXA Group is not currently deemed a financial conglomerate within the meaning of this legislation by the French insurance regulator, there can be no assurance that it will not become (or be deemed) a financial conglomerate in the future, in particular within the framework of the current revision of the directive. Due to the lack of uniform interpretation of this legislation by local insurance regulators throughout the various European Union jurisdictions, AXA's Belgian subsidiaries have been deemed a financial conglomerate by the Belgian insurance regulator and it is possible that other European subsidiaries of the AXA Group may also be deemed financial conglomerates by local regulators thereby subjecting them to the requirements of this law;

- the European Commission (the "Commission"), jointly with Member States, has undertaken a fundamental review of the regulatory capital regime of the insurance industry (the "Solvency II" project) that has updated the existing life, non-life, reinsurance and insurance group directives. Its principal objective is to establish a solvency regime that is better matched to the underlying risks of insurers, enabling supervisors to protect policyholders' interests as effectively as possible and with common principles across the European Union ensuring a level playing field. The new approach will be based on three pillars (1) minimum solvency requirements, (2) supervisory review of firms' assessment of risk, and (3) enhanced disclosure requirements – and will cover valuations, the treatment of insurance groups, the definition of capital and the overall level of capital requirements. Specifically, Pillar 1 covers the quantitative requirements around own funds, valuation rules for assets and liabilities and capital requirements. Pillar 2 provides the qualitative requirements for risk management, governance and controls, including the requirement for insurers to submit an Own Risk and Solvency Assessment (ORSA) which will be used by the Regulator as part of the supervisory review process. Pillar 3 deals with the enhanced requirements for reporting to supervisors and public disclosures.

  A key aspect of Solvency II is that the assessment of risks and capital requirements will be aligned more closely with economic capital methodologies, and may allow the Group to make use of its internal economic capital models, if approved by AXA lead supervisor ACP, to enable a better understanding of risks and an appropriate risk management.

  In 2007, the Commission adopted a draft directive setting forth various policy principles and guidelines that would act as a framework for the development of the Solvency II regime. In 2009, the Commission, the European Parliament and the European Council agreed on a compromise text for the Solvency II Framework directive that was adopted by the European Parliament in April. The final text of the Solvency II directive regarding the "taking-up and pursuit of the business of insurance and reinsurance" was adopted by the European Council in November 2009 and includes rules regarding, among other things, valuations, own funds, capital requirements and investments.

  Following adoption of the Level 1 Framework directive, the European Commission has initiated the development of detailed rules following the Lamfalussy process according to which Directives related to financial institutions should be developed on the basis of a 4 level approach that will complement the Principles of the Directive, referred to as "implementing measures" (Level 2), which are subject to a consultation process and have not yet been finalised.

  In particular, the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS, now EIOPA since January 1, 2011) published a number of consultation papers in 2009 and 2010 covering advice to the European Commission. At this stage, significant uncertainties on some of the implementing measures remain. AXA is actively participating in the various consultation processes through its involvement in industry bodies and trade associations, including the Chief Risk Officer and Chief Financial Officer Forums, the Pan-European Insurance Forum (PEIF), together with the Association of French Insurers (FFSA) and the *Comité Européen des Assurances* (CEA).

  There is a continuing risk that the effect of the final measures adopted could depart from the initial objective of the Directive (*i.e.* setting an economic framework) and end up more focused on prudence driven principles which could be adverse for the Group in many respects including potentially imposing a significant increase in the capital required to support existing business. In addition, the application of Solvency II to international groups is still unclear and there is a risk of inconsistent application throughout Europe, which may place AXA at a competitive disadvantage with regards to other European and non-European financial services groups.

  Further, though each member state of the European Economic Area ("EEA") is currently formally required to begin implementing Solvency II by October 31, 2012, discussions are ongoing to postpone the Solvency II implementation date (likely until 2014 or 2015), and a European Parliament vote on this matter ("the Omnibus 2 directive") is currently expected in March of 2012. In case such voting is further delayed and the European Parliament does not approve a postponement of the implementation of Solvency II well in advance of October 31, 2012, the current Solvency II framework may need to be applied effective as of October 31, 2012. Implementation of Solvency II by October 31, 2012 may be further complicated by the fact that Level 2 measures and Level 3 guidance are not expected to be finalized by such date and the fact that it is unlikely that all member states will have their regulatory framework in place at that time. We cannot currently predict how these uncertainties at the European Union and national levels, if not resolved in a timely fashion, will impact the insurance industry generally or our business and operations in particular.

Having assessed the high-level requirements of Solvency II (to the extent they are currently known), an implementation programme was initiated with dedicated teams at both the Group level and in each relevant Group company. Over the coming months the Group will pursue its implementation plans and remains in regular contact with the ACP and local regulators to prepare the approval process for its internal economic capital models. While the Group currently expects to be able to obtain ACP's approval for use of its internal economic capital models on a timely basis, discussions with ACP are on-going and, consequently, there is a risk (especially given the uncertainty discussed in the preceding paragraph regarding the final scope and timing of the implementation of Solvency II) that ACP may not approve these models on a timely basis (or otherwise) and/or may impose conditions or require modifications which would have multiple adverse consequences for the Group including increasing the levels of required capital.

In 2008, the Swiss Financial Market supervisory authority ("FINMA") issued a new directive concerning solvency margin requirements for insurers and insurance groups operating in Switzerland pursuant to the new Insurance Supervision Act adopted in 2005 and associated regulations. This "Swiss Solvency Test" ("SST") is designed on a risk-based capital approach and is in large parts equivalent to the European Solvency II framework. After a transition period of five years, the new capital requirements resulting from the SST have been legally binding since January 1, 2011. The internal model approval process with FINMA for AXA Assurance's SST model is currently ongoing.

There have been a number of other initiatives in Europe with implications for AXA's European insurance subsidiaries, and the European insurance sector more generally, including the following:

- the regulatory reform initiatives referred to above;
- a 2002 European Union directive, implemented into French law in 2005, concerns the regulation of Insurance Mediation (the "IMD") and authorizes insurance intermediaries to conduct business throughout the European Union. This directive establishes a legal framework designed to ensure a high level of professionalism among insurance intermediaries and to safeguard the interests of customers. The European Commission proposed the revision of IMD in 2010;
- a 2004 European Union directive, implemented in French Law 2007, concerns the regulation of Markets in Financial Instruments and Investment Services ("MiFID"). This directive establishes a legal framework for investment services and is designed to promote two major objectives: (i) protecting investors, and (ii) promoting more integrated, transparent and efficient financial markets by harmonizing requirements of European member states with respect to financial instruments, intermediaries and related matters. The European Commission proposed the revision of MiFID in 2011;
- over the past several years a number of European jurisdictions, including France, Belgium, Spain and other jurisdictions have enacted legislation that permits corporate entities to be charged with criminal offenses. The standard for attributing criminal conduct by corporate officers and employees to corporate entities is not clearly defined in many of these jurisdictions and government prosecutors and judges have broad discretion in this area. In recent years, indictments of corporate entities for alleged criminal offenses have become increasingly common. While a criminal indictment of a corporate entity may not pose material financial risk, it could have broad potential implications for a regulated financial institution like AXA both from a reputation point of view and from a regulatory perspective because a criminal conviction can have potentially far-reaching negative implications for other Group companies engaged in regulated businesses around the world including for their ability to obtain and/or maintain licenses to engage in certain types of regulated business activities;
- a number of countries in Europe are currently considering legislation that would authorize class action litigation and/or other forms of redress for consumers;
- on September 28, 2011, the Commission published a proposal for a financial transaction tax that would be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the European Union. If not adopted by the European Union as a whole, such a tax might nonetheless be adopted by one or more European Union member states (as has been recently proposed in France) on certain financial instruments. As proposed, this tax could require the AXA Group to pay a tax on transactions in financial instruments (including, with respect to the current European Union-wide proposal, on transactions with Group affiliates). Such a financial transaction tax initiative or a similar proposal could affect our results of operations, financial condition and liquidity, and could negatively impact the costs and profitability of our transactions;
- during 2011 the government of Hungary enacted a series of legislative measures that (i) effectively nationalized individual pension regimes and adversely impacted the pension businesses of insurers and other financial institutions (including AXA Hungary) operating in the Hungarian market, and (ii) required mortgage lenders to convert Swiss francs denominated mortgage loans to Hungarian forints at a statutory rate very favourable to consumers, thereby, causing significant losses to a number of banks and other mortgage lenders (including AXA Bank Hungary) operating in the Hungarian market;
- in 2010, the UK enacted the Bribery Act 2010 (the Act) which came into force in July 2011. The Act includes wide-ranging provisions with significant extra-territorial reach aimed at the prosecution of corruption and bribery related offences. The Act creates a new strict liability offence for corporations and partnerships of failing to prevent bribery occurring within the

organisation. The only defence is if the corporate has put in place “adequate procedures” designed to stop incidences of corruption. The meaning of “adequate procedures” is not defined in the Act, though it is now explained in the UK Ministry of Justice Guidance issued in March 2011. The “failure to prevent bribery” offence applies to any corporate or partnership (wherever it is registered, incorporated or conducts its main activities) as long as it carries on a business, or part of a business, in the UK. In addition, corporates can be guilty of an offence if an “associated person” carries out an act of bribery in connection with the Company’s business whether in the UK or elsewhere. A person will be “associated” with the Company where that person performs services for or on behalf of the Company;

- over the past several years, a number of European jurisdictions, have also introduced or are considering legislation or regulations designed to better “ring-fence” companies in their jurisdiction by imposing prohibitions (or strengthening existing restrictions) on intra-group transactions between local subsidiaries and foreign parent (or other affiliated) companies that may be in financial difficulty. For example, in Germany, a 2009 law gave the German financial supervisory authority (“BaFin”) power to (i) prohibit adverse payments between affiliated companies even prior to any identified financial difficulties or other crisis situations and (ii) the ability to make such payments contingent on certain conditions. This provision is designed to permit German authorities to prevent a non-German company from withdrawing liquid assets from a German affiliate during periods of financial difficulty;
- on March 1, 2011, the European Court of Justice issued its judgment in the widely-followed “Test Achats” case. The Test Achats decision, in effect, provides that the use of gender as a factor in the pricing of or benefits under life and non-life insurance coverage is incompatible with the principles of equal treatment of men and women under the European Union Charter. The Test Achats decision provides for a transition period until December 21, 2012, after which the use of such gender-based factors will no longer be permissible. It is unclear whether this prohibition also applies to existing insurance contracts. While it is too early to assess the impacts of the Test Achats case on AXA’s insurance business, it is expected that the industry generally will incur potentially significant compliance-related costs as policy forms, underwriting and pricing criteria, and related systems undergo required modifications. On December 22, 2011, the Commission issued guidelines to assist the insurance industry in implementing unisex pricing by December 21, 2012 (*i.e.*, the end of the transition period specified in the Test Achats decision). AXA is unable at this stage to quantify the extent of any such costs or other impacts on its business but will be closely monitoring implementation of the Test Achats decision and the guidelines published by the Commission;
- the German Federal Parliament (Bundestag) has adopted an amendment of the German Investment Act (“InvG”) that became effective on April 8, 2011 and which regulates, among other things, investments in and liquidity management of real estate investment funds. It provides for the possibility to specify certain redemption dates (as opposed to daily redemptions), a general 24-month lock-up period and a notice period of 12 months for the redemption of shares in real estate investment funds (if the redemption request exceeds a certain threshold). New rules on the suspension of redemptions and a possible termination of the investment Company’s right to manage the fund in case of repeated suspensions have also been included in the new rules. With respect to real estate investment companies existing on the effective date of the amendment, the new rules will only become mandatory as of January 1, 2013. This has a variety of potential implications including for sponsors of such funds, for unit-linked insurance policies that offer such funds as an underlying investment option and also for the liquidity situation of insurance companies that hold shares of real estate investment funds in their investment asset portfolio;
- finally, there are numerous other legislative and regulatory initiatives within various European jurisdictions relating to a variety of matters, including such matters as distribution practices and changes to tax laws that may affect the attractiveness of certain of our products, which currently have favourable tax treatment.

## UNITED STATES

### Insurance regulation

In the United States, the insurance business regulation remains principally at the state level, with AXA’s insurance operations being subject to regulation and supervision by various states and territories. Within the US, the methods of regulation vary between the different states but generally have their source in statutes that delegate regulatory and supervisory powers to a state insurance commissioner. While the extent of regulation varies by jurisdiction, most jurisdictions have laws and regulations governing (i) approval of policy forms and rates, (ii) sales practices and business conduct, (iii) the standards of solvency that must be met and maintained (including risk-based capital measurements), (iv) the establishment and levels of reserves, (v) the licensing of insurers and their agents, (vi) sales practices by agents, (vii) the nature of and limitations on permitted investments, (viii) restrictions on the size of risks which may be insured under a single policy, (ix) deposits of securities for the benefit of policyholders, (x) methods of accounting, (xi) periodic examinations of the affairs of insurance companies, and (xii) the form and content of reports of financial condition and results of operations to be filed. In addition, many federal laws currently affect the insurance business in a variety of ways, including the Federal Fair Credit Reporting Act related to the privacy of information and the US Patriot Act of 2001 relating to, among other things, the establishment of anti-money laundering programs.

While the Dodd-Frank Act does not remove primary responsibility for the supervision and regulation of insurance from the states, Title V of the Act establishes a Federal Insurance Office ("FIO") within the US Treasury Department. The FIO has authority that extends to all lines of insurance except health insurance, crop insurance and (unless included with life or annuity components) long-term care insurance. Under the Dodd-Frank Act, the FIO is charged with monitoring all aspects of the insurance industry (including identifying gaps in regulation that could contribute to a systemic crisis), recommending to the FSOC the designation of any insurer and its affiliates (potentially including the Group and its affiliates) as a non-bank financial company subject to oversight by the Federal Reserve (including the administration of stress testing on capital), assisting the Treasury Secretary in negotiating "covered agreements" with non-US governments or regulatory authorities, and, with respect to state insurance laws and regulation, determining whether such state insurance measures are pre-empted by such covered agreements. In addition, the FIO will be empowered to request and collect data (including financial data) on and from the insurance industry and insurers (including reinsurers) and their affiliates. In such capacity, the FIO may require an insurer or an affiliate of an insurer to submit such data or information as the FIO may reasonably require. In addition, the FIO's approval will be required to subject an insurer or a company whose largest US subsidiary is an insurer to resolution mechanisms described above. Dodd-Frank also reforms the regulation of the non-admitted property/casualty insurance market (commonly referred to as excess and surplus lines) and the reinsurance markets, including the ability of non-domiciliary state insurance regulators to deny credit for reinsurance when recognized by the ceding insurer's domiciliary state regulator.

## Broker-dealer regulation

Certain of AXA's US insurance, broker-dealer, investment adviser and investment management subsidiaries, including AXA Equitable Life Insurance Company ("AXA Equitable"), and certain life insurance policies and annuity contracts offered by them are subject to regulation under the Federal securities laws administered by the SEC and under certain state securities laws. The SEC conducts regular examinations of the operations of these companies, and from time to time, makes requests for information from them. The SEC, other governmental and regulatory authorities, including state insurance and securities regulators, and the FINRA may institute administrative or judicial proceedings which may result in censures, fines, the issuance of cease-and-desist orders, the suspension or expulsion of a broker-dealer or member, its officers or employees, or other similar sanctions. Over time, AXA Financial's broker-dealer subsidiaries and its other subsidiaries have provided and, in certain cases continue to provide, information and documents to the SEC, FINRA, state attorneys general and other regulators on a wide range of issues. Ongoing or future regulatory investigations could result in fines, other sanctions and/or other costs. Dodd-Frank also permits the SEC to promulgate rulemaking to limit or prohibit the use of mandatory arbitration clauses in standard broker-dealer customer agreements, which, if enacted could potentially lead to an increased number of customer complaints going into litigation rather than arbitration.

In addition, the Dodd-Frank Act provides that the SEC may promulgate rules to provide that the standard of conduct for all broker-dealers, when providing personalized investment advice about securities to retail customers (and any other customers as the SEC may by rule provide) will be the same as the standard of conduct applicable to an investment adviser under the US Investment Advisers Act of 1940 (*i.e.* a fiduciary standard). Although the full impact of such a provision can only be measured when the implementing regulations are adopted, the intent of this provision is to authorize the SEC to impose on broker-dealers fiduciary duties to their customers, as applies to investment advisers under existing law. At the same time the SEC is considering rulemaking as directed by Dodd-Frank, FINRA has recently proposed and, in some cases, finalized significant additional rules of conduct affecting broker-dealers in a number of areas. The Department of Labor ("DOL") has also been active in rulemaking activities which may potentially affect broker-dealer and investment advisory business, including requiring increased compensation disclosure by qualified plans and possible expansion of the definition of a "fiduciary" under the Employee Retirement Income Security Act ("ERISA").

## Capital

Several US states, including the state of New York, regulate transactions between an insurer and its affiliates under insurance holding company acts that establish certain reporting requirements and place restrictions on provision of services and on intercompany transactions. State insurance regulators also have the discretionary authority to limit or prohibit new issuances of business to policyholders within their jurisdiction when, in their judgment, the issuing insurer is not maintaining adequate statutory surplus or capital. Life insurers in the United States are also subject to risk-based capital ("RBC") guidelines, which provide a method of measuring the adjusted capital (statutory capital and surplus plus asset valuation allowance and other adjustments) that a life insurance company should have for regulatory purposes and that takes into account the risk characteristics of the Company's investments and products. AXA Equitable and AXA's other US life insurance subsidiaries expect that the statutory surplus will continue to be in excess of the minimum RBC levels required to avoid regulatory action.

## Taxation

*United States Federal Withholding Tax and Information Reporting Legislation (FATCA).*

Under US tax legislation passed in 2010, a 30% withholding tax will be imposed on "withholdable payments" made to non-US financial institutions (broadly defined) that "fail" (or that have 50% affiliates which are also non-US financial institutions that fail) to identify their US accountholders and/or certain

US investors ("US accountholders") to the Internal Revenue Service (the "IRS"). This US withholding tax will generally apply to such withholdable payment to the non US financial institutions even if they would otherwise be entitled to an exemption under a tax treaty from US withholding tax. "Withholdable payments" generally include, among other items, payments of US-source interest and dividends and the gross proceeds from the sale or other disposition of property that may produce US-source interest and dividends.

The IRS has issued guidance stating that this withholding tax is expected to take effect on a "phased" schedule, starting in January 2014. In general, non-publicly traded debt and equity interests in investment vehicles (including some investment vehicles managed by the Group) will be treated as accounts and subject to these reporting requirements. In addition, proposed regulations have provided that cash value insurance and annuities shall be considered financial accounts for these purposes. Therefore, members of the Group may need to report information in respect of certain US policyholders and annuitants.

The Group intends to enter into such agreements as the IRS may require (and to satisfy any requirements or other guidance promulgated) to the extent necessary to avoid the imposition of a withholding tax. However, certain payments to the Group may be subject to US withholding tax under the legislation if the Group cannot enter into such agreements or satisfy the requirements hereunder. This could occur, including, as a result of local laws or contracts prohibiting information sharing with the IRS or prohibiting withholding on certain payments to accountholders, policyholders, annuitants or other investors, or as a result of the failure of accountholders, policyholders, annuitants or other investors to provide requested information.

The possibility of such withholding tax and the need for accountholders, policyholders, annuitants and investors to provide certain information may adversely affect the sales of certain of the Group's products. In addition, entering into agreements with the IRS and compliance with the terms of such agreements and with the legislation and any regulations or other guidance promulgated hereunder may substantially increase the Group's compliance costs. Even though proposed regulations have now been issued, the full financial impact of the law on the Group remains difficult to quantify.

*Financial Crisis Responsibility Fee*.

In addition, it is possible that the US Congress may adopt a form of "financial crisis responsibility" fee or tax on banks and other financial firms to mitigate costs to taxpayers of various government programs established to address the financial crisis and to offset the costs of potential future crises. The Obama Administration's 2013 revenue proposals include such a fee. The potential enactment of this proposal or a similar tax could affect our results of operations, financial condition and liquidity, and could negatively impact the costs and profitability of our transactions.

## Other Legislative and Regulatory Matters

*International Commission on Holocaust Era Insurance Claims/ Potential Legislative Initiatives*.

On August 25, 1998, AXA Winterthur Group and certain other European insurers signed a Memorandum of Understanding with certain US insurance regulators and non-governmental Jewish organizations agreeing to the establishment of the International Commission on Holocaust Era Insurance Claims ("ICHEIC"). ICHEIC conducted an investigatory process to determine the status of life insurance policies issued to Holocaust victims between 1920 and 1945 and settled thousands of claims filed with the ICHEIC with respect to policies issued by the European insurers participating in ICHEIC. After having completed its archival researches 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 handing 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. Legislation has been introduced in the US House of Representatives and the US Senate that may reopen certain of these issues and various aspects of the ICHEIC process.

*State Escheat Related Investigations*.

AXA Financial Group is subject to various statutory and regulatory requirements concerning the payment of death benefits and the reporting and escheatment of unclaimed property, and is subject to audit and examination for compliance with these requirements. AXA Financial Group, along with other life insurance industry companies, has been the subject of various inquiries regarding its death claim, escheatment, and unclaimed property procedures and is cooperating with these inquiries. For example, in June 2011, the New York State Attorney General's office issued a subpoena to AXA Financial Group in connection with its investigation of industry escheatment and unclaimed property procedures. AXA Financial Group also has been contacted by a third party auditor acting on behalf of a number of US state jurisdictions reviewing compliance with unclaimed property laws of those jurisdictions. In July 2011, AXA Financial Group received a request from the New York State Department of Financial Services, Life Bureau, formerly the New York State Insurance Department, (the "NYSDFS") to use data available on the US Social Security Administration's Death Master File or similar database to identify instances where death benefits under life insurance policies, annuities and retained asset accounts are payable, to locate and pay beneficiaries under such contracts, and to report the results of the use of the data.

The audits and related inquiries have resulted in the payment of death benefits and changes to AXA Financial Group's relevant procedures. AXA Financial Group expects it will also result in the reporting and escheatment of unclaimed death benefits, including potential interest on such payments.

## ASIA-PACIFIC AND OTHER JURISDICTIONS

The other jurisdictions in which AXA operates, including those in the Asia-Pacific Region, also have comprehensive regulatory regimes with which AXA must comply. In general, insurance laws and regulations grant supervisory authorities broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations or to revoke an insurer's license to operate. Consequently, AXA's insurance subsidiaries operating in the Asia-Pacific Region could be subject to regulatory orders limiting, restricting or terminating their regulated business activities in the event they fail to meet local regulatory requirements. In addition to licensing requirements, AXA's insurance operations in these jurisdictions are also generally regulated with respect to currency, policy terms and language, amount and types of security deposits, amount and types of reserves, amount and type of local investment and the share of profits to be paid to policyholders on participating policies. In certain jurisdictions, regulations governing constitution of technical reserves and similar regulations may prevent payment of dividends to shareholders and/or repatriation of assets.

AXA's life insurance products' advantageous tax treatment may be eliminated or adversely impacted for certain products by changes in tax laws that are considered from time to time in various jurisdictions in which AXA operates including in the Asia-Pacific. As in other regions of the world, regulators in the Asia-Pacific Region have broad discretion in their application of regulation and to investigate licensed insurers, on an individual or sector basis, to examine specific issues. For example, the Japanese legislature adopted a change in inheritance tax treatment that reduced the advantages and attractiveness of certain life insurance products and in 2008, the Government of Japan also enacted a new Insurance Law which became effective in 2010. The main intent of the law is to further protect policyholders' interest and to increase transparency for the policyholders. AXA Japan is implementing measures to comply with the law and to minimize the potential adverse impact on its business. The Japanese solvency regime is also being revised. The Financial Services Agency released a draft of the revised solvency rules in late 2009. The revision is intended to be part of a roadmap to an economic solvency margin and the new solvency margin ratio was published by insurers from the fiscal year ending March 2011 and is to become effective from March 2012.

## ASSET MANAGEMENT RELATED REGULATION

AllianceBernstein and AXA Investment Managers are subject to extensive regulation in the various jurisdictions in which they operate. These regulations are generally designed to safeguard client assets and to ensure adequacy of disclosure concerning (i) investment returns, (ii) risk characteristics of invested assets in various funds, (iii) suitability of investments for client investment objectives and risk tolerance, as well as (iv) the identity and qualifications of the investment manager. These regulations also generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations. In such event, the possible sanctions that may be imposed include the suspension of individual employees, limitations on engaging in business for specific periods, the revocation of the registration as an investment adviser, censures and fines.

AllianceBernstein and certain of its subsidiaries as well as certain US subsidiaries of AXA Investment Managers and AXA Financial, Inc. are investment advisers registered under the United States Investment Advisers Act of 1940 (the "Investment Advisers Act"). Each of AllianceBernstein's US Mutual funds is registered with the SEC under the US Investment Company Act of 1940 (the "Investment Company Act") and the shares of most of these funds are qualified for sale in all states in the United States and the District of Columbia, except for US funds offered only to residents of a particular state. Certain subsidiaries of AllianceBernstein and AXA Financial, Inc. are also registered with the SEC as transfer agents and broker-dealers that are subject to minimum net capital requirements. Asset management services rendered by AllianceBernstein and/or AXA Investment Managers to the AXA Group insurance companies (and other types of transactions between these companies), are subject to various insurance laws and regulations in the various jurisdictions where these insurance companies' clients are domiciled. These regulations generally require that the terms of transactions between the investment manager and its client be fair and equitable, that charges or fees for services performed be reasonable and that certain other standards be met. Fees must be determined either with reference to fees charged to unaffiliated clients for similar services or, in certain cases, which include ancillary service agreements, based on cost reimbursement.

The Dodd-Frank Act has recently imposed a number of new requirements applicable to such investment advisers. These include a provision requiring registered investment advisers to take steps to safeguard client assets over which an adviser has custody, including verification of the assets by an independent public accountant, as the SEC may prescribe by rule; a new Section of the Advisers Act imposing aiding and abetting liability in certain actions brought by the SEC on any person that knowingly or recklessly has aided, abetted, counselled, commanded, induced or procured a violation of any provision of the Advisers Act or rules thereunder; authorizing the SEC to promulgate rules that would impose the same fiduciary duty on broker-dealers as currently exists between investment advisers and their clients; and, increased SEC enforcement powers. While the full impact of such requirements can only be evaluated in the context of implementing regulations, such new legislation could have a substantial impact on AXA's regulated asset management business.

## FINANCIAL MARKET REGULATION, EVOLUTION OF ACCOUNTING STANDARDS AND RELATED MATTERS

As a publicly-traded company with its securities listed on Euronext Paris, the Company must comply with the relevant rules for listing and trading on this exchange and with a number of other laws and regulations including French securities laws administered and enforced by the AMF in France. These listing rules, other laws and regulations govern a wide variety of matters including (i) timely and accurate disclosure of information to investors, (ii) presentation of financial information in accordance with International Financial Reporting Standards (the"IFRS"), (iii) auditors' independence requirements, and (iv) numerous corporate governance requirements. Management devotes substantial resources to ensure compliance with both the letter and spirit of these laws and anticipates that considerable resources will continue to be devoted to this area in the future.

The Company publishes its accounts in accordance with IFRS and the interpretations of the IFRS interpretations committee that were definitive and effective as of December 31, 2011 as adopted by the European Union (the "Standards"). The Company does not use the "carve out" option to avoid applying all the hedge accounting principles required by International Accounting Standard n°39 (the "IAS 39"). In addition, the adoption of IFRS 9 published by the International Accounting Standard Board (IASB) in November 2009 then amended in October 2010 and December 2011, has not yet been formally submitted to the European Union. However, the Group would not have used the earlier adoption option of the standard as of today.

As a consequence, AXA Group's Consolidated Financial Statements also comply with IFRS as issued by the International Accounting Standards Board (IASB). Note 1.2 to the Company's Consolidated Financial Statements for the year ended December 31, 2011 included in Part 4 of this Annual Report summarizes the significant amendments and interpretations of the Standards effective in 2011. There are continuing discussions at the IASB concerning possible modifications to the Standards and certain of these modifications may have potentially significant impacts on insurers and other financial institutions, including AXA, that prepare their consolidated accounts in accordance with the Standards. These modifications include, among others, the following:

- financial assets and liabilities held by the AXA Group are recognised and measured under IAS 39 which is currently the subject of major potential amendments through its replacement by IFRS 9. In December 2011, the IASB postponed the mandatory application date of IFRS 9 from 2013 to 2015. However early application of IFRS 9 phase 1 is permitted (depending on endorsement by the European Union). The amendments, which relate to classification and measurement of financial assets and liabilities (IFRS 9 phase 1), impairment (IFRS 9 phase 2) and hedge accounting principles (IFRS 9 phase 3), may have potentially significant impacts on the Company's future financial statements presentation, shareholders equity and earnings;
- policyholders liabilities and related assets are currently accounted for according to IFRS 4 phase I which generally allows the continuation of accounting policies applied prior to the conversion to IFRS. The IASB issued a Discussion Paper in May 2007 and an Exposure Draft in July 2010 in order to define principles to be applied for IFRS 4 phase II. This new IFRS 4 phase II standard which is scheduled to be finalized in 2012 at the earliest may significantly affect policyholders' liabilities and related assets at the date of first application which is not expected to be before 2015.

IFRS 10, the new standard on consolidation based on a control approach, published in May 2011 and applicable from January 1, 2013, may impact the Group as well.

Management cannot predict with any certainty at this time the potential impact of these proposed changes (or of other potential future modifications to the Standards) given the on-going nature of the discussions at the IASB; however, any significant modifications to the Standards may adversely impact the Company's results of operations and financial condition.

In addition to these matters, a number of recent legislative and regulatory initiatives in France, at the European Union level or in other jurisdictions where AXA operates have potential implications for AXA and its subsidiaries. Certain of these initiatives may help create more uniform practices across the European Union and facilitate the development of a more open and accessible European market for international companies like AXA. For instance, the European takeover directive, implemented into French law in 2006, provides a more uniform takeover regime within the European Union, and the European directive relating to cross-border mergers, which was implemented into French law in 2008, considerably simplifies the regulatory framework applicable to these mergers. However, other initiatives may increase the compliance burden, associated expense and regulatory risk for AXA and other market participants, including the following:

- anti-money laundering and anti-terrorism legislation has been enacted and continues to evolve in the many jurisdictions in which AXA and its subsidiaries operate. These laws and regulations impose increasingly complex compliance requirements on international groups such as AXA and prohibit the Group from doing business with certain countries, individuals or organizations;
- certain European jurisdictions have enacted legislation that impacts investment of the Group's proprietary assets and may also affect the Group's asset management activities for third-party clients in those jurisdictions, including by restricting investment in financial instruments issued by companies engaged in certain activities. These types of legislation, which often vary from one jurisdiction to another, increase compliance costs and risks for the Group in the various European jurisdictions where it operates;
- in France and in certain other European Union jurisdictions, there are continuing discussions concerning implementation of a "class action" litigation mechanism that would allow groups of plaintiffs to bring collective actions. The scope and form of any such mechanism, as well as the timing of introduction, are currently under discussion.

# 3.2 RISK FACTORS

You should carefully consider the following risks. These risks could materially affect our business, results of operations or financial condition, cause the trading price of our ordinary shares and/or ADS to decline materially or cause our actual results to differ materially from those expected or those expressed in any forward looking statements made by or on behalf of the Company. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, results of operations or cash flows.

Many of the risks described below are inherent to the nature of our business and the economic, competitive and regulatory environment in which we operate. Given the multiple contingencies and the inherent uncertainties involved with many of these risks, Management is not able to quantify the impact of many of these risks with any level of precision, however, it has put in place numerous risk management processes, procedures and controls to monitor and manage these risks on an on-going basis. These risk management processes, procedures and controls are described in detail in Section 3.3 of this Annual Report and this Section 3.2 should be read in conjunction with Section 3.3. In those cases where the risks described in this Section 3.2 have given rise to quantifiable and material financial impacts and/or material contingent liabilities, those financial impacts and/or contingent liabilities are reflected in the Group's consolidated financial statements in accordance with applicable IFRS accounting standards. In presenting the risks set forth in this Section 3.2, Management has prioritized the four categories of risks presented and the individual risks within each of these categories in a manner that corresponds to Management's current view as to the potential impact (from higher to lower) of the risk for the AXA Group. While Management devotes very substantial resources to risk management on an on-going basis as described in Section 3.3 of this Annual Report, the Group's risk management activities, like all control systems, are subject to inherent limitations and cannot provide absolute assurance or render the Group immune in any respect from the risks described in this Section 3.2 or the losses that may be incurred in connection with these risks.

## RISKS RELATING TO THE FINANCIAL MARKETS, OUR FINANCIAL STRENGTH RATINGS AND FINANCIAL CONDITION, THE VALUATION OF OUR ASSETS AND RELATED MATTERS

### Continuing difficult conditions in the global financial markets and the economy as well as concerns over certain sovereign debt and the Euro may materially adversely affect our business and profitability, and these conditions may continue

#### GENERAL

Our results of operations are materially affected by conditions in the global financial markets and the economy generally. We have been affected by the financial crisis and its aftermath during each of our last four fiscal years. A wide variety of factors including concerns over sovereign debt issued, in particular, by certain European countries, the potential consequences on the Euro, the availability and cost of credit, the stability and solvency of financial institutions and other companies, the risk of future inflation as well as deflation in certain markets, volatile energy costs, and geopolitical issues have contributed to increased volatility and diminished expectations for the economy in general and the markets going forward. These factors, combined with depressed real estate markets, volatile equity market values, declining business and consumer confidence and the risks of increased future unemployment, have precipitated a significant economic slowdown in many of the countries where we do business. Management believes that these conditions are likely to persist in many markets where we do business during 2012 and perhaps beyond. We are in a period of slow growth in mature countries and it is not yet certain whether the recovery is sustainable.

The global fixed-income markets continue to experience both volatility and limited market liquidity conditions in certain markets, which have affected a broad range of asset classes and sectors. In addition, concerns over the quality of certain sovereign debt (including European sovereign debt, as discussed further below). The sustainability of certain sovereign credit ratings (including European sovereign credit ratings, as discussed further below) and the risk of a Eurozone breakup have become more pronounced over the past months. As a result of these and other factors, the market for fixed income instruments (including government bonds and other forms of sovereign debt) has continued to experience increased price volatility, credit downgrade events, increased probability of default while global currency markets, particularly Euro foreign exchange rates against other major currencies, have become increasingly volatile. Global equity markets, while improved from 2008, continue to be volatile with very significant volatility experienced during the second half of 2011 and many major markets ending the year still down significantly from their peak.

These events and the continuing market volatility have had and may continue to have an adverse effect on our revenues and results of operations in part because we have a large investment portfolio and are also dependent upon customer behavior and confidence. In our Life & Savings business, these conditions could affect the sales of our participating life insurance and pension products, Mutual funds, asset management services and products with financial risk borne by the policyholders (unit-linked), including Variable Annuity and Variable Life products. In particular, protracted or steep declines in the stock or bond markets typically could reduce the popularity of unit-linked products. Also, the account value of these products could be affected by a downturn in financial markets and decreased account values could decrease the fees generated by these products. In our asset management business, these adverse market conditions may impact the flow of investment capital into or from assets under management or supervision and could negatively impact the way customers allocate capital among money market, equity, fixed income, or other investment alternatives.

Our ability to make a profit on insurance products and investment products, including fixed and guaranteed products, depends in part on the returns on investments supporting our obligations under these products, and the value of specific investments may fluctuate substantially depending on the foregoing conditions. Certain types of insurance and investment products that we offer expose us to risks associated with fluctuations in financial markets, including certain types of interest sensitive or variable products such as guaranteed annuities or variable annuities, which have crediting or other guaranteed rates or guaranteed minimum benefits not necessarily related to prevailing market interest rates or investment returns on underlying assets. Although we use hedging techniques to manage our exposure under certain of these guarantees, not all risks can be effectively hedged and volatility in the financial markets, combined with unanticipated policyholder behavior, may increase the cost of these hedges and/or negatively affect our ability to hedge certain of these risks, which may adversely affect our profitability. For further risks related to our hedging techniques, see "Risks relating to the structure of our Group, the scope and nature of our business, and the products we offer – Our hedging programs may be inadequate to protect us against the full extent of the exposure or losses we seek to mitigate which may negatively impact our business, results of operations and financial condition."

Factors such as consumer spending, business investment, government spending, regulation, the volatility and strength of the capital markets, and inflation all affect the business and economic environment and, ultimately, the amount and profitability of our business. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our financial and insurance products could be adversely affected. In addition, we may experience an elevated incidence of lapses or surrenders on certain types of policies, lower surrender rates than anticipated on other types of products, such as certain variable annuities, with in-the-money guarantees and our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. These developments could have a material adverse effect on our business, results of operations and financial condition.

#### EUROPEAN SOVEREIGN DEBT CRISIS AND THE US SOVEREIGN CREDIT RATING

A sovereign debt default or restructuring by a Eurozone or other government (or government-backed) issuer could have potentially significant negative consequences both for holders of such debt and for the stability of the broader financial markets and sector. Any of these events, depending on its precise nature and magnitude, could have a potentially material adverse effect on the Group's results of operations or financial condition.

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European Union states to continue to service their sovereign debt obligations. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many European Union nations. Despite assistance packages to Greece, Ireland and Portugal, the creation of a joint European Union-IMF European Financial Stability Facility ("EFSF") in May 2010, and announced plans in 2011 to increase the size of the EFSF, to recapitalize certain European banks and to implement various other measures designed to alleviate these concerns, uncertainty over the outcome of the European Union governments' financial support programs and worries about sovereign finances intensified during the second half of 2011 and persist and, notwithstanding increased purchases of sovereign bonds by the European Central Bank and measures taken by other central banks to enhance global liquidity. Market concerns over the direct and indirect exposure of European banks and insurers to the European Union sovereign debt further resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. In December 2011, European leaders agreed to implement steps to encourage greater long term fiscal responsibility on the part of the individual member states and bolster market confidence in the Euro and European sovereign debt; however, such proposed steps are subject to final agreement and ratification by the European Union member states that are party to such agreement and thus the implementation of such steps in their currently-contemplated form remains uncertain. Even if such measures are implemented, there is no guarantee that they will ultimately and finally resolve uncertainties regarding the ability of Eurozone states to continue to service their sovereign debt obligations. Further, even if such long-term structural adjustments are ultimately implemented, the future of the Euro in its current form, and with its current membership, remains uncertain.

Risks and ongoing concerns about the debt crisis in Europe, as well as the possible exit from the Eurozone of one or more European states and/or the replacement of the Euro by one or more successor currencies, could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these European countries and the financial condition of European financial institutions, including AXA. Since June 2011, as discussed further below, a number of European sovereigns and several major European financial institutions (including AXA) were downgraded by credit rating agencies in light of the continuing uncertainty stemming from the European debt crisis and future of the Euro. In the event of a default or similar event by sovereign issuer, some financial institutions may suffer significant losses for which they would require additional capital, which may not be available, and could also suffer credit rating downgrades and/or solvency concerns which may, in turn, negatively impact public perceptions about the stability and creditworthiness of financial institutions and the financial sector generally as well as counterparty relationships between financial institutions. Market and economic disruptions stemming from any such event may further dampen consumer confidence levels and spending, negatively impact the availability of credit and have potentially significant negative consequences for insurers and other financial institutions, including AXA. There can be no assurance that the market disruptions in Europe, including the increased cost of funding for certain government and financial institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilize the affected countries and markets in Europe or elsewhere. After a period of uncertainty as to whether US lawmakers would be able to reach the political consensus needed to raise the federal debt ceiling, and notwithstanding that US lawmakers passed legislation to raise the federal debt ceiling before the US actually defaulted on any of its obligations, on August 5, 2011, Standard & Poor's Ratings Group, Inc. lowered its long term sovereign credit rating on the United States of America from AAA to AA+. Although other rating agencies have not similarly lowered the long-term sovereign credit rating of the United States of America, they have put that credit rating on review. There continues to be the perceived risk of a sovereign credit ratings downgrade of the US government, including the rating of US Treasury securities. It is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the US government could also be correspondingly affected by any such downgrade. Instruments of this nature are important assets on the balance sheets of many financial institutions and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market. A downgrade of the sovereign credit ratings of the US government and the perceived creditworthiness of US government-related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affecting the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Such rating actions could result in a significant adverse impact for the Group. Various Eurozone countries' ratings have been downgraded by the main rating agencies due to political uncertainties regarding reform prospects of the Eurozone and concerns over the Eurozone's increasingly weak macroeconomic prospects. On January 13, 2012, Standard & Poor's downgraded the sovereign debt ratings of France and Austria from AAA to AA+. They also downgraded seven other countries by one notch and Cyprus, Italy, Portugal and Spain by two notches. On February 14, 2012, Moody's Investor Services downgraded six European countries, including Spain, Italy and Portugal and assigned a negative outlook to the UK, France and Austria. Fitch Ratings had previously downgraded European peripheral countries at the end of 2011, but said it would not downgrade France in 2012. These rating actions could negatively affect borrowing costs of the affected entities, increase overall economic volatility, and affect the operation of our businesses.

### Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, access to capital and cost of capital

The capital and credit markets have continued to experience volatility and disruption, significantly limiting the availability of additional liquidity in the markets and credit capacity for most issuers including AXA.

We need liquidity to pay our operating expenses (including claims and surrenders), interest on our debt, dividends on our capital stock and to refinance certain maturing debts and other liabilities. In addition, we need liquidity in connection with certain derivatives transactions to which we are party which require us to post cash collateral and/or subject us to margin calls in certain circumstances. A lack of sufficient liquidity and/or access to financing over a prolonged period may have a material adverse effect on our business, results of operations and consolidated financial position. The principal sources of our liquidity are insurance premiums, annuity considerations, deposit funds, asset management fees, cash flows from our investment assets and cash/cash-equivalents on our balance sheet. Sources of liquidity in normal markets also include a variety of short and long-term instruments, including repurchase agreements, commercial paper, medium and long-term debt, subordinated debt securities, capital securities and shareholders' equity.

In the event our current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long-term or short-term financial prospects if we incur large investment losses or if the level of our business activity decreased due to a market downturn. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. While Management has in place a liquidity risk management framework that includes active monitoring of the Group's liquidity position and contingency plans for accessing liquidity, if our internal sources of liquidity prove to be insufficient or if our liquidity requirements change so as to require additional funding, we may not be able to successfully obtain additional financing (whether on favorable terms or otherwise).

### Our consolidated solvency margin and the regulatory capital requirements of our insurance subsidiaries may be negatively impacted by adverse capital market conditions, evolving regulatory interpretations and other factors, which could have a material adverse effect on our business, liquidity, credit ratings, results of operations and financial position

The Company's insurance subsidiaries are subject to the regulatory capital requirements in the jurisdictions where they do business, which are designed to monitor capital adequacy and to protect policyholders. While the specific regulatory capital requirements (including definition of admitted assets and methods of calculation) vary between jurisdictions, an insurer's required capital can be impacted by a wide variety of factors including, but not limited to, business mix, product design, sales volume, invested assets, liabilities, reserves and movements in the capital markets, including interest rates and equity markets. Regulatory capital requirements may increase, possibly significantly, during periods of declining equity markets and/or lower interest rates.

At the consolidated Group level, the Company is required to calculate, in accordance with applicable French "Solvency I" regulations, a consolidated solvency margin ratio which represents the Company's total available capital as compared to its required regulatory capital. Under applicable French regulations, 100% is the minimum required consolidated solvency margin for the Company. On December 31, 2011 the Company's consolidated solvency margin was 188% (taking into account the proposed 2011 dividend payment of €0.69 per share) which represented a €20.7 billion capital surplus at that date: (i) €23.6 billion of required capital [(1)], versus (ii) €44.3 billion of available capital [(2)]. The Company's year-end 2011 solvency margin is higher than its consolidated solvency margin at December 31, 2010 (182%) and at December 31, 2009 (171%). The Company's consolidated solvency margin ratio is sensitive to capital market conditions (including the level of interest rates, the level of equity markets and foreign exchange impacts) as well as a variety of other factors. Adverse financial market conditions would further negatively impact the Company's consolidated solvency margin. The 2011 solvency margin calculation will be reviewed by the ACP *(Autorité de Contrôle Prudentiel).*

Management monitors the Company's consolidated solvency margin and the regulatory capital requirements of its insurance subsidiaries on an on-going basis both for regulatory compliance purposes and to ensure that the Company and its subsidiaries are appropriately positioned from a competitive point of view. Insurance regulators have broad discretion in interpreting, applying and enforcing their rules and regulations with respect to solvency and regulatory capital requirements and, during periods of extreme financial market turmoil of the type we have experienced over the past four years, regulators may become more conservative in the interpretation, application and enforcement of these rules which may involve them, for example, imposing increased reserving requirements for certain types of risks, greater liquidity requirements, higher discounts/"haircuts" on certain assets or asset classes, more conservative calculation methodologies or taking other similar measures which may significantly increase regulatory capital requirements.

In the event of a failure by the Company and/or any of its insurance subsidiaries to meet minimum regulatory capital requirements, insurance regulators have broad authority to require or take various regulatory actions including limiting or prohibiting the issuance of new business, prohibiting payment of dividends, and/or, in extreme cases, putting a company into rehabilitation or insolvency proceedings. A failure of any of the Company's insurance subsidiaries to meet their regulatory capital requirements and/or a reduction in the level of their regulatory capital that may negatively impact their competitive position may also result in the Company having to inject significant amounts of new capital into its insurance subsidiaries which could adversely affect the Company's liquidity position, results of operations and financial position. For example, in 2008, the Company provided significant amounts to its subsidiaries

*(1) For this purpose, required capital is calculated based on formulas that take into account a variety of factors including (i) for Life & Savings business: specified percentages of mathematical reserves (4% of mathematical reserves for business where investment risk is borne by the insurer and 1% of mathematical reserves for business where investment risk is borne by policyholders) adjusted by an entity specific retention rate plus an amount of capital at risk; and (ii) for Property & Casualty business, the highest amount of the following two results: 23% of the average cost of claims or 16% of the gross premiums written or earned, in each case, subject to various adjustments.*

*(2) For this purpose, available capital represents (i) tangible net asset value, i.e. consolidated shareholders equity less intangible assets (including DAC), perpetual debt and certain other items, plus (ii) subordinated debt, unrealized capital gains, minority interests and certain other items.*

through loans, capital contributions or other mechanisms including approximately €2.4 billion loaned to its US subsidiary AXA Financial, Inc. that was used to enhance the capitalization of AXA Financial's insurance subsidiaries. The Company's ability to efficiently deploy its capital resources and to inject capital, as needed from time to time, in its operating insurance subsidiaries is critical to ensuring that these subsidiaries remain appropriately capitalized at all times. Regulatory restrictions that inhibit the Company's ability to freely move excess capital among its subsidiaries or which otherwise restrict fungibility of the Group's capital resources may, depending on the nature and extent of the restrictions, adversely affect the solvency position of the Company's operating insurance subsidiaries which may have a consequent negative impact on the Company's reputation and the perception of its financial strength.

Rating agencies also take into account the Company's consolidated solvency margin and the regulatory capital position of its insurance subsidiaries in assessing AXA's financial strength and credit ratings. Rating agencies may make changes to their internal models from time to time that may increase or decrease the amount of capital we must hold in order to maintain our current ratings. For example, certain rating agencies are currently considering adjusting their criteria for recognizing certain subordinated debt as eligible capital which may negatively impact their opinion on the Company's capital position and consolidated solvency margin. To the extent our regulatory capital levels are deemed insufficient to meet rating agency criteria, our financial strength and credit ratings may be downgraded.

Management has developed various contingency plans designed to ensure that the Company's consolidated solvency margin and the regulatory capital levels of its insurance subsidiaries remain well in excess of regulatory minimum requirements and at levels that leave the Company and its subsidiaries well positioned from a competitive point of view. These plans may involve use of reinsurance, sales of investment portfolio and/or other assets, measures to reduce capital strain of new business, issuance of preference shares or other measures. There can be no assurance, however, that these plans will be effective to achieve their objectives and any failure by the Company and/or its insurance subsidiaries to meet minimum regulatory capital requirements and to maintain regulatory capital at competitive levels could have a material adverse affect on our business, liquidity, credit ratings, results of operations and financial position.

### There are continuing uncertainties around the evolution and final implementation measures that will be adopted under the Solvency II Regime which could have potentially adverse impacts on the Group

A key aspect of Solvency II is that the assessment of risks and capital requirements will be aligned more closely with economic capital methodologies. Under the Solvency II Regime, the Group may be permitted to make use of its internal economic capital models as a basis for calculation of its capital needs and solvency position if these models are approved by the ACP. In 2007, the European Commission adopted a draft Directive (the Level I Framework Directive) setting forth various policy principles and guidelines that acted as a framework for the development of the Solvency II Regime. The Commission is expected to publish the Level 2 implementing measures in 2012 (for an adoption by the end of 2012) and implementation of Solvency II by the European Union Member States is planned by January 1st, 2014. Solvency II, if implemented, will effect a full revision of the insurance industry's solvency framework and prudential regime and will impose Group level supervision mechanisms.

At this stage, significant uncertainties with respect to some of the implementing measures remain. In particular, there is continuing risk that the effect of the final measures adopted could depart from the initial objective of the Directive (*i.e.* setting an economic framework). In addition, the application of Solvency II to international groups is still unclear and there is a risk of inconsistent application throughout Europe, which may place AXA at a competitive disadvantage with regard to other European and non-European financial services groups.

While AXA is actively participating in the various consultation processes through its involvement in industry bodies and trade associations, there is continuing risk that the effect of the final measures adopted could depart from the initial objective of the Level I Framework Directive and end up being more focussed on prudence driven principles which could be adverse for the Group in many respects.

### A downgrade in our claims paying ability and credit strength ratings could adversely impact our business, results of operations and financial condition

Claims paying and credit strength ratings have become increasingly important factors in establishing the competitive position of insurance companies. Rating agencies review their ratings and rating methodologies on a recurring basis and may change their ratings at any time. Consequently, our current ratings may not be maintained in the future. In January 2012, Standard & Poor's affirmed the AA- financial strength rating on the core operating entities of the AXA Group, and the A long-term counterparty credit ratings on AXA SA and AXA Financial, Inc., assigning a negative outlook in each case, and removing the CreditWatch with negative implications under which the AXA Group and other financial institutions were placed on December 9, 2011 following the rating actions on the Eurozone sovereigns. The negative outlook reflects that Standard & Poor's will continue to closely monitor these ratings and indicates an increased risk that Standard & Poor's could lower AXA's ratings over the next 12 to 24 months, in particular in case of continued challenges due to the financial market conditions and economic prospects of the Eurozone countries.

In February 2012, Moodys' Investors Services reaffirmed the Aa3 rating for counterparty credit and financial strength on AXA's principal insurance subsidiaries and the A2 rating for counterparty credit on the Company, assigning a negative outlook. The negative outlook reflects Moody's view that (i) financial risks stemming from the operating and investment exposure to weakened European sovereigns and banks have increased, as well as (ii) Moody's expectations of continued weak economic growth in certain of AXA's key markets. In November 2011, Fitch Ratings reaffirmed the AA- financial strength ratings of AXA's principal insurance subsidiaries with a stable outlook. A downgrade or the potential for a downgrade of our ratings, particularly below the AA range, could have a variety of negative impacts on us including (i) damaging our competitive position, (ii) negatively impacting our ability to underwrite new insurance policies, (iii) increasing the levels of surrenders and termination rates of our in-force policies, (iv) increasing our cost of obtaining reinsurance, (v) negatively impacting our ability to obtain financing and/or increasing our cost of financing, (vi) triggering additional collateral requirements under certain agreements to which we are party, (vii) harming our relationships with creditors or trading counterparties and/or (viii) adversely affecting public confidence in us. Any of these developments could have a material adverse effect on our business, liquidity position, results of operations, revenues and financial condition.

## Market conditions, changes in accounting policy and/or other factors could adversely affect the carrying value of our goodwill, cause us to accelerate amortization of our DAC and VBI and/or to reduce deferred tax assets and deferred policyholders participation assets which could have a material adverse effect on our consolidated results of operations and financial statements

Our accounting principles and policies with respect to intangibles (including goodwill) are set forth in Note 1.6 "Intangible Assets" (including Note 1.6.1 "Goodwill and impairment of goodwill") and an analysis of the goodwill asset reflected on our consolidated balance sheet is set forth in Note 5 "Goodwill" to the 2011 consolidated financial statements included in this Annual Report. Business and market conditions may impact the amount of goodwill we carry in our consolidated balance sheet as well as our pattern of DAC and VBI amortization and the value of our deferred tax assets and deferred participation assets. The value of certain of our businesses including, in particular, our US asset management and US Variable Life and Variable Annuity businesses, is significantly impacted by such factors as the state of the financial markets and ongoing operating performance. For the year ended December 31, 2011, Management concluded that an impairment of €943 million to the carrying value of the goodwill asset on our US life insurance business, attributable to the Accumulator Variable Annuity book of business, was required considering the decrease in US long term interest rates as well as the reduction in lapses. While this impairment significantly reduces carrying value of the total goodwill asset on our balance sheet from – at year-end 2010 to – at year-end 2011, to the extent that the operating performance of our businesses or market conditions falls below expectation we may be required to significantly impair our goodwill, accelerate our amortization of DAC and VBI and/or derecognise our deferred tax assets and deferred policyholders' participation assets which, individually or in the aggregate, could have a material adverse effect on our consolidated results of operations and financial condition.

## Losses due to defaults by financial institution counterparties and other third parties including potential sovereign debt defaults or restructurings, impairment of our investment assets and unrealized losses could negatively affect the value of our investments and reduce our profitability

Third parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include private sector and government (or government-backed) issuers whose securities we hold in our investment portfolios (including mortgage-backed, asset-backed, government bonds and other types of securities), borrowers under mortgages and other loans that we extend, reinsurers to which we have ceded insurance risks, customers, trading counterparties, counterparties under swap and other derivative contracts, other counterparties including brokers and dealers, commercial and investment banks, hedge funds, other investment funds, clearing agents, market exchanges, clearing houses and other financial institutions. Many of our transactions with these third parties expose us to credit risk in the event of default of our counterparty. In secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to cover the full amount of the loan, derivative or other secured obligation. We have also entered into contractual outsourcing arrangements with third party service providers for a wide variety of services required in connection with the day-to-day operation of our insurance and asset management businesses (including policy administration, claims related services, securities pricing and other services) which expose us to operational, financial and reputational risk in the event of a default of our counterparty service providers. In addition, defaults by parties with which we have no direct contractual relation, such as a default by a credit insurer that has insured bonds, structured finance products or other securities we may hold in our investment portfolios, may adversely impact the value of those securities and potentially adversely affect the financial markets more generally. The aforementioned parties may default on their obligations due to bankruptcy, lack of liquidity, downturns in the economy or real estate market, operational failure or other reasons, including rumors about potential defaults by one or more of these parties (or regarding the financial services industry generally). Negative trends and investment climates in our major markets, such as those experienced in the course of the last four years and/or a sovereign debt default or restructuring (including the potential collateral consequences of such a default on the financial markets and on other financial institutions holding such sovereign debt) may result in an increase in impairments on our invested assets or other losses for us including through counterparty defaults or other failures to perform. There can be no assurance that any such losses or impairments of these assets would not materially and adversely affect our business and results of operations. For further risks relating to impairments taken on our investment assets, see "The determination of the amount of allowances and impairments taken on our investments requires use of significant management judgment in certain cases, particularly for debt instruments, and could materially impact our results of operations or financial position". The default or severe distress of a major market participant (including sovereigns) could disrupt the securities markets or clearance and settlement systems in our major markets, which could in turn cause market declines or volatility. A failure of a major market participant could also cause some clearance and settlement systems to assess members of that system or could lead to a chain of defaults that could adversely affect us. Even in the absence of an actual default, a perceived lack of creditworthiness of a major market participant (sovereign or private) may result in market-wide illiquidity or other disruptions that may adversely impact us and the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms and exchanges) with whom we interact on a daily basis and the financial instruments of governments in which we invest to support long-term liabilities. For risks relating to defaults by reinsurers and retrocessionaires to which we have transferred part of our risks, see "Reinsurance may not be adequate to protect us against losses and we may incur losses due to the inability of our reinsurers to meet their obligations".

## Reinsurance may not be adequate to protect us against losses and we may incur losses due to the inability of our reinsurers to meet their obligations

In the normal course of business, AXA seeks to reduce losses that may arise from catastrophes or other events that cause unfavorable underwriting results through reinsurance. Under the reinsurance arrangements, other insurers assume a portion of the losses and related expenses; however, we remain liable as the direct insurer on all risks reinsured. Consequently, ceded reinsurance arrangements do not eliminate our obligation to pay claims and we are subject to our reinsurers' credit risk with respect to our ability to recover amounts due from them. We evaluate periodically the financial condition of our reinsurers to minimize our exposure to significant losses from reinsurer insolvencies, our reinsurers may become financially unsound by the time their financial obligation becomes due. The reinsurance market has become increasingly concentrated following recent mergers and acquisitions, which have reduced the number of major reinsurance providers. The inability of any reinsurer to meet its financial obligations to us could negatively impact our results of operations. In addition, the availability, amount and cost of reinsurance depend on general market conditions and may fluctuate significantly. Reinsurance may not be available to us in the future at commercially reasonable rates and any decrease in the amount of our reinsurance will increase our risk of loss. In certain cases, the price of reinsurance for business already insured may also increase, adversely affecting our results of operations.

## The determination of the amount of allowances and impairments taken on our investments requires use of significant management judgment in certain cases, particularly for debt instruments, and could materially impact our results of operations or financial position

Our accounting principles and policy with respect to the determination of allowances and impairments on our investments is set forth in Note 1.7.2 "Financial instruments classification" in the 2011 consolidated financial statements included in this Annual Report. The determination of the amount of allowances and impairments vary by investment type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. In considering impairments, Management considers a wide range of factors including those described in Note 1.7.2 and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and the prospects for near-term recovery. For certain asset classes, particularly debt instruments, Management's evaluation involves a variety of assumptions and estimates about the operations of the issuer and its future earnings potential. Management updates its evaluations regularly and reflects changes in allowances and impairments as such evaluations are revised. There can be no assurance, however, that Management has accurately assessed the level of impairments taken and allowances reflected in our financial statements and additional impairments and/or allowances may have a material adverse effect on our consolidated results of operations and financial position.

## Our valuation of certain investments may include methodologies, estimations and assumptions which are subject to differing interpretations and could result in changes to investment valuations that may materially adversely affect our results of operations and financial condition

Our accounting principles and policy with respect to valuation of our investments are set forth in Note 9.9 “Financial Assets Recognized at Fair Value” in the 2011 consolidated financial statements included in this Annual Report. The determination of fair values in the absence of quoted market prices is based on a variety of factors including those described in Note 9.9. Certain of our investment assets, for which there is no active trading market or other observable market data, are valued using models and methodologies that involve estimates, assumptions and significant management judgment. During periods of market disruption of the type we have experienced over the past four years, an increasing portion of our investment assets may be valued using these models and methodologies as a result of less frequent trading or less observable market data with respect to certain asset classes that were previously actively traded in liquid markets. There can be no assurance that our valuations on the basis of these models and methodologies represent the price for which a security may ultimately be sold or for which it could be sold at any specific point in time. Use of different models, methodologies and/or assumptions may have a material impact on the estimated fair value amounts and could have a material adverse effect on our results of operations and financial condition. In addition, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported in our consolidated financial statements. Decreases in value may have a material adverse effect on our results of operations and financial position.

## Interest rate and credit spread volatility may adversely affect our profitability

Our exposure to interest rate risk relates primarily to the market price and cash flow variability associated with changes in interest rates.

During periods of declining interest rates, life insurance and annuity products may be relatively more attractive to consumers due to minimum guarantees with respect to such products that are frequently mandated by regulators, resulting in increased premium payments on products with flexible premium features, and a higher percentage of insurance and annuity contracts remaining in force from year-to-year, creating asset liability duration mismatches. A decrease in interest rates or sustained low interest rate environment may also require an addition to provisions for guarantees included in life insurance and annuity contracts, as the guarantees become more valuable to policy holders and surrender assumptions require updating. During a period of decreasing interest rates, our investment earnings may decrease because the interest earnings on our fixed income investments will likely have declined considering the market interest rates. In addition, mortgages and fixed maturity securities in our investment portfolios will be more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates. Consequently, we may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, during periods of declining interest rates, our profitability may suffer as the result of a decrease in the spread between interest rates credited to policyholders and returns on our investment portfolios.

Conversely, in periods of increasing interest rates, surrenders of life insurance policies and fixed annuity contracts may increase as policyholders choose to forego insurance protection and seek higher investment returns. Obtaining cash to satisfy these obligations may require us to liquidate fixed maturity investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realized investment losses. Regardless of whether we realize an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease our net income. Accelerated withdrawals may also cause us to accelerate amortization of deferred policy acquisition costs, which would also reduce our net income.

Our mitigation efforts with respect to interest rate risks are primarily focused on maintaining an investment portfolio with diversified maturities that has a weighted average duration that is approximately equal to the duration of our estimated liability cash flow profile. However, our estimate of the liability cash flow profile may be inaccurate and we may be forced to liquidate investments prior to maturity at a loss in order to cover the liability. Although we take measures to manage the economic risks of investing in a changing interest rate environment, we may not be able to mitigate the interest rate risk of our assets relative to our liabilities.

Our exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. A widening of credit spreads will reduce the value of fixed income securities we hold (including credit derivatives where we assume credit exposure) and increase our investment income associated with purchases of new fixed income securities in our investment portfolios. Conversely, credit spread tightening will generally increase the value of fixed income securities we hold and reduce our investment income associated with new purchases of fixed income securities in our investment portfolios.

Ongoing volatility in interest rates and credit spreads, individually or in tandem with other factors such as lack of pricing transparency, market illiquidity, declines in equity prices and the strengthening or weakening of foreign currencies against the Euro (and/or structural reforms or other changes made to the Euro, the Eurozone or the European Union), could have a material adverse effect on our consolidated results of operations, financial position or cash flows through realized losses, impairments, and changes in unrealized gains and loss positions.

## Fluctuations in currency exchange rates may affect notably our reported earnings

AXA publishes its consolidated financial statements in Euro. For the year ended December 31, 2011, a significant portion of AXA's insurance gross premiums and financial services revenues, as well as AXA's benefits, claims and other deductions were denominated in currencies other than the Euro, primarily US Dollars, Pounds Sterling, Japanese Yen, Swiss Francs and Australian Dollars. AXA's obligations are denominated either in Euro or other currencies, the value of which is subject to foreign currency exchange rate fluctuations.

While AXA seeks to manage its exposure to foreign currency fluctuations through hedging, fluctuations in the exchange rates may have a significant impact on AXA's results of operations and cash flows. For example, a strengthening or weakening of the Euro against the US Dollar and/or certain other currencies in 2012 and future periods may adversely affect AXA's results of operations and the price of its securities. In addition, the currency hedges used by AXA to manage foreign exchange rate risk may significantly impact its cash position.

## A sustained increase in the inflation rate in our principal markets would have multiple impacts on AXA and may negatively affect our business, solvency position and results of operations

In certain of our principal markets, inflation, as measured by consumer price indices or other means, is a continuing risk. A sustained increase in the inflation rate in our principal markets would have multiple impacts on AXA and may negatively affect our business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates which may (i) decrease the estimated fair value of certain fixed income securities we hold in our investment portfolios resulting in reduced levels of unrealized capital gains available to us which could negatively impact our solvency margin position and net income, (ii) result in increased surrenders of certain Life & Savings products, particularly, those with fixed rates below market rates, and (iii) require us, as an issuer of securities, to pay higher interest rates on debt securities we issue in the financial markets from time to time to finance our operations which would increase our interest expenses and reduce our results of operations. A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may (i) result in impairment charges to equity securities that we hold in our investment portfolios and reduced levels of unrealized capital gains available to us which would reduce our net income and negatively impact our solvency position, (ii) negatively impact performance, future sales and surrenders of our unit-linked products where underlying investments are often allocated to equity funds, and (iii) negatively impact the ability of our asset management subsidiaries to retain and attract assets under management, as well as the value of assets they do manage, which may negatively impact their results of operations. In addition, in the context of certain Property & Casualty risks underwritten by our insurance subsidiaries (particularly "long-tail" risks), a sustained increase in inflation may result in (i) claims inflation (*i.e.* an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim), coupled with (ii) an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders, and, consequently, (iii) actual claims payments significantly exceeding associated insurance reserves which would negatively impact our results of operations. In addition, a failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in a systemic mispricing of our products resulting in underwriting losses which would negatively impact our results of operations. For additional information, please see Section 3.3 "Quantitative and qualitative disclosures about market risk and risk factors" of this Annual Report.

## RISKS RELATING TO THE STRUCTURE OF OUR GROUP, THE SCOPE AND NATURE OF OUR BUSINESS, AND THE PRODUCTS WE OFFER

### As a holding company, we are dependent on our subsidiaries to cover our operating expenses and dividend payments

Our insurance and financial services operations are generally conducted through direct and indirect subsidiaries. As a holding company, our principal sources of funds are dividends from subsidiaries and funds that may be raised from time to time through the issuance of debt or equity securities or through bank or other borrowings.

We expect that dividends received from subsidiaries and other sources of funding available to us will continue to cover our operating expenses, including (i) interest payments on our outstanding financing arrangements and (ii) dividend payments with respect to our outstanding ordinary shares. We expect that future acquisitions and strategic investments will be funded from available cash flow remaining after the payment of dividends and operating expenses (including interest expenses), cash on hand from previous securities offerings, proceeds of future offerings of securities, and proceeds from the sale of non-core assets. Certain of our significant subsidiaries, including AXA France Assurance, AXA Financial, AXA UK Holdings, AXA Japan Holding, AXA Asia and AXA Germany, are also holding companies and are dependent on dividends from their respective subsidiaries for funds to meet their obligations. Regulatory and other legal restrictions may limit our ability to transfer funds freely, either to or from all our subsidiaries. In particular, our principal insurance subsidiaries are subject to restrictions on the amount of dividends and debt repayments that can be paid to us and our affiliates. Moreover, should we be designated as "systemically significant" pursuant to the US Dodd-Frank Act or by European regulators under similar European regulatory initiatives, it is possible that the Board of Governors of the Federal Reserve System (the "Federal Reserve") and/or European authorities could impose similar or other restrictions on the transfer of funds which could negatively impact the fungibility of our capital. In 2012, certain of our principal subsidiaries may pay reduced (or no) dividends and we expect that some of our subsidiaries may continue to be dependent on the Company for capital resources and funding which may require us to provide significant amounts to our subsidiaries through loans, capital injections or other mechanisms. In addition, as noted above, currency hedges used by AXA to manage foreign exchange rate risk may significantly impact the statutory results (parent only) of the Company and the amounts available for distribution as dividends to its shareholders because unrealized exchange rate gains and losses under these derivatives are recognized in the Company's income statement. These factors may adversely impact the Company's liquidity position and capacity to pay dividends on its ordinary shares. For further details, see the Section "Liquidity and capital resources" included in Part 1 and the Part 4 – Note 29.3 "Other items: Restrictions on Dividend Payments to Shareholders" of this Annual Report. See also "Risks relating to the financial markets, our financial strength ratings and financial condition, the valuation of our assets and related matters – Our consolidated solvency margin and the regulatory capital requirements of our insurance subsidiaries may be negatively impacted by adverse capital market conditions, evolving regulatory interpretations and other factors, which could have a material adverse effect on our business, liquidity, credit ratings, results of operations and financial position".

### Our hedging programs may be inadequate to protect us against the full extent of the exposure or losses we seek to mitigate which may negatively impact our business, results of operations and financial condition

We use derivatives (including amongst others equity futures, treasury bond futures, interest rates swaps and swaptions, equity options and variance swaps) to hedge certain, but not all, risks under guarantees provided to our clients.

Among such guarantees are Guaranteed Minimum Death Benefits ("GMDB"), Guaranteed Minimum Accumulation Benefits ("GMAB"), Guaranteed Minimum Income Benefits ("GMIB") and/or Withdrawal for Life Benefits ("GMWB"), available under our Accumulator series of Variable Annuity products (the "Accumulator guarantees").

On a substantial part of the in-force portfolio and for all new vintages of business, these hedging instruments are coupled with volatility risk mitigation techniques ("Capped Volatility Funds" or "Asset Transfer Programs"). These rebalancing mechanisms within the unit-linked funds are designed to reduce policyholders' investment in higher risk assets at times of increased equity or interest rate volatility to protect their portfolio returns.

These hedging techniques are designed to reduce the economic impact of unfavorable changes to certain of our exposures under the Accumulator guarantees due to movements in the equity and fixed income markets and other factors. In certain cases, however, we may not be able to apply these techniques to effectively hedge our risks or may choose not to hedge certain risks because the derivative market(s) in question may not be of sufficient size or liquidity, the cost of hedging may be too expensive, the nature of the risk itself may limit our ability to effectively hedge or for other reasons. The operation of our hedging program is based on models involving numerous estimates and management judgments, including among others, mortality, lapse rates, election rates, volatility and interest rates and correlation among various market movements. There can be no assurance that ultimate actual experience will not differ materially from our assumptions, which could adversely impact our results of operations and financial condition. In 2008, for example, we incurred substantial losses under the Accumulator guarantees principally because (i) the assumptions underlying our hedging models did not adequately anticipate the extreme levels of market volatility and the rapid decline of interest rates experienced in 2008 and early 2009; and (ii) indices used in our hedging program did not adequately reflect the underlying separate account investment options available under these annuity contracts (basis risk). In 2011, AXA Equitable also incurred significant hedging losses on its legacy book of Accumulator business principally due to a combination of financial market volatility since August, a drop in US interest rates following the downgrade of the US sovereign rating, and historically low surrender rates.

Certain risks under Accumulator guarantees and other under contracts and policies issued by AXA Equitable are reinsured by AXA Financial Bermuda Ltd. ("AXA Bermuda") an indirect wholly owned subsidiary of the Company, which hedges these risks using the techniques described above. This reinsurance provides important capital management benefits to AXA Equitable to the extent that AXA Bermuda maintains sufficient assets in an irrevocable trust (or letters of credit) to back the liabilities assumed under these reinsurance arrangements. The level of assets required to be held in trust (and/or the amount of required letters of credit) fluctuates depending on market and interest rate movements, mortality experience and policyholder behaviors and may increase in certain circumstances which may impact AXA Bermuda's liquidity. In addition, pursuant to its hedging programs, AXA Bermuda may be required to post collateral and/or cash settle hedges when there is a decline in fair value of specified instruments declines (which would occur, for example, in the event of a rise in interest rates or equity markets) and AXA Bermuda may not be able to transfer assets from the trust to satisfy these obligations. Management believes that AXA Bermuda has adequate liquidity and credit facilities to deal with a range of market scenarios and increasing reserve but there can be no assurance that AXA Bermuda will have sufficient liquidity in all scenarios. In the event AXA Bermuda were not able to post required collateral or cash settles such hedges when due it may be required to reduce or eliminate its hedging programs which may cause it to be unable to continue providing certain reinsurance to AXA Equitable. In addition, Bermuda regulatory authorities recently proposed new regulations that, if enacted, will impose more stringent capital requirements on AXA Bermuda and could, under certain circumstances, adversely impact certain capital management benefits to AXA Equitable.

The profitability of AXA's Accumulator series of Variable Annuity products depends, among other factors, on AXA's ability to effectively hedge the Accumulator guarantees. The Company has implemented and continues to pursue a number of initiatives, including re-design and re-pricing of certain product features, designed to improve the profitability of these products and limit future hedging losses on the Accumulator guarantees. There can be no assurance, however, that these initiatives will succeed in meeting their objective or that the re-designed and re-priced products will continue to be attractive to their target markets which, in either case, could have an adverse impact on AXA's business, competitive position, results of operations and financial condition.

### We use numerous assumptions to determine the appropriate level of insurance reserves, deferred acquisition costs (DAC), employee benefits reserves and to calculate certain widely used industry measures of value such as Life & Savings New Business Value (NBV) and European Embedded Value (EEV), which involve a significant degree of management judgment and predictions about the future that are inherently uncertain; if these assumptions are not correct, it may have adverse impact on our results of operations and/or performance indicators, such as NBV, that may adversely affect the price of our securities

The establishment of insurance reserves, including the impact of minimum guarantees which are contained within certain of our Variable Annuity products, the adequacy test performed on the reserves for life policies (which encompasses the recoverability of DAC, Value of Business In-force and deferred participations assets) and the establishment of DAC, NBV and EEV are inherently uncertain processes involving assumptions about factors such as policyholder behavior (*e.g.* lapses, persistency, etc.), court decisions, changes in laws and regulations, social, economic and demographic trends, inflation, investment returns and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends. The use of different assumptions about these factors could have a material effect on insurance reserves and underwriting expenses as well as on our DAC, NBV and EEV. In addition, insurance reserves for minimum guarantees contained within certain of our Variable Annuity products, DAC balances, EEV and NBV may be significantly impacted by the state of the financial markets and significant declines could have a material adverse effect on our consolidated results of operations and financial position. Furthermore, certain of these assumptions can be volatile. While AXA's NBV and EEV calculations are done on a market consistent basis which is more conservative in many respects than traditional NBV and EEV calculations, changes in assumptions used in calculating these measures may have a material adverse effect on the level of our NBV and/or EEV. For example, our NBV is sensitive to interest rate movements and, consequently, incorrect assumptions about future interest rates may have a significant impact on our NBV and a corresponding impact on the trading price of our securities.

### If our established loss reserves for our Property & Casualty and International Insurance businesses are insufficient, our earnings will be adversely affected

In accordance with industry practices and accounting and regulatory requirements, we establish reserves for claims and claims expenses related to our Property & Casualty and International Insurance businesses. With the exception of disability annuities and workers compensation liabilities that are deemed structured settlements, the claims reserves are not discounted. Reserves do not represent an exact calculation of liability, but instead represent estimates, generally using actuarial projection techniques at a given accounting date. These reserve estimates are expectations of what the ultimate settlement and administration of claims will cost based on our assessment of facts and circumstances then known, review of historical settlement patterns, estimates of trends in claims severity, frequency, legal theories of liability and other factors. The process of estimating the insurance claims reserves is based on the most current information available at the time the reserves are originally established. However, claims reserves are subject to change due to the number of variables which affect the ultimate cost of claims, such as:

- development in claims (frequency, severity and pattern of claims) between the amount estimated and actual experience;
- changes arising due to the time lag between the occurrence of the insured event, notification of the claim (from the insured party, a third party or a ceding company) and the final settlement (payment) of the claim, primarily attributable to long-tail casualty claims that may take several years to settle due to the size and nature of the claim, and the occurrence of large natural catastrophes late in the financial year for which limited information may be available at year-end;
- judicial trends;
- expenses incurred in resolving claims;
- regulatory and legislative changes;
- changes in economic conditions, including inflation and foreign currency fluctuations; and
- changes in costs of repairs and medical costs.

Many of these items are not directly quantifiable, particularly on a prospective basis. As a result, actual losses may significantly differ from the original gross reserves established. Consequently, the reserves may need to be re-estimated reflecting those changes resulting in loss reserve redundancies (in cases where the original gross claims reserve was overstated) or deficiencies (in cases where the original gross claims reserve was understated). Adjustments to reserves are reflected in current results of operations.

We continually review the adequacy of the established claims reserves, including emerging claims development, and actual claims compared to the original assumptions used to estimate gross claims reserves. Based on the current information available, we believe that our claims reserves are sufficient; however, because the establishment of claims reserves is an inherently uncertain process involving numerous estimates, there can be no assurance that ultimate losses will not materially exceed our claims reserves and have a material adverse effect on our results of operations. For example, there is a high degree of uncertainty with respect to future exposure from asbestos claims because of significant issues surrounding the liabilities of insurers, diverging legal interpretations and judgments in different jurisdictions and aggressive asbestos related litigation, particularly in the US and increasingly in the UK and other European countries. These uncertainties include the extent of coverage under insurance policies, whether or not particular claims are subject to an aggregate limit, the number of occurrences involved in particular claims and new theories of insured and insurer liability. We have established reserves for insurance and reinsurance contracts related to environmental pollution and asbestos at December 31, 2011, which represent our best estimate of ultimate claims exposure at December 31, 2011, based on our current knowledge of facts and law. However, given uncertainties surrounding the related claims, there can be no assurance that ultimate losses will not materially exceed our claims reserves and have a material adverse effect on our earnings. For additional information, see “Asbestos” in Note 14 to AXA’s consolidated financial statements included in Part 4 of this Annual Report.

### The claims experienced in our Life & Savings businesses could be inconsistent with the assumptions we use to price our products and establish our reserves and adversely affect our earnings

In our Life & Savings businesses, our earnings depend significantly upon the extent to which our actual claims experience is consistent with the assumptions we use in setting the prices for our products and establishing the liabilities for obligations for technical provisions and claims. AXA uses both its own experience and industry data to develop estimates of future policy benefits, including information used in pricing the insurance products and establishing the related actuarial liabilities. However, there can be no assurance that actual experience will match these estimates. To the extent that our actual benefits paid to policyholders are less favorable than the underlying assumptions used in initially establishing the future policy benefit reserves, or events or trends cause us to change the underlying assumptions, we may be required to increase our liabilities, which may reduce our net income. For example, certain Variable Annuity products issued or reinsured by certain of our subsidiaries contain various types of minimum guaranteed benefits such as GMDB, GMIB and/or GMWB. The determination of GMDB, GMIB and GMWB liabilities is based on models that involve numerous estimates and management judgments, including those regarding expected market rates of return and volatility, GMIB election rates, contract surrender rates and mortality experience. Determination of liabilities for our other lines of Life & Savings business, such as our annuity business also involve numerous assumptions and subjective judgments as to mortality and morbidity experience, investment returns, expenses, policy surrender rates, policy lapse rates, and other matters. There can be no assurance that the actual experience on these products will not differ, upwards or downwards, from Management’s estimates. In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force have been recorded as assets on our balance sheet and are being amortized into income over time. If the assumptions relating to various factors, including the future profitability of these policies (such as future claims, investment income and expenses) and policy lapses and surrenders are not realized, the amortization of these costs could be accelerated and may even require write-offs due to unrecoverability. These factors could have a material adverse effect on our business, results of operations and financial condition.

### Our operating results may be materially adversely affected by the occurrence of natural or man-made disasters and by the consequences of emerging risks such as pandemic diseases and global warming that are unpredictable by nature

Unpredictable events, such as hurricanes, windstorms, hailstorms, earthquakes, fires, explosions, freezes and floods, as well as other natural or man-made disasters, including acts of terrorism, have the potential to adversely affect our operating results. Over the past several years, changing weather patterns and climatic conditions, including global warming, have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposures. While experts may disagree on its magnitude and projections, global warming is now proven beyond doubt and has broad potential implications for AXA and the insurance sector generally. In addition to the immediate destruction caused by flooding (and to a lesser extent by drought), global warming will likely have major implications for many human activities (particularly agriculture, timber production, healthcare and water activities) and for the insurers that cover these risks (*i.e.* property, agricultural, business interruption, civil liability, marine & aviation, life, health, etc.). The evolution of these risks poses major challenges for the insurance sector over the coming years and could adversely affect our business and operating results due to potential increases in claims, the emergence of new types of liabilities and growing uncertainties about the size of maximum potential losses, which have become harder to assess and to predict on the basis of past events.

Other risks, such as an outbreak of a pandemic disease, like the Avian Influenza A Virus (H5N1), or the A Flu (H1N1), could also adversely affect our business and operating results. While outbreaks of the Avian Flu have occurred among poultry or wild birds in a number of countries in Asia, parts of Europe, and in Africa, transmission to humans has been rare. If the virus mutates to a form that can be transmitted from human to human, it has the potential to spread rapidly worldwide and result in mortality and morbidity rates that far exceed the assumptions that we have used in pricing certain of our products. Both the contagion and mortality rates regarding any mutated H5N1 virus that can be transmitted from human to human are highly speculative at this point in time and we continue to monitor this situation. A significant global outbreak could have a material adverse effect on our life insurance business, operating results and liquidity due to increased mortality and morbidity rates.

We follow the evolution of these risks closely and generally seek to manage our exposure to them through individual risk selection, monitoring risk accumulation, purchase of reinsurance and use of available data in estimating potential catastrophic risks. However, we have experienced in the past and could experience in the future material losses from the types of risks discussed above and these losses could have a material adverse effect on our financial position and results of operations. For additional information, please see Section 3.3 of this Annual Report "Quantitative and qualitative disclosures about market risk and risk factors".

### The Property & Casualty insurance business is cyclical, which may impact our results

The Property & Casualty insurance business is cyclical. Although no two cycles are identical, these cycles have typically lasted for periods ranging from two to six years. Periods of intense price competition due to excessive underwriting capacity, periods of shortages of underwriting capacity permitting more favorable rates, consequent fluctuations in underwriting results and the occurrence of other losses characterize the conditions in these cycles. Historically, Property & Casualty insurers have experienced significant fluctuations in operating results due to volatile and sometimes unpredictable developments, many of which are beyond the direct control of the insurer, including competition, frequency or severity of catastrophic events, levels of capacity, general economic conditions and other factors. This may cause a decline in revenues during certain cycles if we choose not to reduce our Property & Casualty product prices in order to maintain our profitability. We may therefore experience the effects of such cyclicality, changes in customer expectations of appropriate premium levels, the frequency or severity of claims or other loss events, or other factors affecting the Property & Casualty insurance business, which could have an adverse effect on our results of operations and financial condition.

### Inadequate or failed processes or systems, human factors or external events may adversely affect our profitability, reputation or operational effectiveness

Operational risk is inherent in our business and can manifest itself in various ways, including business interruption, poor vendor performance or default (including under significant outsourcing arrangements), information systems malfunctions or failures, regulatory breaches, human errors, employee misconduct, and external fraud. We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions.

These events can potentially result in financial loss, an impairment to our liquidity, a disruption of our businesses, regulatory sanctions or damage to our reputation. Management attempts to control these risks and keep operational risk at low levels by maintaining a sound and well controlled environment in light of the characteristics of our business, markets and regulatory environment in which we operate. Notwithstanding these measures, operational risk is part of the business environment in which we operate and we may incur losses from time to time due to these types of risks.

### We may have contingent liabilities from discontinued, divested and run-off businesses and may incur other off-balance sheet liabilities that may result in charges to the income statement

We may, from time to time, retain insurance or reinsurance obligations and other contingent liabilities in connection with our divestiture, liquidation or run-off of various businesses. For example, on December 21, 2006, we completed the disposition of AXA RE's (now called "Colisée RE") business, our reinsurance subsidiary, but retained the risk related to adverse deviation of claims reserves for all accident years prior to January 1st, 2006.

Our reserves for these types of obligations and liabilities may be inadequate which could cause us to take additional charges that could be material to our results of operations. We may also, from time to time and in the course of our business provide guarantees and enter into derivative and other types of off-balance sheet transactions that could result in income statement charges. For additional information, see Part 4 – Note 29 "Contingent assets and liabilities and unrecognized contractual commitments" and also Note 20 "Derivative instruments" of this Annual Report.

### The failure or inadequacy of our information systems could adversely affect our business

Our business depends significantly on effective information systems, and we have many different information systems for our various businesses. We must commit significant resources to maintain and enhance our existing information systems, and develop new ones in order to keep pace with the evolving information technology, industry and regulatory standards and customer preferences. In addition, we, like other institutions, are subject to risks such as hacking, cyber-attack and similar activities that may impair our information systems. If our systems are significantly impaired for any length of time and/or we do not maintain adequate information systems, we may not be able to gather and rely on adequate information to base our pricing, underwriting and reserving decisions. We may also have difficulties in attracting new customers and preserving our existing customer base. In addition, underperforming information systems could cause us to become subject to a higher number of customer, provider and agent disputes which may increase our litigation and regulatory exposure and make us incur higher administrative expenses, including remediation costs.

## RISKS RELATING TO THE EVOLVING REGULATORY AND COMPETITIVE ENVIRONMENT IN WHICH WE OPERATE

### We face strong competition in all of our business segments and competition may intensify as a result of current global market conditions which could adversely impact our results of operations and financial condition

We face strong and increasing competition in all our business lines. Our competitors include Mutual fund companies, asset management firms, private equity firms, hedge funds, commercial and investment banks and other insurance companies, many of which are regulated differently than we are and offer alternative products or more competitive pricing than we do. In addition, development of alternative distribution channels for certain types of insurance and securities products, including through the internet, may result in increasing competition as well as pressure on margins for certain types of products. These competitive pressures could result in increased pricing pressures on a number of our products and services, particularly as competitors seek to win market share, and may harm our ability to maintain or increase our profitability. The financial crisis resulted in a number of AXA's direct competitors receiving substantial capital injections from government authorities. While many of these institutions continue to be controlled by government authorities or to benefit from direct or indirect government support, others have been recapitalized by their governments and subsequently sold to our competitors or re-privatized through initial public offerings or similar mechanisms. This situation may negatively impact the competitive position of AXA in certain markets and adversely affect its results of operations and financial condition.

### Financial crisis related legislative and regulatory initiatives designed to reform the regulation of financial institutions, such as the Dodd-Frank Act and recent reforms in France and the European Union, may adversely impact AXA's business, results of operations and financial condition

The financial crisis of 2008-2009 gave rise to numerous legislative and regulatory initiatives (many of which focus on the financial services industry) across many of the principal jurisdictions where the Group does business. These initiatives are described in Section 3.1 "Regulation". While many of these initiatives revolve around common themes and attempts are being made to coordinate and harmonize these reforms internationally, Management believes that the multitude of reform initiatives under consideration may ultimately result in the enactment of a series of technically inconsistent measures across the various jurisdictions where the Group does business, with broad potential implications for the Group and its business. While Management cannot predict with certainty at this time whether or when these future legislative or regulatory proposals may ultimately be enacted and the final form they will take, certain of these proposals, if enacted, could have a material adverse impact on our business activities, results of operations and financial condition.

### Our business is subject to extensive laws and regulations and to significant litigation risks in the various countries where we operate; changes in existing or new laws and government regulations in these countries and/or an adverse outcome in any significant pending or future litigation or regulatory investigation may have an adverse effect on our business, financial condition, results of operations, reputation or image

We are faced with significant compliance challenges due to the fact that our regulatory environment is evolving rapidly and supervisory authorities around the world are assuming an increasingly active and aggressive role in interpreting and enforcing regulations in the jurisdictions where we do business. We have been and may become in the future subject to regulatory investigations which, together with the civil actions often following these investigations, may affect our image, brand, relations with regulators and/or results of operations. We cannot predict with any certainty the potential effects that any change in applicable laws or regulations, their interpretation or enforcement, or that any enactment of new regulation or legislation in the future may have on the business, financial condition or results of operations of our various businesses.

We have been named as defendants in numerous lawsuits (both class actions and individual lawsuits) and involved in various regulatory investigations and examinations and may be involved in more in the future. These actions arise in various contexts including in connection with our activities as an insurer, securities issuer, employer, investment advisor, investor and taxpayer. Any one or a combination of these lawsuits or regulatory investigations could have a material adverse effect on our financial condition or results of operations or cause us significant reputational harm, which could seriously harm our business. Certain of these lawsuits and investigations seek significant or unspecified amounts of damages, including punitive damages, and certain of the regulatory authorities involved in these proceedings have substantial powers over the conduct and operations of our business. Due to the nature of certain of these lawsuits and investigations, we cannot estimate the potential loss or predict with any certainty the potential impact of these suits or investigations on our business, financial condition or results of operations.

Please see Part 4 – Note 31 “Litigation” and Section 3.1 “Regulation” of this Annual Report for additional information on these matters.

### Changes in tax laws and regulations, including elimination of tax benefits for our products, may adversely affect sales of our insurance and investment advisory products, and also impact our deferred tax assets and liabilities

Changes to tax laws may affect the attractiveness of certain of our products, which currently have favorable tax treatment. From time to time, governments in the jurisdictions in which we operate, have considered or implemented proposals for changes in tax law that could adversely affect the attractiveness of the insurance, asset management and other products we offer including those described in Section 3.1 “Regulation” of this Annual Report.

In addition, changes in tax laws or regulations or an operating performance below currently anticipated levels may lead to an impairment of deferred tax assets, in which case we could be obligated to write off certain tax assets. Tax assets may also need to be written down if certain assumptions of profitability prove to be incorrect, as losses incurred for longer than expected will make it more unlikely that we would be able to use our tax assets. Any such changes could be detrimental to our results of operations, financial condition and liquidity, and could impact the costs and profitability of our transactions.

### Recent changes in United States federal withholding tax and information reporting requirements may adversely affect sales of our insurance and investment advisory products and may increase our compliance costs

Under US federal tax legislation passed in 2010, a 30% withholding tax will be imposed on “withholdable payments” made after to non-US financial institutions (including non-US investment funds and certain other non-US financial entities) that fail to provide certain information regarding their US accountholders and/or certain US investors to the US Internal Revenue Service (the “IRS”). In general, non-publicly traded debt and equity interests in investment vehicles would be treated as accounts and subject to the reporting requirements. In addition, the IRS has stated that certain insurance policies and annuities will be considered accounts for these purposes, and therefore information would be required to be reported in respect of certain US policyholders and annuitants. For non-US financial institutions that fail to comply, this withholding will generally apply without regard to whether the beneficial owner of a withholdable payment is a US person or would otherwise be entitled to an exemption from US federal withholding tax. “Withholdable payments” generally include, among other items, payments of US-source interest and dividends and the gross proceeds from the sale or other disposition of property that may produce US-source interest and dividends. The IRS has issued guidance stating that this withholding tax is expected to take effect on a "phased" schedule, starting in January 2014.

The Group intends to enter into such agreements as the IRS may require (and to satisfy any requirements pursuant to such agreements and any related Treasury regulations or other guidance that has been or may be promulgated) to the extent necessary to avoid the imposition of a withholding tax on payments made to it. However, if the Group cannot enter into such agreements or satisfy the requirements thereunder (including as a result of local laws prohibiting information sharing with the IRS, as a result of contracts or local laws prohibiting withholding on certain payments to accountholders, policyholders, annuitants or other investors or as a result of the failure of accountholders, policyholders, annuitants or other investors to provide requested information), certain payments to the Group including dividends from its US subsidiaries may be subject to US withholding tax under the legislation. The possibility of such withholding tax and the need for accountholders, policyholders, annuitants and investors to provide certain information may adversely affect the sales of certain of the Group's products. In addition, entering into agreements with the IRS and compliance with the terms of such agreements and with the legislation and any regulations or other guidance promulgated there under may substantially increase the Group's compliance costs. The future impact of this law on the Group is uncertain at this point in time because significant regulatory guidance remains to be written.

## Potential changes to International Financial Reporting Standards as adopted by the European Union may adversely affect our consolidated results of operations and financial condition

The Company publishes its accounts in accordance with International Financial Reporting Standards and IFRIC interpretations that were definitive and effective as of December 31, 2011 as adopted by the European Union (the "Standards"). These Standards are subject to interpretation and evolution on a continuing basis and there are a number of currently proposed and potential changes (including those described in Section 3.1 "Regulation" of this Annual Report) to these Standards.

Management cannot predict with any certainty at this time the potential impact of these proposed changes (or of other potential future modifications to the Standards) given the on-going nature of the discussions at the IASB; however, any significant modifications to the Standards may adversely impact the Company's results of operations and financial condition.

## Increased geopolitical risks and any future terrorist attacks may have a continuing negative impact on certain of our businesses

We cannot assess with any degree of certainty the future effects on our businesses of terrorist attacks, wars, civil unrest and other geopolitical events that have occurred and may occur in the future throughout the world.

The terrorist attacks and responsive actions in recent years have significantly adversely affected general economic, financial and political conditions, increasing many of the risks in our businesses. Such attacks as well as civil unrest, wars and other similar geopolitical events may have a continuing negative effect on our businesses and results of operations over time. Our general account investment portfolios include investments in industries that we believe may be adversely affected by such events, including airlines, lodging, shipping and entertainment companies and non-life insurance companies. The effect of these events on the valuation of these investments is uncertain and could lead to impairments due to lasting declines in the value of investments. The cost, and possibly, the availability, in the future, of reinsurance coverage against terrorist attacks for our various insurance operations is uncertain. In addition, the rating agencies could re-examine the ratings affecting the insurance industry generally, including our companies.

## As a global business, we are exposed to various local political, regulatory and economic conditions, business risks and challenges which may affect the demand for our products and services, the value of our investment portfolios and the credit quality of local counterparties

We offer our products and services in Europe, North America, the Asia-Pacific Region, the Middle East and Africa through wholly-owned and majority-owned subsidiaries, joint ventures, companies in which we hold non-controlling equity stakes, agents and independent contractors. Our international operations expose us to different local political and regulatory, business, and financial risks and challenges which may affect the demand for our products and services, the value of our investment portfolios, the required levels of capital and surplus, and the credit quality of local counterparties. These risks include, for example, political, social or economic instability in countries in which we operate or we transfer part of our business processes, including the risk of nationalization, expropriation, price controls, capital controls, fluctuations in foreign currency exchange rates, credit risks of our local borrowers and counterparties, lack of local business experience in certain markets, risks associated with exposure to insurance industry insolvencies through policyholder guarantee funds or similar mechanisms set up in foreign markets and, in certain cases, risks associated with the potential incompatibility with foreign partners, especially in countries in which we are conducting business through entities we do not control. Our expansion in emerging markets requires us to respond to rapid changes in market conditions in these countries. Our overall success as a global business depends, in part, upon our ability to succeed in different economic, social and political conditions. We may not continue to succeed in developing and implementing policies and strategies that are effective in certain locations where we do business.

Finally, our results of operations and financial condition may be materially affected by the general economic conditions such as the levels of employment, consumer lending or inflation, in the countries in which we operate.

### We increasingly operate in markets with less developed judiciary and dispute resolution systems; in the event of disputes in these markets, the quality and the effectiveness of such systems could have an adverse effect on our operations and results of operations

In the less developed markets in which we operate, judiciary and dispute resolution systems may be less developed. As a result in case of a breach of contract, regulatory enforcement action or other dispute, we may have difficulties in making and enforcing claims against contractual counterparties and, if claims are made against us, we might encounter difficulties in defending such claims. If we become party to legal or regulatory proceedings in a market with an insufficiently developed judiciary system, it could have an adverse effect on our operations and results of operations.

## RISKS RELATED TO THE OWNERSHIP OF ORDINARY SHARES OR AXA ADS (1)

### We may, in the future, offer rights, warrants or similar securities at prices below the then-current market price which may adversely affect the market price of our ordinary shares, and our ADS, and dilute the positions of existing shareholders.

Difficult market conditions may require us to offer rights, warrants or similar securities at prices much below the then-current market price in order to help fund acquisitions and other expansion plans, as well as improvements to our existing infrastructure and other business activities. This may adversely affect the market price of our ordinary shares and our ADS on the over-the-counter markets and have a dilutive effect on the ownership and voting percentages of existing shareholders.

### Significant shareholders of AXA may have interests conflicting with your interests

The Mutuelles AXA, two French mutual insurance companies, acting as a group, owned on December 31, 2011, approximately 14.54% of the issued ordinary shares of AXA representing approximately 22.76% of the voting power of AXA's shares. Many of the shares owned by the Mutuelles AXA have double voting rights pursuant to the provisions of AXA's Charter *(Statuts),* see Section "Voting rights" included in Part 5 of this Annual Report. The Mutuelles AXA have stated their intention to collectively vote their shares in AXA. We cannot assure you that the interests of the Mutuelles AXA will not, from time to time, conflict with your interests as a shareholder. For example, even though the Mutuelles AXA do not hold a majority of the total voting power in AXA, efforts by the Mutuelles AXA to decline or deter a future offer to acquire control of AXA, which other shareholders may find attractive, may prevent other shareholders from realizing a premium for their AXA ordinary shares or ADS. The Mutuelles AXA may decide to increase their interest in AXA or to sell all or a portion of the ordinary shares they own in the future.

*(1) Since the delisting of AXA's American Depositary Shares ("ADS") from the New York Stock Exchange ("NYSE") on March 26, 2010, AXA's ADS are traded on the US over-the counter market and are quoted on the OTCQX platform. Quotes are available on www.otcqx.com under the symbol AXAHY.*

## The trading price of AXA ADS and dividends paid on AXA ADS may be materially adversely affected by fluctuations in the exchange rate for converting Euros into US dollars

Fluctuations in the exchange rate for converting Euro into US dollars may affect the value of AXA ADS. Specifically, as the relative value of the Euro against the US dollar declines, each of the following values will also decline:

- the US dollar equivalent of the Euro trading price of AXA ordinary shares on Euronext Paris which may consequently cause the trading price of AXA ADS on the over-the-counter markets in the United States to also decline;
- the US dollar equivalent of the proceeds that a holder of AXA ADS would receive upon the sale in France of any AXA ordinary shares withdrawn from the depositary; and
- the US dollar equivalent of cash dividends paid in Euro on the AXA ordinary shares represented by the AXA ADS.

## AXA has delisted the AXA ADS from the New York Stock Exchange, potentially reducing liquidity in the AXA ADS

On March 26, 2010, trading in AXA ADS on the New York Stock Exchange was voluntarily terminated and AXA deregistered with the SEC in June 2010. Since then, the AXA ADS have traded on the over-the-counter market. While US OTC markets have become more sophisticated and liquid in recent years, no assurance can be given as to the liquidity of the OTC market for AXA ADS or that persons wanting to buy or sell AXA ADS will at all times be able to find a willing seller or buyer at an acceptable price and volume. Illiquidity in the OTC market for the AXA ADS could adversely affect the price of the AXA ADS relative to that of AXA ordinary shares on Euronext Paris, and could compel holders wanting to sell AXA ADS to cancel them in exchange for ordinary shares that are tradeable on Euronext Paris.

## As a result of its deregistration from the SEC and delisting from the NYSE, AXA is no longer subject to the reporting and corporate governance requirements of the SEC and NYSE

Since the delisting of the AXA ADS from the NYSE on March 26, 2010 and the deregistration with the SEC in June 2010, AXA has no longer been required to comply with the reporting and corporate governance requirements of the SEC and NYSE and AXA's financial reporting is no longer subject to SEC oversight. AXA continues to comply with the corporate governance standards and reporting requirements applicable to listed companies in France and is subject to the oversight of the French securities regulator, the AMF. While French and US governance and reporting standards are similar in many respects, there are a variety of significant differences. AXA remains committed to maintaining high levels of governance and transparency consistent with international best practices and intends to continue to publish periodic financial and corporate information in the English language on its website but these practices may not be consistent in all respects with the NYSE and SEC standards to which AXA was previously subject.

## The holders of AXA ADS may not be able to exercise their voting rights due to delays in notification to and by the depositary

The depositary for the AXA ADS may not receive voting materials for AXA ordinary shares represented by AXA ADS in time to ensure that holders of AXA ADS can instruct the depositary to vote their shares. In addition, the depositary's liability to holders of AXA ADS for failing to carry out voting instructions or for the manner of carrying out voting instructions is limited by the Deposit Agreement governing the AXA ADS facility. As a result, holders of AXA ADS may not be able to exercise their right to vote and have limited recourse against the depositary or AXA if their shares are not voted according to their request.

## Holders of AXA ADS will have limited recourse if AXA or the depositary fails to meet its obligations under the Deposit Agreement and they wish to involve AXA or the depositary in a legal proceeding

The Deposit Agreement expressly limits the obligations and liability of AXA and the depositary. Neither AXA nor the depositary will be liable if they:

- are prevented from or delayed in performing any obligation by circumstances beyond their control;
- exercise or fail to exercise discretion under the Deposit Agreement; or
- take any action based upon the advice of, or information from, legal counsels, accountants, any person presenting ordinary shares for deposit, any holder or owner of an AXA ADS or any other person believed by AXA or the depositary in good faith to be competent to give such advice or information. In addition, the depositary and AXA have the obligation to participate in any action, suit or other proceeding with respect to the AXA ADS which may involve them in expense or liability only if they are indemnified.

These provisions of the Deposit Agreement will limit the ability of holders of AXA ADS to obtain recourse if AXA or the depositary fails to meet their obligations under the Deposit Agreement or if they wish to involve AXA or the depositary in a legal proceeding.

### The holders of AXA ADS in the United States may not be able to participate in offerings of rights, warrants or similar securities to holders of our ordinary shares on the same terms and conditions as holders of our ordinary shares

In the event that we offer rights, warrants or similar securities to the holders of our ordinary shares or distribute dividends payable, in whole or in part, in securities, the Deposit Agreement provides that the depositary (after consultation with AXA) shall have discretion as to the procedure to be followed in making such rights or other securities available to ADS holders including disposing of such rights or other securities and distributing the net proceeds in US dollars to ADS holders. Given the significant number of AXA ADS holders in the US, AXA generally would be required to register with the SEC any public offering of rights, warrants or other securities made to its ADS holders unless an exemption from the registration requirements of the US securities laws is available. Registering such an offering with the SEC can be a lengthy process which may be inconsistent with the timetable for a global capital raising operation. Consequently, we have in the past elected and may in the future elect not to make such an offer in the US, including to our ADS holders and rather only conduct such an offering in an "offshore" transaction in accordance with "Regulation S" under the US Securities Act of 1933, as amended (the "Securities Act"), or in the US in transactions exempt from the registration requirements of the Securities Act. Therefore, there can be no assurance that our ADS holders and ordinary shareholders in the US will be able to participate in such an offering, and our deregistration increases the likelihood that any such offering in the future will not be extended to the US holders of our securities, other than in transactions exempt from the registration requirements of the Securities Act.

### Our ADS and ordinary share price could be volatile and could drop unexpectedly and you may not be able to sell your ADS or ordinary shares at or above the price you paid

The price at which our ADS and ordinary shares will trade may be affected by a large number of factors, some of which will be specific to us and our operations and some of which will be related to the insurance industry and equity markets generally. As a result of these factors, you may not be able to resell your ADS or ordinary shares at or above the price which you paid for them. In particular, the following factors, in addition to other risk factors described in this Section, may have a significant impact on the market price of our ADS or ordinary shares:

- investor perception of our Company, including actual or anticipated variations in our revenues, earnings or other operating results;
- announcement of intended acquisitions, disposals or financings or speculations of such acquisitions, disposals or financings;
- changes in our dividend policy, which could result from changes in our cash flow and capital position;
- sales of blocks of our shares by significant shareholders;
- hedging activities on our shares;
- a downgrade of our credit or financial strength ratings, including placement on credit watch, or rumors of such downgrades;
- actual or potential litigation involving us or the insurance or asset management industries generally;
- changes in financial estimates and recommendations by securities research analysts;
- fluctuations in foreign exchange rates and interest rates;
- the performance of other companies in the financial services' sector;
- regulatory developments in the principal markets in which we operate;
- international or local political, economic and market conditions; and
- Unforeseen events such as natural disasters or terrorist attacks and other developments stemming from such events and the uncertainty related to these developments.

### Judgments of United States courts may not be enforceable against us

Judgments of United States courts, including those predicated on the civil liability provisions of the Federal securities laws of the United States, may not be enforceable in French courts. As a result, our shareholders who obtain a judgment against us in the United States may not be able to require us to pay the amount of the judgment.

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# 3.3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK AND RISK FACTORS



## The Risk Management organization

Information in this Section should be read in conjunction with Note 4 to the consolidated financial statements included in Part 4 of this Annual Report which is covered by the Statutory Auditor's Report on the consolidated financial statements. In this section, Risk Management refers to the function aiming at effectively managing local and global risks, described bellow. Within the AXA Group, Risk Management is the main responsibility of the Group Risk Management (GRM) department and supported by other central departments (DCFG, PBRC and GIA). It is coordinated by the central team, and is supported by local Risk Management teams within each operational entity.

As an integrated part of all of business processes, Risk Managementis responsible for:

- ensuring that the "second line of defense" is effective on all significant risks;
- identifying, measuring and managing financial, insurance and operational risks;
- defining and monitoring risk appetite on these risks – the risk appetite defines management's tolerance of a negative variance in earnings value, capital and liquidity prompted by 1 in 20 year event and 1 in 200 year event;
- implementing an internal capital model and leading the approval process with supervisors for future Solvency II;
- building a favourable environment – in terms of models/metrics/standards but also culture – for business lines to write risks within a risk appetite validated locally and by the Group.

### RISK GOVERNANCE WITHIN AXA

In order to manage efficiently local and global risks, the decision process within the risk governance structure is divided into 5 levels:

- the Management Committee defines business objectives and capital allocation with respect to investment return and risk. It also defines the Group appetite for risks in terms of impact on its key financial indicators. The Group Risk Appetite is endorsed by the Board of Directors with the Audit Committee considering the effectiveness of the Group's internal control and risk management frameworks supporting it. A report on the Company's performance against the key financial indicators is presented on a regular basis to the Group Audit Committee and to the Board of Directors.
- Group Risk Committees include five Committees covering the following risk categories:

  For Financial risks:

  - the Asset-Liability Management Supervisory Committee, chaired by the Group Deputy CEO.
  - the Group Investment Committee, co-chaired by the Group Deputy CEO and the CEO of AXA France.

  For Life insurance risks and for P&C insurance risks:

  - Global Business Lines dedicated Boards, chaired by the CEO of each business Line.

  For Operational and Reputation risks:

  - Risk & Compliance Committee, co-chaired by the Group CFO and the Group COO.

  Based on risk reports presented by GRM together with other central teams, including AXA Global P&C and AXA Global Life for insurance risks, they recommend to the Management Committee actions to manage risks;
- the Group Chief Risk Officer heads GRM and reports to the Group Deputy CEO. GRM develops the risk framework in terms of limits/thresholds (financial, insurance and operational risks), standards, minimum requirements or processes, and oversees the operating entities' adherence to the framework, supported by the local risk management teams;
- each of the main operating subsidiaries or region's Board of Directors must establish a local Risk Committee which approves the local/regional risk appetite when it has a delegation or review it for approval by the local Board of Directors;
- local Chief Risk Officers head the local Risk Management teams within each operational entity and report both to a member of their Executive Committee (CEO/CFO) and to the Group CRO. These teams are responsible for controlling and managing risks within Group policies and limits, validating investment or underwriting decisions through Local Risk Committees.

The risk governance structure is further enhanced by Group Audit, which performs, on a periodic basis, as part of its role, an assessment of Group's risk and governance processes.

### RISK MANAGEMENT MISSIONS AND STRUCTURE AT GROUP LEVEL

Risk Management is the main responsibility of GRM and supported by other central departments (DCFG, PBRC and GIA). The missions of Risk Management Department are:

- steer the Risk Management family and develop a risk culture throughout the Group;
- conduct, at local level, regular reviews of the technical reserves and of the model established by the operating units and regular reviews of models implemented throughout the Group in order to ensure the consistency between actuarial and financial standards;
- define and propose to the Management Committee, with the support of AXA Global P&C and AXA Global Life, the main features of the Group's reinsurance coverage program;
- monitor the Group asset allocation: (i) monitor risk concentration in assets, (ii) perform regular studies and reporting on exposure and performance, and (iii) define standards in terms of Asset Liability Management (see Section Market Risks);
- define and coordinate a decentralized review of risk-adjusted pricing and profitability for new products prior to launch (the Product Approval Process) in Life & Savings and Property & Casualty. For Variable Annuity products with guarantees, the review is centralized, and submitted to the Management Committee;
- define and run the Group risk appetite process (framework, limits) and monitor the consistency between group and local frameworks;
- implement Economic Capital measures and co-lead the validation of the Group's internal model for Solvency II;
- develop and deploy models/metrics to measure risks and monitor the profitability of the business lines (please see the Section "Insurance risk");

The GRM function is also reinforced by AXA Global P&C and AXA Global Life, which advise and supports local entities in their reinsurance strategy (Property & Casualty; Life & Savings), and centralize the Group's purchasing of reinsurance. Please refer to the Section "controlling exposure and insurance risk" for further details on reinsurance strategy.

### LOCAL RISK MANAGEMENT TEAMS

Risk Management is a local responsibility, subject to Group standards, guidelines and monitoring of the risk exposure, and within a clearly defined local Risk Appetite consistent with the Group's Risk Appetite.

Within operational entities, local Risk Management teams are managed by local Chief Risk Officers, who report directly to a member of their Executive Committee (CEO/CFO) and to the Group CRO. The roles and responsibilities of local Risk Management teams are approved jointly by the Executive Committees of local entities and the Group Chief Risk Officer to ensure a better alignment of Group and local interests. The missions of local Risk Management teams are set in accordance with the responsibilities stated above. The minimum missions required for local Risk Management teams are:

- performing a second opinion on P&C reserves, ALM studies & asset allocation and reinsurance strategy;
- coordinating pre-launch product approval procedures and regular pricing reviews after launch;
- coordinating operational risk framework;
- implementing risk appetite on all risks, with strengthened reporting, risk limits and decision processes;
- performing the calculation of an internal capital model;
- carrying out the risk reporting.

## Market risks

Information in this Section should be read in conjunction with Note 4 to the consolidated financial statements included in Part 4 of this Annual Report which is covered by the Statutory Auditor's Report on the consolidated financial statements.

AXA is exposed to financial market risks through its core business of financial protection (*i.e.* insurance and asset management) and through the financing of its activities as part of its equity and debt management.

### MARKET RISK AND ASSET LIABILITY MANAGEMENT OF INSURANCE PORTFOLIOS

Local operating units have the primary responsibility for managing their financial risks (market risk, credit risk, liquidity risk), while abiding by the risk framework defined at Group level in terms of limits/thresholds and standards. This approach allows operating units to react swiftly in an accurate and targeted manner to changes in financial markets, 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 operating units and the Group itself are exposed. These techniques include:
- a regular monitoring of the financial risks on the solvency, and economic position of the Company;
- Asset Liability Management (ALM), *i.e.* defining an optimal strategic asset allocation with respect to the liabilities' structure, to reduce the risk to a desired level. Please refer to next paragraphs for further details on ALM;
- hedging of financial risks when they exceed the tolerance levels set by the Group. Operational management of derivatives has stringent rules and is mainly performed by AXA SA and Group asset managers, AXA Investment Managers and AllianceBernstein as well as AXA Bank Europe and AXA Equitable for the hedging program of Variable Annuities' guarantees;
- reinsurance also offers solutions to mitigate certain risks; it is for instance used to de-risk part of the in-force GMIB products.

AXA's exposure to market risk is strictly monitored. It is mitigated by:

- its broad range of operations and geographical positions, which provides good diversification; and
- natural hedging between different products and jurisdictions.

Furthermore, a large portion of AXA's Life & Savings portfolios is made of unit-linked products, in which most of the financial risks are borne directly by policyholders (the shareholder's value is however still sensitive to financial market evolution and volatility).

## Description of Life & Savings insurance reserves

The market risks to which Life & Savings operating units are exposed arise from a variety of factors including:

- a decline in returns on assets (linked to a sustained fall in yields on fixed income investments or to lower equity markets) could reduce investment margins or fees on unit-linked contracts;
- a rise in yields on fixed-income investments (linked to interest rates or in spreads) reduces the market value of fixed-income investments and could impact adversely the solvency margin, and increase policyholder's surrenders due to competitive pressures;
- a decline in asset market value (equity, real estate, alternatives, etc.) could impact adversely the solvency margin, as well as available surplus;
- a rise in financial market volatility may increase the cost of hedging the guarantees associated with Variable Annuity products and decrease the Group's Value;
- a change in foreign-exchange rates would have limited impact for the operating units since foreign-currency commitments are matched to a large extent by assets in the same currency or covered by hedges, but it could affect the earnings contribution in euros.

The Group policies put in place to manage these risks are tailored to each product type and the risks relating to it.

The breakdown of life insurance reserves by product type is as follows:

- 19% at the end of 2011 (20% at the end of 2010) of the Group's Life & Savings technical reserves cover separate-account (unit-linked) products that do not materially affect AXA's risk exposure. On these products, the underlying financial market performance is mostly passed on to the policyholders. This category also includes products that may provide a stand-alone guarantee on invested capital in the event of death. Overall, they present only a limited market risk for the Group through reduction of shareholders' value;
- 10% at the end of 2011 (10% at the end of 2010) of the Group's Life & Savings technical reserves cover separate-account products with related interest-rate or equity guarantees provided by the insurance companies, called Variable Annuities. Suitable risk management policies have been put in place with respect to these products:
  - derivatives are used as part of the dynamic management of risks related to guaranteed benefits, in order to cover market risks linked to Guaranteed Minimum Death Benefits (GMDB), Guaranteed Minimum Income Benefits (GMIB), Guaranteed Minimum Accumulation Benefits (GMAB) and Guaranteed Minimum Withdrawal Benefits (GMWB). Derivatives are used to help mitigate reserve changes in GMDB, GMIB, GMAB and GMWB due to movements in equity, fixed income and foreign exchange markets. Two hedging platforms located in AXA Equitable for the US business and AXA Bank Europe for the European and Asian business manage the market risks on these products,
  - biometric risks (*e.g.* longevity/mortality) and policyholder behaviours on these products (notably lapses and annuity election rates), are regularly monitored. These risks are reviewed from time to time in case of structural deviations. The hedging programmes embed dynamic policyholder behaviours to a range of possible market situations;
- 15% at the end of 2011 (13% at the end of 2010) of the Group's Life & Savings technical reserves cover products without guaranteed cash values upon surrender:
  - 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;
- 21% at the end of 2011 (20% at the end of 2010) of the Group's Life & Savings 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. Hedging programs have been implemented to cover long-term fixed maturities from the risk of an increase in interest rates;
- 36% at the end of 2011 (37% at the end of 2010) of the Group's Life & Savings technical reserves cover other products. These reserves cover 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 with maturities and interest rates generally sufficient to cover guaranteed benefits, so as to reduce as much as possible the reinvestment risk,
- 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 and International Insurance reserves

Property & Casualty and International Insurance technical reserves break down as follows:

| | Technical liabilities | |
|---|---|---|
| *(in Euro million)* | December 31, 2011 | December 31, 2010 [(a)] |
| Personal lines – Motor | 15,762 | 16,450 |
| Personal lines – Property damage | 3,469 | 3,754 |
| Personal lines – Health | 1,172 | 1,222 |
| Personal lines – Other | 2,962 | 4,462 |
| **Sub-total Personal lines** | **23,365** | **25,888** |
| Commercial lines – Motor | 3,180 | 3,297 |
| Commercial lines – Property damage | 2,770 | 2,873 |
| Commercial lines – Professional liability | 7,565 | 6,752 |
| Commercial lines – Health | 3,929 | 3,729 |
| Commercial lines – Other | 7,120 | 6,931 |
| **Sub-total Commercial lines** | **24,565** | **23,582** |
| Other | 948 | 791 |
| **TOTAL – PROPERTY & CASUALTY INSURANCE EXCLUDING INTERNATIONAL INSURANCE** | **48,879** | **50,261** |
| International Insurance – Property damage | 1,601 | 1,352 |
| International Insurance – Motor, Marine, Aviation | 2,365 | 2,747 |
| International Insurance – Professional liability | 4,058 | 3,759 |
| International Insurance – Other | 1,578 | 2,282 |
| **TOTAL – INTERNATIONAL INSURANCE** | **9,601** | **10,140** |
| **TOTAL – PROPERTY & CASUALTY INSURANCE INCLUDING INTERNATIONAL INSURANCE** | **58,480** | **60,401** |

*(a) Assets and liabilities related to the Australian and New Zealand operations and some UK Life & Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale.*

For Property & Casualty insurance business, the financial risk is borne directly by the shareholders. Long-tail activities, such as certain Third Party Liability lines, are sensitive to movements in financial markets.

The market risks to which Property & Casualty operating units are exposed to arise from the following factors:

- inflation may increase the compensation payable to policyholders, so that the actual payments may exceed the associated reserves set aside. This risk can be significant for long-tail businesses but is managed through regular pricing adjustments or specific protections against peaks of inflation;
- a sustained fall in yields on fixed-income investments would generally not present a material risk. The exceptions would be policies implicitly providing a guaranteed rate (disability income, workers' compensation) – but the risk is mitigated by duration management;
- a rise in yields on fixed-income investments (linked to interest rates or spreads) reduces the market value of fixed-income investments and could impact adversely the solvency margin;
- a decline in asset market values (equity, real estate, alternatives, etc.) could impact adversely the Group's solvency margin, as well as available surplus;

- a change on the foreign-exchange rates would have limited impact for the operating units since foreign-currency commitments are matched to a large extent by assets in the same currency or covered by hedges, but it could affect the earnings contribution in euros.

The investments of Property & Casualty insurance companies are managed so as to optimize the return on assets while considering all of the aforementioned risks and the requirements in terms of regulatory solvency. A large portion of investments is made in liquid fixed maturities to secure the capacity to pay unexpected exceptional benefits and claims. The capacity to have diversified investments (real estate or equity securities) also offers a partial natural hedge against inflation.

## Processes in place and related Governance for Asset & Liability management

AXA manages its financial risks through a disciplined investment and reporting process within a dedicated governance structure.

The ALM Supervisory Committee determines the Group asset liability management policies, ensures that the Group exposures are within the Group risks limits. The Group Investment Committee defines the implementation of investment strategy, steers tactical asset allocation, evaluates new investment opportunities and monitors the Group's investment performance. The Group Investment Committee meets on a monthly basis. This Committee actively governs AXA's investment function and provides the forum for AXA's investment family and other key participants to take the major decisions that drive the performance of the Group's investment portfolio.

### REPORTING: MONTHLY CONCENTRATION RISK REPORTING

Operating units produce an asset allocation statement every month. This allows regular monitoring of certain key risk indicators such as the duration and convexity of fixed income portfolios, and the credit concentration in any issuer.

A group overview is prepared each month and allows necessary actions to be taken.

### INVESTMENT STRATEGY AND ALM

AXA as an insurance company follows an investment strategy that is largely driven by Asset-Liability Management (ALM), which is described below. The overall objective of all investment decisions is to ensure that our obligations to policyholders are met at all times, to protect the solvency of our companies, and to generate superior returns over time.

Investment & ALM is a global responsibility. The Group Chief Investment Officer (Group CIO) leads the Group-wide community of local CIOs. His role encompasses aligning AXA's investment strategy with the broader Group strategy, fostering closer co-operation among local entities, and enhancing methodology and decision support. The Group CIO leads the central Investment & ALM Department. Dedicated central teams support local entities by developing new investment ideas, providing investment analysis and decision support, and making investment recommendations, mainly in the fixed income asset class. The central team also manages close relationships with the Group asset managers and other central departments, like GRM, PBRC and DCFG.

Local investment & ALM activities are steered by local CIOs. The local CIO manages the local portfolios, maintains his reporting line to the Group, and manages close relationships with the asset managers and with local stakeholders. The local CIO is in particular responsible for the investment performance and for a sound asset-liability management. ALM starts with an in-depth analysis of local company's liabilities, and results in a strategic asset allocation that is optimal vis-à-vis the given liabilities' structure. This strategic asset allocation is derived by taking into account the long-term outlook for the various asset classes, as well as short-term constraints.

At local entity level, the strategic asset allocation needs the validation of the local Investment & ALM Committee, subject to an opinion from local risk management and respecting all predefined risk appetite limits. At Group level, the strategic asset allocation is approved by the quarterly Group ALM Supervisory Committee.

The strategic asset allocation allows for taking a tactical stance within given leeways.

Local CIOs mandate asset managers with the day-to-day management of local asset portfolios, contingent to full compliance with clearly defined investment guidelines. Mandates are primarily given to the two AXA subsidiaries AXA IM and AllianceBernstein. Local CIOs continuously monitor, analyse, and challenge asset managers' performances.

### A CLOSER LOOK AT ALM

ALM aims at matching our assets with the liabilities we assumed by selling insurance policies. For doing so, we attempt at defining the optimal asset allocation in a way that all liabilities can be met with the highest degree of confidence, while maximizing the expected investment return.

ALM studies are performed by the Investment & ALM Departments of all major local insurance companies, with the support of internal asset managers and local Risk Management Departments. They use methodologies and modelling tools that develop deterministic and stochastic scenarios of the possible behaviour of our liabilities on one side, and of the behaviour of financial markets and the related impacts on our assets on the other side. On the asset side in particular, such studies attempt to maximize the expected investment return of the portfolio, while reducing the required cost of economic capital. Furthermore, a series of additional constraints needs to be considered, such as earnings stability, protection of the solvency margin, preservation of liquidity, as well as local and consolidated capital adequacy.

AXA's local insurance companies are also subject to local regulatory requirements in all jurisdictions in which AXA operates. These local regulations may prescribe:

- the required category and nature of investments;
- the required diversification within the portfolio, by type of issuer, geographical zone, and asset class;
- the minimum proportion of assets invested in local currency, considering commitments denominated in this currency (congruence rule).

As part of an on-going capital allocation process, local insurance operating units perform at least twice a year a simulation of the impact, given the various regulatory constraints, of severe scenarios for all asset classes. The Group Central Finance Department consolidates these results, enabling to assess operating units' financial flexibility. The results are presented to the Finance Committee of AXA's Board of Directors 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 "Insurance risk – Product approval").

#### ASSET MANAGEMENT AND HEDGING PROGRAMS

AXA local companies mandate the day-to-day management of their asset portfolios primarily to the two AXA subsidiaries AXA Investment Managers and AllianceBernstein. AXA Investment Managers, one of the world's largest asset managers, offers customised investment solutions across all major asset classes and regions. AllianceBernstein provides solution-based diversified investment management services worldwide. The positioning of the Group with two internal asset managers leverages their distinct investment expertises to total Group level and benefits to all local insurance companies.

Products that involve hedging programs based on derivative instruments are designed with the support of dedicated teams at AXA Bank Europe, AXA IM and AllianceBernstein. In a similar way, this set-up ensures that all entities benefit from the best possible expertise, highest levels of legal security and operational excellence in the execution of such transactions.

## FOCUS ON THE MAIN FINANCIAL RISKS

The main financial risks for the AXA Group are as follows:

- interest-rate, spread risk and equity risk related to the operating activities of Group subsidiaries;
- credit risk. Please read the next part "Credit risk" included in the Part 3 – Section 3.3– "Quantitative and Qualitative Disclosures about Market Risk and Risk Factors";
- exchange-rate risk related to the operating activities of Group subsidiaries;
- risks relating to the management of holding companies' foreign exchange exposure and debt;
- liquidity risk. Please read "Liquidity position and risk management framework" included in Part 1 – Section 1.4 – "Liquidity and capital resources".

## INTEREST RATES & EQUITY RISK RELATED TO THE OPERATING ACTIVITIES OF GROUP SUBSIDIARIES

AXA performs sensitivity analyses to estimate Group exposure to movements in interest rates and equity markets. These analyses quantify the potential impact on the Group of positive and adverse changes in financial markets.

The AXA Group analyzes sensitivity to movements in interest rates and equity markets looking at two different measures:

- sensitivities of European Embedded Value (EEV) in the Life & Savings business, as described below;
- sensitivities of the Tangible Net Asset Value (TNAV) for other-than-life businesses.

These analyses cover AXA SA, which carries most of the Group's debt, along with the largest subsidiaries in France, the United States, the United Kingdom, Belgium, Switzerland, Germany, Central and Eastern Europe (Poland, Hungary and Czech Republic), the Mediterranean and Latin American Region (Spain, Portugal, Italy, Mexico, Morocco, Turkey, the Gulf Region and Greece), Hong Kong and Japan. At December 31, 2011, these subsidiaries represented 99% of AXA's consolidated invested assets within its insurance operations.

"Embedded Value" (EV) is a valuation methodology often used for long term insurance business. It attempts to measure the present value of cash available to shareholders now and in the future and accordingly is presented net of taxes and minority interests. "European Embedded Value" (EEV) is a refinement of this methodology based on Principles issued by the CFO Forum of European insurers, which AXA adopted during 2005. AXA publishes EEV only for its Life & Savings business.

In addition to Life & Savings EEV, AXA calculates a "Group EV" which adds to the Life & Savings EEV the Tangible Net Asset Value (TNAV) for other-than-life businesses.

## Group EV

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| *(in Euro million)* | Life & Savings | Other Businesses | Total | Life & Savings | Other Businesses | Total |
| IFRS shareholders' equity at December 31 | 42,272 | 6,290 | 48,562 | 41,502 | 8,196 | 49,698 |
| Net unrealized capital gains/losses, not included in IFRS shareholders' equity | 1,337 | 2,080 | 3,417 | 936 | 1,920 | 2,855 |
| Excluded TSS/TSDI | - | (7,835) | (7,835) | - | (7,683) | (7,683) |
| Marked-to-market debt | - | 2,369 | 2,369 | - | 870 | 870 |
| Elimination of intangible assets | (20,428) | (9,509) | (29,937) | (19,990) | (9,627) | (29,617) |
| Unrealized capital gains projected in VIF & other stat-GAAP adjustments | (2,125) | - | (2,125) | (2,058) | - | (2,058) |
| **Life & Savings Adjusted Net asset Value (ANAV) and Other Businesses TNAV** | **21,056** | **(6,606)** | **14,451** | **20,389** | **(6,324)** | **14,065** |
| Life & Savings Value of Inforce (VIF) | 17,098 | - | 17,098 | 20,087 | - | 20,087 |
| **Group EV = AXA Life & Savings EEV + Other Businesses IFRS SHE at December 31** | **38,154** | **(6,606)** | **31,548** | **40,476** | **(6,324)** | **34,152** |

The Group EV is not an estimate of AXA's "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 of other-than-life businesses (Property & Casualty, International Insurance, Asset Management, Banking and Holdings and other companies). However, the Life & Savings EEV is a key management metric measuring the risk-adjusted value of the business and tracking its evolution over time, and the Group EV provides a crucial link to processes that impact total Group value but cannot be seen within the Life & Savings segment, such as hedging strategies executed at the Group level and also the impact of leverage on the Group.

The table above shows the reconciliation of IFRS shareholders' equity to the Group EV.

The Life & Savings "Adjusted Net Asset Value" (ANAV) 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 IFRS shareholders' equity;
- elimination of all intangible assets;
- elimination of unrealized capital gains/losses 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 Group EV equals the Life & Savings EEV plus the other businesses TNAV (Tangible Net Asset Value). The TNAV for other-than-life businesses is reflecting the consolidated IFRS shareholders' equity adjusted for:

- the elimination of all intangible assets;
- the reclassification in the liabilities of all undated debt (TSS/TSDI) that is treated as equity in IFRS;
- the addition of unrealized capital gains or losses not already included in equity;
- the mark-to-market of debt.

The Life & Savings Value of Inforce (VIF) calculation by 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 Euro 1 of value. Mechanically, this can be described as assuming that, in the future, all assets will earn the risk-free rate (referred to as the "reference rate" in the Embedded Value methodology) defined by the current market. 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 Euro 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 a 2.0% average inflation rate was assumed in 2011 (2.0% in 2010);
- 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 necessary amount to obtain a AA rating at each entity level;
- a weighted average tax rate of 31.0% was assumed in 2011 (31.6% in 2010);
- consistent with previous years, AXA used, at the end of 2011, reference rates which included, where applicable, liquidity premia over the swap curves for some of its entities.

As described above, the Life & Savings VIF valuation under AXA's market-consistent framework does not depend on assumed future asset returns, but rather on the reference rate described above. The Life & Savings VIF valuation depends on stochastic projections of multiple scenarios, rather than a single scenario.

The sensitivities of the Group EV to changes in major economic assumptions were calculated as follows for the 2010 and 2011 values:

- **upward parallel shift of 100 basis points (bps) in reference interest rates** simulates a sudden shock to the initial conditions. This means changes to: 1) the current market values of fixed-interest assets, with related possible changes to projected capital gains/losses and/or fee revenues, 2) future reinvestment rates for all asset classes, and 3) risk-discount rates. Inflation rates are not changed;
- **downward parallel shift of 100 basis points in reference interest rates** is the same as above but with a shift downward. Where the shift of 100 basis points would drop rates below 0%, they are floored at zero;
- **10% higher value of equity markets at the start of the projection** simulates a shock to the initial conditions just for equities. This means changes to current market values of equities, with related possible changes to projected capital gains/losses and/or fee revenues. Policyholder and management behaviors are adjusted to be consistent with these conditions. As noted in the definitions, these calculations reflect a shock to the initial conditions for equities, but no changes in value for asset classes such as fixed maturities or real estate are assumed to accompany the equity change. In reality, changes in value of other asset classes would probably lead to different results than shown here. It is also possible that a gradual movement in equity would produce different results than a sudden shock;
- **10% lower value of equity markets at the start of the projection** same as above but a decrease.

| | 2011 | | | | | | 2010 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Life & Savings | | Other | | Group | | Life & Savings | | Other | | Group | |
| *(in Euro million)* | Euro million | % Group EV | Euro million | % Group EV | Euro million | % Group EV | Euro million | % Group EV | Euro million | % Group EV | Euro million | % Group EV |
| Upward parallel shift of 100 bps in risk-free rates | 1,231 | 4% | (1,487) | (5%) | (256) | (1%) | 781 | 2% | (1,667) | (5%) | (886) | (3%) |
| Downward parallel shift of 100 bps in risk-free rates | (3,456) | (11%) | 1,597 | 5% | (1,859) | (6%) | (2,440) | (7%) | 1,718 | 5% | (722) | (2%) |
| 10% higher value of equity markets at start of projection | 959 | 3% | 389 | 1% | 1,348 | 4% | 1,401 | 4% | 780 | 2% | 2,181 | 6% |
| 10% lower value of equity markets at start of projection | (1,031) | (3%) | (373) | (1%) | (1,404) | (4%) | (1,536) | (4%) | (727) | (2%) | (2,263) | (7%) |

*Group Embedded Value (Group EV) is defined on page 211.*

All sensitivities are presented net of tax and minority interests, and where applicable, net of policyholders' participation.

**2011 interest rate sensitivities** (% of Group EV) for Life & Savings business of 4% to upward 100 bps and -11% to downward 100 bps (2010: 2% and -7%) show an asymmetry predominantly driven by guaranteed interest rates having higher value when interest rates decrease, while higher reinvestment rates would need to be shared with policyholders limiting shareholders' gains in a higher rate environment. However this classical pattern is not followed everywhere, as for certain type of business with significantly low interest rate guarantees, the EEV behaves more like a portfolio of fixed-income assets. In addition, higher interest rates affect the value both positively through higher investment rate and negatively through lower starting value of fixed income assets and higher discount rates for future profits. For different product types these interactions produce different results.

**2011 interest rate sensitivities** (% of Group EV) for other-than-life businesses of -5% to upward 100 bps and 5% to downward 100 bps (2010: -5% and 5%) reflect mainly the impacts on fixed-income assets, partly offset by derivatives and sensitivities to changes in debt value, should interest rates curve move, with all debt classified as liabilities and re-measured at market value. The majority of other-than-life reserves in the financial statements and therefore in TNAV is generally not sensitive to interest rate changes as not discounted in most cases.

**2011 equity market sensitivities** (% of Group EV) for Life & Savings business of 3% to upward 10% or -3% to downward 10% (2010 4% and -4%) are more nearly symmetrical, with no complicating effects from changes of discount rates. The limited asymmetries reflect the impact of guarantees and profit-sharing rules, along with some hedging programs to limit potential losses. The impacts of equity market value changes can come through general account exposures or through changing asset balances impacting future fee revenue on separate account business.

**2011 equity market sensitivities** (% of Group EV) for other-than-life businesses of 1% to upward 10% or -1% to downward 10% (2010: 2% and -2%) reflect the impacts on equities including derivatives on equities.

## EXCHANGE RATE RISK RELATED TO THE OPERATING ACTIVITIES OF GROUP SUBSIDIARIES

In the insurance companies, which accounted for 88% of Group assets at December 31, 2011 (89% in 2010), assets and liabilities with foreign currency exposure were generally matched or hedged.

- **Life & Savings business:** 77% of Group assets at the end of 2011 (77% in 2010):

In France, AXA is exposed to exchange-rate risk through the units it owns in certain investment funds partly invested in foreign currencies (particularly US Dollar: €2,062 million vs. €2,184 million in 2010, Pound Sterling: €155 million vs. €163 million in 2010, and Japanese Yen: €98 million vs. €113 million in 2010). AXA France owns these invested funds in order to diversify its investments and enable policyholders to benefit from the performance of international financial markets. AXA France controls and limits its exposure to exchange-rate risk by using foreign exchange forwards and other derivatives (notional of €2,711 million vs. €2,626 million in 2010).

AXA Japan's investment strategy is to invest when relevant outside the Japanese market in order to diversify investments. At the end of 2011, the total assets denominated in foreign currencies (mainly US Dollars) represented an amount of €16,867 million (€17,216 million in 2010). Excluding assets backing unit-linked contracts, the corresponding exchange rate risk was fully hedged through the use of derivatives.

AXA Germany hold investments denominated in foreign currencies €3,799 million (€3,671 million in 2010,), 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 €3,567 million (€3,494 million in 2010) and Pound Sterling, Australian Dollar and Swiss Francs to a lesser extent. Exchange-rate risk exposure is hedged using forwards for a notional amount of €3,459 million (notional €3,308 million in 2010) and currency swaps for a notional amount of €403 million (notional of €380 million in 2010).

In Switzerland, the AXA entities are exposed to exchange rate risk through their investments in foreign currencies (mainly Euro and US dollar) due to the on-going low interest rate environment in Switzerland and to the limited investment possibilities in the Swiss market. As a result the entities hold foreign exchange exposure on equity securities as well as on fixed maturities denominated in currencies other than Swiss Francs. However the main part of the exposure is hedged back into Swiss Francs with foreign exchange swaps, options and forwards.

Switzerland Life & Savings foreign exchange exposure amounted to €21,061 million (circa 34% of assets) at the end of 2011, of which €19,110 million were hedged.

AXA Hong Kong holds investments denominated in foreign currencies €5,716 million (€4,827 million in 2010), both in directly and indirectly through investment funds, with aim of diversifying its investments. These investments are mainly in US Dollar €5,583 million (€4,756 million in 2010). Exchange-rate risk exposure is partially hedged using foreign exchange forwards.

In Belgium, in the United States, in the United Kingdom and in the Mediterranean and Latin American Region, the Group's Life & Savings companies do not have any significant exposure to exchange-rate risk.

These countries accounted for 99% at the end of 2011 (97% at the end of 2010) of the Group's Life & Savings companies' assets.

- **Property & Casualty business:** 9% of Group assets at the end of 2011 (9% at the end of 2010):

In France, AXA is exposed to exchange-rate risk through the units it owns in certain investment funds partly invested in foreign currencies mainly US Dollar (€244 million vs. €390 million in 2010) and to a much lesser extent Pound Sterling and Japanese Yen in order to diversify its investments. France controls and limits its exposure to exchange-rate risk by using forwards in all these currencies (notional of €464 million vs. €487 million in 2010).

In Belgium, parts of AXA Belgium's reinsurance portfolio liabilities are denominated in US Dollar. The foreign exchange risk associated to these liabilities is fully hedged through investments in US Dollar. The US Dollar exposure was €106 million at the end of 2011 (€127 million in 2010).

Germany P&C is exposed to US Dollar exchange rate risk on certain investment funds for €1,156 million (€1,096 million in 2010) and to a lesser extent on Pound Sterling, Australian Dollar and Swiss Francs. AXA Germany controls and limits its exchange rate risk by using forwards for a notional amount of €949 million (notional €967 million in 2010), currency swaps for a notional amount of €227 million (notional €143 million in 2010) and congruent coverage €59 million (€57 million in 2010).

In the United Kingdom and Ireland, AXA is exposed to exchange-rate risk through its AXA Insurance and AXA PPP Healthcare subsidiaries, which operate in pound sterling and AXA Ireland but have diversified their investment portfolios in line with asset liability management objectives as follows:

- directly owned foreign-currency investments and cash of €635 million (€511 million in 2010), of which €583 million (mostly fixed income assets) is mostly hedged through FX forward or cross currency swaps;
- investments totaling €177 million (€139 million in 2010) of CLO funds and other investment funds which invest in foreign-currency investments, of which €140 million is hedged through FX forward, and the remaining €37 million mitigates the FX exposure in AXA PPP liabilities.

AXA Ireland also operates in Northern Ireland, and so manages a portfolio of pound sterling policies for an amount of €248 million (€203 million in 2010), hedged with investments in the same currency of €224 million (€185 million in 2010).

In Switzerland, foreign exchange exposure amounted to €4,062 million (circa 30% of total assets) at the end of 2011, of which €3,734 million were hedged with foreign exchange futures and forwards.

In the Mediterranean and Latin American Region, the Group's Property & Casualty companies do not have any significant exposure to exchange-rate risk.

These countries accounted for 93% at the end of 2011 (94% in 2010) of the Group's Property & Casualty companies' assets.

- **International Insurance business** (2% of Group assets at the end of 2011 vs. 2% in 2010): In the course of its business, AXA Corporate Solutions Assurance carries some insurance liabilities, denominated in foreign currencies, particularly in US Dollar (€1,267 million at the end of 2011 vs. €1,270 million in 2010) and, to a lesser extent, Pound Sterling (€654 million at the end of 2011 vs. €607 million in 2010). The Company carries assets denominated in foreign currencies to ensure balance sheet congruence. The congruence between the company's foreign-currency assets and liabilities is regularly adjusted, but is subject to unpredictable loss occurrence and the corresponding liabilities movements.
- **As regards holding companies** (6% of Group assets at the end of 2011, same as 2010), AXA SA has, since 2001, adopted a hedging policy on net investments denominated in foreign currencies, which aims at protecting the Group's consolidated shareholders' equity against currency fluctuations, using derivatives instruments and foreign-currency debt.

At December 31, 2011, the main hedging positions were as follows:

| Foreign currency hedging | Amount in currency (in billion) 2011 | Amount in currency (in billion) 2010 | Amount in Euro (in billion) 2011 | Amount in Euro (in billion) 2010 | Comments |
|---|---|---|---|---|---|
| US Dollar | 2.4 | 7.0 | 1.8 | 5.2 | In respect of the US activities, mainly in the form of debt |
| Japanese Yen | 956.3 | 956.3 | 9.5 | 8.8 | In respect of the Japan activities, mainly in the form of derivatives |
| Pound Sterling | 3.1 | 2.2 | 3.7 | 2.5 | In respect of the UK business, mainly in the form of debt |
| Canadian Dollar | | 1.7 | | 1.2 | In respect of the Canadian business in the form of derivatives |
| Swiss Franc | 9.0 | 10.4 | 7.4 | 8.3 | In respect of the Swiss business, in the form of derivatives |
| Australian Dollar | | 0.8 | | 0.6 | Mainly in the form of debt |

AXA SA's assets accounted for most of the assets of Group holding companies at the end of 2011.

## RISKS RELATING TO THE MANAGEMENT OF HOLDING COMPANIES' FOREIGN EXCHANGE EXPOSURE AND DEBT

For the purpose of optimizing the financial management and control of financial risks linked to holding companies, the Group Central Finance Department has defined and implemented formal management standards, as well as guidelines for monitoring and assessing financial risks. These standards, which have been approved by the Management Committee, are designed to permit a consistent measurement of the positions of each affiliate.

The Group Central Finance Department is in charge of producing reporting data that consolidate interest rate, foreign exchange and liquidity risk exposures, as well as the interest expenses of the Company. This reporting also includes medium-term forecasts.

Synthetic reports, including information about hedging strategies, are sent to and reviewed by the Finance Committee of AXA's Board of Directors on a quarterly basis.

In addition, the Group Central Finance Department closely monitors risks resulting from regulatory or other restrictions on dividend payments from the Group's operating subsidiaries or limitations on AXA's ability to reduce these subsidiaries' shareholders' equity. The Group's operating subsidiaries must comply with local regulations in the various countries where they operate, including minimum solvency requirements and restrictions on related party transactions. These regulations impose a variety of restrictions and may limit the ability of the Company's operating subsidiaries to pay dividends to the Company or other Group companies, reduce their shareholders' equity, incur debt, engage in certain types of transactions with affiliates (including loans, sales of assets and other financial transactions) or take certain other actions. As a result, internal cash flow projections (including 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 partially protect future levels of interest expenses against movements in interest rates.

ASSESSMENT:

- Variability analyses assess the change in interest expenses over a medium term horizon resulting from a 100 bp rise in interest rates;
- Interest rate sensitivity analyses assess changes in the value of interest rate positions by currency and by maturity following a 100 bp upward shift in the yield curves.

### 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 partially or in full the value of AXA's net foreign-currency investments in its subsidiaries and thus reduce the variability of Group consolidated shareholders' equity against currency fluctuations, but also of other key indicators such as liquidity, gearing and solvency ratios. AXA regularly monitors its exchange rate hedging strategy and will continue to review its effectiveness and the potential need to adapt it taking into account impacts on earnings, value, solvency, gearing ratio and liquidity.

ASSESSMENT: exchange rate sensitivity analyses measure the annual change in interest expenses resulting from a variation in the Euro against all other currencies together with the impact on the Group's shareholders' equity, liquidity, gearing ratio and European solvency margin.

# Credit risks

Information in this Section (except the Credit Derivatives pie chart) should be read in conjunction with Note 4 to the consolidated financial statements included in Part 4 of this Annual Report which is covered by the Statutory Auditor's Report on the consolidated financial statements.

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 the financial risk is borne by policyholders) as well as by banks and holding companies. These portfolios give rise to counterparty risk through the debt securities and derivative products held within them;
- receivables from reinsurers resulting from reinsurance ceded by AXA.

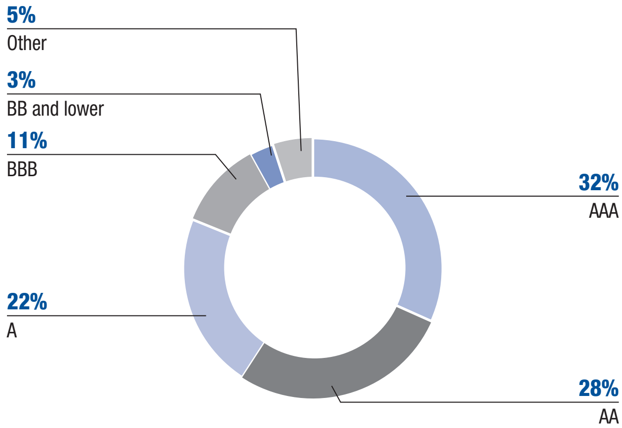
## INVESTED ASSETS

AXA has a database consolidating the Group's assets and analyzing them by issuer, credit rating, sector and geographic region, in order to assess the risk of concentration in its equity and debt security portfolios at Group level, in addition to local procedures. This database allows AXA to monitor, on a monthly basis, exposure to the default risk of a given issuer, particularly through holding of its debt securities. It also allows the monitoring of equity exposure.

As regards debt securities 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, based on the computation of the weighted average credit rating of all the bonds pertaining to this issuer (corporate, government, state-owned companies and agencies). Note 9.4 of Part 4 – "consolidated financial statements" sets out the debt securities portfolio by issuer type.

These tools allow Group Risk Management to ensure compliance with limits defined by the Group, among which asset allocation, credit risk concentration or counterparty risk for derivatives, in addition to local existing processes. The Group Credit Risk Committee handles credits breaching the Group's limit tolerances and determines coordinated actions for excessive credit concentrations. It is chaired by the Group CRO and meets on a monthly basis. In addition, a Group Credit Team, providing credit analysis independently from Group Asset Managers, was established in 2010, in addition to local CIO teams. The ALM Supervisory Committee is regularly kept informed of the work performed.

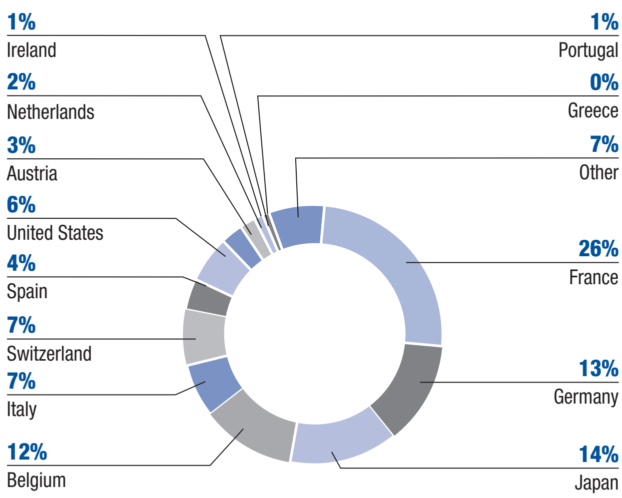
At December 31, 2011, the breakdown of the debt security portfolio (€372.6 billion) by credit rating category was as follows:




At December 31, 2010, the breakdown of the debt security portfolio (€349.4 billion) by credit rating was: 33% in AAA, 31% in AA, 20% in A, 10% in BBB, 3% in BB and lower, and 3% in other.

Credit risk diversification and analysis policies, particularly using credit ratings, are implemented by investment departments and monitored by Risk Management teams.

At December 31, 2011, the breakdown of government and government related bonds fair values (€213 billion) by country was as follows:



The exposure to sovereign debt securities issued by governments and related in Greece, Ireland, Italy, Portugal and Spain classified as available for sale as of December 31, 2011 were as follows:

| Issuer *(in Euro million)* | Fair Value | Amortized Cost | Unrealized losses (Gross value) | Unrealized losses (Net value) |
|---|---|---|---|---|
| Greece | 300 | 300 | - | - |
| Ireland | 970 | 1,112 | (142) | (24) |
| Italy | 13,883 | 16,136 | (2,253) | (400) |
| Portugal | 1,215 | 2,037 | (822) | (188) |
| Spain | 7,885 | 8,478 | (592) | (105) |
| **Total** | **24,255** | **28,064** | **(3,809)** | **(716)** |

*Amounts are referring to Government and government related bonds. Net amounts are presented at 100% share*

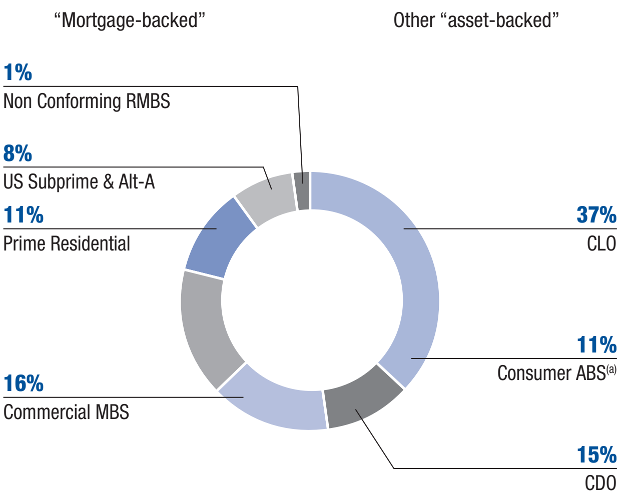
Net amounts correspond to amounts after the related impacts of deferred tax and shadow accounting on policyholders' participation, deferred acquisition cost and value of purchased business in force. Net amounts may evolve depending on the timing of realization of these potential losses and on the local regulatory environment.

Greek government bonds that are subject to private sector initiatives to support Greece involving voluntary exchanges and roll-overs of existing Greek government bonds were impaired at fair value on March 9, 2012, resulting in €-387 million net charge for the period ended December 31, 2011.

In addition debt securities and related issued by government and related in Greece, Ireland, Italy, Portugal and Spain classified under Fair value option amounted to €737 million as of December 31, 2011.

## ASSET BACKED SECURITIES BY UNDERLYING TYPE OF ASSET (EXCLUDING COLLATERALIZED MORTGAGE OBLIGATIONS (CMOs))

At December 31, 2011, the economic breakdown of the total value of ABS (€9.0 billion excluding assets held for sale as well as CMOs and agency pool ABS) was:

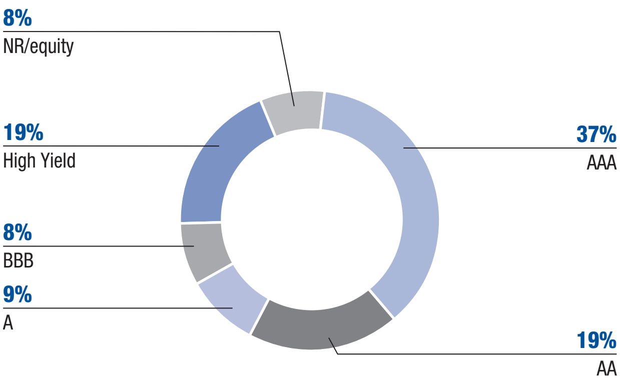



(a) Mainly consumer loan ABS (plus some leases and operating ABS assets).

At December 31, 2011, AXA's invested assets included a net exposure to US subprime residential and Alt-A mortgage loans of approximately €0.7 billion (10% equalling or above AA rating).

At December 31, 2010, the economic breakdown of the total value of ABS (€10.3 billion excluding assets held for sale, as well as CMOs) was: 29% in CLO, 12% in Consumer ABS, 17% in CDO, 17% in Commercial MBS, 15% in Prime Residential, 8% in US Subprime & Alt-A, and 3% in Non conforming RMBS. At December 31, 2010, AXA's invested assets included a net exposure to US subprime residential and Alt-A mortgage loans of approximately €0.8 billion (17% equaling or above AA rating).

At December 31, 2011, the analysis by rating of the ABS portfolio was as follows and showed that 56% were AAA & AA.




At December 31, 2010, the breakdown of the ABS portfolio by rating was: 37% in AAA, 22% in AA, 8% in A, 6% in BBB, 19% in high yield, and 8% in NR/equity.

The positive gross fair value evolution of the ABS assets over the year 2011 was evaluated at €0.1 billion, mostly recognized in net income (versus €0.7 billion in 2010, of which €0.3 billion in net income and €0.4 billion in shareholders' equity).

Net of policyholders' participation, tax and VBI/DAC reactivity, the fair value evolution of ABS assets over the year 2011 was lower than €0.1 billion with a limited impact on both net income and shareholders' equity (versus €0.3 billion in 2010, of which €0.1 billion in net income and €0.2 billion in the shareholders' equity).

## CREDIT DERIVATIVES

The AXA Group, as part of its investment and credit risk management activities, use strategies that involve credit derivatives (mostly Credit Default Swaps or CDS), which are mainly used as an alternative to debt security portfolios, when coupled with government debt securities, but also as a protection on single corporate names or specific portfolios.

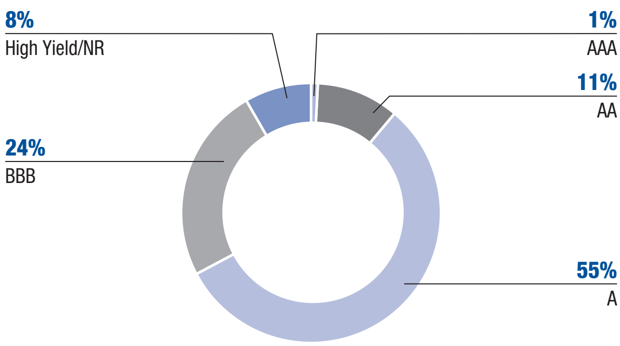
At December 31, 2011, the nominal amount of positions taken through credit derivatives was €25.4 billion (1) (cumulated notional amounts of protections bought and protections sold), of which €23.9 billion of CDS, which can be broken down as follows:

i. €6.7 billion of CDS protections bought to hedge credit risk with regard to certain investments in corporate bonds mainly in Japan (€4.0 billion), Switzerland (€1.8 billion) and France (€0.7 billion);

ii. €17.2 billion of CDS protections sold and bought to manage our credit exposure, which corresponds to a €8.5 billion (2) net credit investment, of which €6.5 billion representing the corporate credit risk overlay.

For these €8.5 billion net CDS, the credit risk taken by the AXA Group through these instruments is included in analyses of debt security portfolios as described in the previous Section "Invested assets". Limits applied to issuers take into account these credit derivative positions.

The breakdown of these net CDS's underlying debt securities by rating is as follows:




Credit risk relating to CDOs is monitored separately, depending on the tranches held, and regardless of the type of assets held (debt securities or credit derivatives).

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

AXA actively manages counterparty risk generated by OTC derivatives through a specific Group-wide policy. This policy includes a limit framework and an exposure monitoring process. Limits are set specifically for each authorized counterparty, based on an internal scoring system. This policy also includes daily to weekly collateralization for the majority of the Group's exposure.

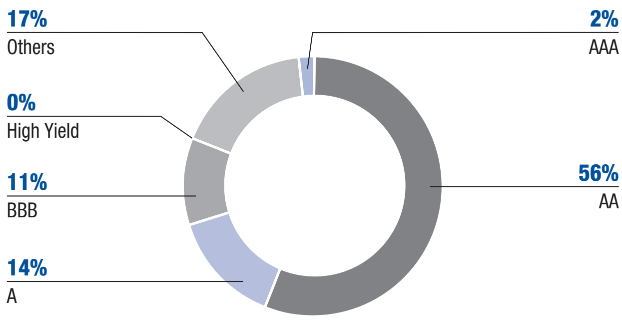
## RECEIVABLES FROM REINSURERS: RATING PROCESSES AND FACTORS

To manage the risk of reinsurers' insolvency, a Security Committee is in charge of assessing reinsurers' quality and acceptable commitments. The Committee is under co-joined authority of Group Risk Management and AXA Global P&C. This risk is monitored to avoid any excessive exposure to any specific reinsurer. 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.

In addition, 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 83% of reinsurers' share of insurance and investment contract liabilities in 2011 (versus 75% in 2010).

The breakdown of all reserves ceded to reinsurers by reinsurer rating as of December 31, 2011 (€10.7 billion) was as follows:




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.

At December 31, 2010, the breakdown of reserves ceded to reinsurers (€11.1 billion) by reinsurer rating was: 6% in AAA, 44% in AA, 22% in A, 3% in BBB/BB/B, and 25% in others.

## BANK CREDIT ACTIVITIES

At year end 2011, total invested assets of the banking segment (Belgium, France, Germany, Hungary, Czech Republic and Slovakia) were at €31 billion (€26 billion in 2010).

AXA banking operations are mostly limited to retail banking activities, distributing simple investment and credit products.

As such, AXA banks risk management policies are based on their stated Risk Appetite, with the following key principles:

- dedicated counterparty and credit risk functions with Internal Rating Based model and appropriate committees;

(1) *This figure represents an accounting view i.e. 100% of assets held directly and in consolidated "core block" and "satellite" funds.*

(2) *This figure represents an economic view i.e. 100% of assets held in consolidated "core block" and "satellite" funds and assets held by non consolidated funds.*

- regularly monitored earnings at risk and Risk-Adjusted Return on Capital (RAROC) approach;
- quality sovereign, international institutions and bank counterparties portfolio closely monitored;
- adequacy to Group operational risk standards;
- tightly managed market, asset & liability, foreign exchange and interest rate risks including a strict collateral policy.

Credit risks in the banks may be split between:

- retail credit risk, resulting from the commercial activity – sales of mortgages and other type of loans to retail clients and small enterprises. Credit risk management is done through careful risk selection ("Internal Rating Based" scoring models regularly monitored to ensure a risk selection consistent with each bank's risk appetite, "Retail Credit Committees" that meet every month) and a regular monitoring of portfolios by product management teams and risk management teams;
- other than retail credit risk, resulting from investment activity. This activity is limited with strong control processes in place: a limit framework (by country, currency, ratings, and individual issuer – based on internal rating system), one dedicated Risk Committee meets every two weeks to validate new credit investments, to review portfolio of investments, and analyze adequacy to the risk limits. This portfolio of investments is essentially composed of papers eligible to the European Central Bank's refinancing operations due to its primary purpose to serve as a buffer of liquid assets for the commercial activities of the Bank.

Credit risks are regularly reviewed by the Management Board of each bank, and are subject to regulation. AXA Bank Europe's internal capital adequacy assessment and strategic planning processes take into account capital required to mitigate all material risks, capital required for expected business growth, intra-risk diversification benefits, liquidity requirements and stress testing results. Its capital allocation processes also incorporate Risk-Adjusted Return on Capital (RAROC) analysis.

As for retail credit risk in Hungary, it should be noted that in an attempt to reduce household debt, the Hungarian government has published legislation in September 2011 allowing customers to pay back foreign currency denominated mortgages at non-market rates for a limited time period. This legislation forced banks to provide for the likely cost related to these measures. As a consequence, AXA Bank Europe has provisioned €103 million for the impact of legislation on top of the €54million additional provisions set up to cover the loan losses on the existing portfolio. In this context, Hungarian lending activities have been stopped.

The bank aims to meet all regulatory capital obligations and to remain sufficiently capitalized in the light of AXA internal capital model. As at December end 2011, AXA Bank Europe's core tier 1 ratio is significantly above the minimum regulatory requirements.

# Insurance risks

Information in this Section should be read in conjunction with Note 4 to the consolidated financial statements included in Part 4 of this Annual Report which is covered by the Statutory Auditor's Report on the consolidated financial statements.

The Group's insurance subsidiaries have the primary responsibility to manage their insurance risks linked to underwriting, pricing and reserving, using a set of actuarial tools. They are also responsible for managing appropriately in response to changes in insurance cycles and to the political and economic environments in which they operate.

Insurance risks for both Life & Savings and Property & Casualty businesses are covered through 5 major processes, defined at Group level but performed jointly by central and local teams:

- profitability analysis mainly through procedures governing launch product approval before (new product risk control) that complete well-established underwriting rules;
- regular exposure analysis to ensure that the current exposure is within our risk appetite at Group level;
- optimization of reinsurance strategies to mitigate the risks in order to cap the Group's peak exposures to protect our Solvency and reduce volatility of key financial indicators;
- reviews of technical reserves;
- emerging risks initiative to share expertise within the underwriting and risk communities.

## PRODUCT APPROVAL

In its Life & Savings activities, the AXA Group has set up product approval procedures in each subsidiary, to ensure that new risks underwritten by the Group undergo a thorough approval process before products are offered to customers. This harmonized approach also facilitates the sharing of product innovation within the Group, which has been further developed by AXA Global Life.

These procedures are defined and implemented locally. They are structured and harmonized using minimum requirements defined by Group Risk Management (GRM). The main characteristics of these procedures are:

- although the decision to launch a new product is taken locally, it must result from a documented approval process that complies with local governance practices and AXA Group standards in terms of product features, pricing, hedging and aspects related to legal, compliance, regulatory, reputation and accounting. For Variable Annuity products with guarantees, as well as Long Term Care products, the local governance is supplemented by a centralized review performed by GRM, and submitted to the Management Committee;
- all significant Life & Savings products must go through this process;
- guarantees and options embedded in the product must be quantified using market consistent stochastic methods in order to ensure that there is adequate measure of their manufacturing cost. This work, along with an analysis of the return on capital across multiple scenarios, also gives a better understanding of any asset-liability mismatch risk and the capital requirement at an early enough stage of the product's design. Where significant financial risks exist, an ALM study must be performed to confirm the hedging strategy for the product;
- stress tests are also required on key assumptions to ensure that appropriate "what if" scenarios are considered in the development process;
- pricing reports for material products are sent to GRM.

This profitability analysis framework is also used in Property & Casualty as a regular technical & risk audit with methods adapted to the underwriting of risks, while maintaining the principle of local decision-making based on a documented approval procedure. The aim is threefold:

- for pre-launch business, to ensure that new risks underwritten by the Group have undergone a rigorous process before the products are offered to customers and show adequate profitability adjusted for the cost of capital;
- for post-launch business, to ensure the appropriate profitability and risks control of the in-force P&C underwritings;
- this profitability framework complements strong and basic underwriting rules to ensure that no risks are taken outside the Group tolerances and that value is created by adequately pricing the risk.

## EXPOSURE ANALYSIS

In order to ensure a consolidated view of insurance risks, GRM has developed and deployed common models/metrics to measure risks consistently throughout the Group (in particular *via* its economic capital framework). This is designed to check that the Group's exposure is within the Group's consolidated risk appetite limits, along a number of dimensions (earnings, value, capital and liquidity).

This framework is included in the governance set out previously for product development control.

In the Life & Savings business, these tools allow mortality/longevity risks to be analyzed on a multi-country basis. The AXA Group regularly monitors its exposure to these risks (mortality, longevity, morbidity…) and uses the results of this work to enhance the structure of its product ranges and its reinsurance coverage. These exposure analyses are supported by expert risk models in Life & Savings (mortality, longevity, morbidity…).

In addition, in the Property & Casualty business, the above mentioned tools also enable analyses on a worldwide basis of market cycle, price elasticity, reinsurers' counterparty risk, claims frequency deviation, reserves adverse development and natural catastrophes. The results of this exercise are mainly used to optimize the Group's protection (through reinsurance or securitization) and business-mix.

## REINSURANCE

### Definition of reinsurance requirements

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 mainly handled centrally by AXA Global P&C and AXA Global Life;
- prior to ceding risks, in-depth actuarial analyses and modeling are conducted on each portfolio by AXA Global P&C, AXA Global Life 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 in P&C (natural catastrophes, storms, floods, earthquakes) and Life (mortality, geographical concentration risk). Trend risks such as longevity also fall in the scope of such actuarial studies and reinsurance undertakings. These analyses 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 P&C catastrophic risks are carried out on the basis of several pieces of several modeling softwares available in the market. Although these softwares are key to foster discussions with reinsurers, they are regularly assessed within GRM and adjusted to the specific features of AXA's portfolio. Experience shows that these softwares may provide imperfect estimates of real exposure, and may underestimate some important factors such as inflation following a major catastrophe or the effects of climate change. In addition, they do not factor in risks relating to legal developments requiring an insurer retrospectively to cover a risk that, it believed, was excluded from its policies.

Centralization and harmonization of reinsurance purchase is based on the same procedures for both the Life & Savings business as for the Property & Casualty one.

### Implementation of the reinsurance strategy: role of AXA Global P&C

In order to build adjusted and optimized protection, the Group's various operating entities place 100% of their reinsurance treaties with AXA Global P&C. Only a small part (10-20%) of most local treaties is placed directly on the reinsurance market through AXA Global P&C with the remainder is retained and combined at AXA Global P&Clevel to build internal Group reinsurance pools by line of business.

The retention rate and the level of these pools are designed to effectively protect the Group within the risk appetite framework. Coverage is arranged through the reinsurance market or potentially in the financial market through securitization (cat bonds).

In 2011, four pools were managed by AXA Global P&C:

- Property (Catastrophe and per risk + Personal Accident);
- General Liability;
- Marine;
- Technological innovation.

For the motor liability segment, AXA Global P&C has arranged Group protection for all entities.

All local Group companies ceding reinsurance are collectively protected by this Group coverage. The net financial results of this Group protection are then retroceded to these entities.

Finally, in addition to the analyses described above, AXA regularly monitors its exposure to its main reinsurers, to ensure that consolidated limits remain within Group risk tolerance (please see the Section "Credit Risk – Receivables from reinsurers")

## TECHNICAL RESERVES

In addition to controlling risks through prior product approval, regular risk exposure monitoring and reviewing reinsurance covers, operational entities specifically monitor reserve risks, both in Life & Savings and Property & Casualty. Reserves have to be booked for claims as they are incurred or reported. These reserves are measured individually for each file by the claims departments. Additional reserves for incurred but not reported (IBNR) claims, along with reserves for incurred but not enough reported (IBNER) claims 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 for a second opinion by local risk management teams or external technical experts.

For Property & Casualty business, GRM, together with AXA Global P&C teams, performs in-depth reviews on specific portfolios to re-assess all underlying assumptions, methods and processes driving the exercise (claims management, actuarial, underwriting, etc.) and to check the compliance with the Group standard on reserving, which covers, among other matters, the independency of opinions, the documentation of the escalation process (meant to solve significant differences of opinion between first and second assessments) and the reconciliation process.

The Group's methods for Property & Casualty reserves are based on applicable accounting and actuarial standards as well as 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);
- 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 specialized 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.

## EMERGING RISKS

Through its Emerging Risks initiative, AXA has established processes to qualify and quantify emerging risks which could develop over-time and become significant. This initiative also allows expertise to be shared within the underwriting and risk communities and ensures adequate underwriting policies are defined.

### 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 may disagree on its magnitude and projection. Even if an international agreement freezes greenhouse gas emissions at year 2000 levels, which remains a challenge after the $17^{th}$ Conference of the Parties in Durban in December 2011, there is a broad consensus among the scientific community to consider that climate change will be inevitable due to past emissions. 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, topography, etc.), some results are now available at regional level and used in our catastrophe risk estimations. However, it is still very difficult to estimate the consequences of extreme events (heat waves, droughts and floods, high winds and intense precipitation caused by cyclones), which are of particular concern to insurance companies. It was one of the reasons whichled the Group to launch in 2007 the AXA Research Fund, which supports academic research projects on Climate.

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 (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 & 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.

Gradual premium rate adjustments will be required to widely reflect these risk factors, but may not be sufficient to cover risks underwritten in the most exposed areas to flood or cyclone. By seeking to develop new solutions, acting as an advisor on risk management 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 and to support sustainable development.

### Pandemic/extreme mortality risk

In past years developments relating to bird flu attracted increasing attention across governments and industry to the risks associated with pandemics. After a lowering of the level of public attention in 2008, 2009 saw the emergence of a new influenza virus strain which spread very quickly but fortunately has so far been relatively mild compared to other major influenzas. Although assessing pandemic risks involves a significant amount of various assumptions, it requires the development and implementation of an appropriate risk management strategy.

As part of its mortality risk management, AXA issued in 2006 a "mortality" bond which provided the Group with some protection against mortality shocks. The redemption amount of this bond depended on general mortality thresholds. This instrument was transformed, where needed, by AXA Global Life into reinsurance capacity for AXA Group subsidiaries. This bond matured in January 2010, and AXA continues to monitor conditions while considering whether to issue another bond.



# Operational risks

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

## 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. It includes legal risk and considers reputation risk as an impact, and excludes risk arising from strategic decisions.

Responsibility for managing day-to-day operational risks lies mainly within operating subsidiaries, which are best positioned to take the appropriate measures to mitigate the risks faced by their organizations. However, AXA has defined a single Group framework for identifying, quantifying and monitoring the main operational risks, involving the deployment of a common system, and dedicated operational risk teams are in place in all the major entities of the Group.

AXA has developed a common operational risk typology listing around a hundred risks classified in the following seven risk categories:

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

At Group level, both quantitative and qualitative requirements have been defined.

- Across the Group, the most critical operational risks of each entity and a set of transversal Group stress scenarios are identified and assessed following a forward-looking and expert opinion approach. These risks are then aggregated using actuarial methods to estimate the capital allocation needed to cover operational risks based on advanced models inspired by those proposed by the Basel Committee for banking supervision. Moreover, Operational Risk profile is embedded into local governance through senior management validation to ensure adequate corrective and pre-emptive action of the main risks.
- In addition, a loss data collection process is in place in most companies of the Group in order to track and mitigate appropriately actual operational losses. This process is also used as a valuable source of information to back-test the assumptions taken in local risk assessments.

## MANAGING POTENTIAL RISK ON REPUTATION

In the light of the 2008-2009 global financial crisis, AXA reinforced measures in place to protect its reputation, and communicated to shareholders, customers, staff, and more broadly the financial community, on its strength and financial soundness through:

- a tailored and daily basis communication at both internal and external levels (AXA's intranet and specific hotline to answer questions of shareholders and staff, letters sent to customers and articles posted on AXA's website);
- a continuous monitoring of our online reputation (web and media monitoring system);
- an extensive communication of our management team to international media.

## PROFESSIONAL ETHICS

Several years ago, AXA adopted the AXA Group Compliance and Ethics Guide ("the Guide"). The Guide has been updated in 2006 and then again partly in 2011. The current version of the Guide is available on The Group's website (www.axa.com). The Guide defines rules for day-to-day professional conduct and covers a variety of matters, including specific rules concerning conflicts of interest, transactions involving AXA securities and those of its listed subsidiaries, confidentiality and control of sensitive information as well as record keeping and retention.

## MONEY LAUNDERING AND TERRORIST FINANCING RISK

AXA is firmly committed to combating money laundering and terrorist financing. This commitment is embodied in a specific Anti-Money Laundering charter that was initially adopted in 2002. In line with this charter, each AXA Group company is required to maintain procedures based on Group standards and principles, in addition to those required by applicable local regulations, and to appoint an anti-money laundering officer. The "know your customer" principle is crucial in this respect, and is fundamental to all transactions. The Group Charter is reviewed and updated on a regular basis by taking into account international legal and regulatory developments.

## REGULATORY RISKS

AXA is engaged in regulated business activities on a global basis through numerous operating subsidiaries and the Group's principal business activities of insurance and asset management are subject to comprehensive regulation and supervision in each of the various jurisdictions where the Group operates. AXA SA, the ultimate parent holding company of the AXA Group, is also subject to extensive regulation as a result of its listing on Euronext Paris and its interest in numerous regulated insurance and asset management subsidiaries. Given that the AXA Group is headquartered in Paris, France, this supervision is based to a significant extent on European Union ("EU") directives and on the French regulatory system. The AXA Group's principal regulators in France are the *Autorité des marchés financiers* ("AMF"), which is the French financial market regulator, and the *Autorité de Contrôle Prudentiel* ("ACP") [(1)], which is the principal French insurance regulator.

For further information on the regulatory environment in which AXA operates including regulatory risks, please see Section 3.1 "Regulations" of Part 3 of this Annual Report.

## LEGAL AND ARBITRATION PROCEEDINGS

AXA SA and/or some of its subsidiaries are involved in lawsuits (both class actions and individual litigations), investigations, and other actions arising in the various jurisdictions where they do business. For further information, please see Part 4 "Consolidated Financial Statements" – Note 31 "Litigation" of this Annual Report.

## 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.

(1) *As of March 9, 2010, the* Autorité de contrôle des assurances et des mutuelles *(ACAM) is replaced by the* Autorité de contrôle prudentiel *(ACP), a new authority resulting mainly from a merger of the Banking Commission* (Commission bancaire) *and the ACAM.*

## INSURANCE COVER FOR THE GROUP'S PROPRIETARY RISK

The purchase of insurance on the Group's proprietary assets and risks is largely decentralized with Group subsidiaries responsible for identifying risks and purchasing their own insurance, such as property damage and public liability insurance, according to their local exposures and market conditions. As part of the general governance principles, subsidiaries may arrange protection with external insurers or with an internal AXA Group insurer.

AXA Global P&C, however, is mandated to buy certain types of Group-wide insurance programs for risks shared by all AXA Group companies. These policies cover directors and officers' liability, professional liability and fraud and are:

- Group-wide insurance programs covering all AXA Group entities with the exception of AXA Financial and its subsidiaries, which traditionally arrange cover within local market;
- reviewed and approved annually by the Management Committee to ensure that AXA has achieved competitive terms and conditions. The insurers used by the Group are acknowledged international leaders and financially sound.

# 3.4 CERTAIN FINANCIAL INFORMATION

Please see Part 4 – “Consolidated Financial Statements” of this Annual Report.

## LEGAL PROCEEDINGS

Please see Part 4 – “Consolidated Financial Statements” – Note 31 “Litigation” of this Annual Report.

## DIVIDEND POLICY

The Company has paid dividends on its shares for the past five years. The Company pays dividends in Euro. Future dividends will depend on AXA’s earnings, financial condition as well as various other factors. Proposals for dividend payments are made at the discretion of the Board of Directors, after examination and opinion of its Finance Committee, and are submitted for final approval to the Shareholders’ Meeting.

AXA determines its dividend policy on the basis of its adjusted earnings minus interest charges on its outstanding undated debt securities, and, in each of the past several years, with the exception of 2009, AXA has paid aggregate dividends in a general range of 40% to 50% of this amount. While Management currently intends to maintain this dividend policy over the long-term, the dividend proposed by Management in any particular year depends on a variety of factors (including the Company’s performance, prevailing financial market conditions and the general economic environment) and, consequently, may fall outside the target 40% to 50% range in certain years. In assessing the dividend to be paid in any given year, Management tries to strike the appropriate balance between (i) prudent capital Management, (ii) reinvestment of previous results to support business development and (iii) an attractive dividend for shareholders.

For further information on the dividends declared and paid in the most recent five years and on the Company’s dividend policy, see Part 1 – “The AXA Group: Our global business operations, recent financial performance and financial condition”, Section 1.1 “Dividends” and Part 5 – “Certain additional information – Description of AXA’s Share Capital”, Section “Dividends” of this Annual Report.

## SIGNIFICANT CHANGES

For a description of certain developments since the date of the annual financial statements included in this Annual Report, please see Part 4 – “Consolidated Financial Statements” – Note 32 “Subsequent events” of this Annual Report.

# 4 CONSOLIDATED FINANCIAL STATEMENTS/FULL YEAR 2011

# 4.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(in Euro million)* Notes | | December 31, 2011 [a] | December 31, 2010 [a] [b] |
|---|---|---|---|
| 5 | Goodwill | 15,855 | 16,741 |
| 6 | Value of purchased business in force [c] | 3,074 | 3,105 |
| 7 | Deferred acquisition costs and equivalent | 21,785 | 19,641 |
| 8 | Other intangible assets | 3,382 | 3,648 |
| | **Intangible assets** | **44,096** | **43,135** |
| | Investments in real estate properties | 16,061 | 15,751 |
| | Financial investments | 418,765 | 409,630 |
| | Assets backing contracts where the financial risk is borne by policyholders [d] | 134,230 | 137,757 |
| **9** | **Investments from insurance activities** | **569,056** | **563,137** |
| **9** | **Investments from banking and other activities** | **35,264** | **31,416** |
| **10** | **Investments in associates – Equity method** | **1,139** | **1,168** |
| | **Reinsurers' share in insurance and investment contracts liabilities** | **10,698** | **11,096** |
| | Tangible assets | 1,410 | 1,517 |
| 14 | Deferred policyholders' participation assets | 1,247 | 636 |
| 19 | Deferred tax assets | 3,052 | 4,097 |
| | **Other assets** | **5,709** | **6,250** |
| | Receivables arising from direct insurance and inward reinsurance operations | 13,346 | 13,468 |
| | Receivables arising from outward reinsurance operations | 671 | 1,008 |
| | Receivables – current tax | 2,347 | 1,851 |
| | Other receivables | 16,325 | 13,917 |
| **11** | **Receivables** | **32,689** | **30,244** |
| | **Assets held for sale including discontinued operations [e]** | **360** | **22,848** |
| **12** | **Cash and cash equivalents** | **31,072** | **22,095** |
| | **TOTAL ASSETS** | **730,085** | **731,390** |

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

*(a) AXA Japan closes its full year accounts at September 30. Given significant movement in foreign exchange rates between September end and December end, balance sheet items have been translated using December 31 exchange rates for both 2010 and 2011 closings.*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) Amounts gross of tax.*

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

*(e) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

| *(in Euro million)* Notes | | December 31, 2011 [(a)] | December 31, 2010 [(a) (b) (c)] |
|---|---|---|---|
| | Share capital and capital in excess of nominal value | 25,188 | 24,723 |
| | Reserves and translation reserve | 19,050 | 22,226 |
| | Net consolidated income – Group share | 4,324 | 2,749 |
| | **Shareholders' equity – Group share** | **48,562** | **49,698** |
| | **Minority interests** | **2,371** | **4,170** |
| 13 | **TOTAL SHAREHOLDERS' EQUITY** | **50,932** | **53,868** |
| | Subordinated debt | 7,108 | 7,066 |
| | Financing debt instruments issued | 2,506 | 2,500 |
| | Financing debt owed to credit institutions | 807 | 887 |
| 17 | **Financing debt** | **10,421** | **10,454** |
| | Liabilities arising from insurance contracts | 358,146 | 342,559 |
| | Liabilities arising from insurance contracts where the financial risk is borne by policyholders [(d)] | 104,642 | 108,587 |
| | **Total liabilities arising from insurance contracts** | **462,788** | **451,146** |
| | Liabilities arising from investment contracts with discretionary participating features | 37,858 | 37,233 |
| | Liabilities arising from investment contracts with no discretionary participating features | 380 | 720 |
| | Liabilities arising from investment contracts with discretionary participating features and where the financial risk is borne by policyholders | 3,621 | 4,700 |
| | Liabilities arising from investment contracts with no discretionary participating features and where the financial risk is borne by policyholders | 26,336 | 25,006 |
| | **Total liabilities arising from investment contracts** | **68,195** | **67,659** |
| | Unearned revenue and unearned fee reserves | 2,975 | 2,757 |
| | Liabilities arising from policyholders' participation | 17,938 | 15,897 |
| | Derivative instruments relating to insurance and investment contracts | (2,056) | (742) |
| 14 | **LIABILITIES ARISING FROM INSURANCE AND INVESTMENT CONTRACTS** | **549,841** | **536,717** |
| 15 | **Liabilities arising from banking activities** | **34,023** | **27,532** |
| 16 | **Provisions for risks and charges** | **10,760** | **10,495** |
| 19 | **Deferred tax liabilities** | **4,526** | **4,098** |
| | Minority interests of controlled investment funds and puttable instruments held by minority interest holders | 3,896 | 4,855 |
| | Other debts instruments issued, notes and bank overdrafts [(e)] | 6,272 | 6,504 |
| | Payables arising from direct insurance and inward reinsurance operations | 7,212 | 7,472 |
| | Payables arising from outward reinsurance operations | 5,179 | 5,916 |
| | Payables – current tax | 1,194 | 1,348 |
| | Collateral debts relating to investments under a lending agreement or equivalent | 27,509 | 23,399 |
| | Other payables | 18,130 | 18,562 |
| 18 | **Payables** | **69,392** | **68,058** |
| | **Liabilities held for sale including discontinued operations [(f)]** | **189** | **20,168** |
| | **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **730,085** | **731,390** |

*(a) AXA Japan closes its full year accounts at September 30. Given significant movement in foreign exchange rates between September end and December end, balance sheet items have been translated using December 31 exchange rates for both 2010 and 2011 closings.*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) In order to improve the consolidated statement of financial position presentation consistency, balances disclosed so far as "Other debt instruments issued and bank overdrafts" of AXA Bank Europe have been reclassified to "Liabilities arising from banking activities" aggregate in 2010.*

*(d) Also includes liabilities arising from contracts where the financial risk is borne by policyholders with Guaranteed Minimum features.*

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

*(f) In 2010, Australian and New Zealand operations and some UK Life & Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

| *(in Euro million)* | December 31, 2011 | December 31, 2010 [(a)] [(b)] |
|---|---|---|
| Liabilities arising from insurance contracts where the financial risk is borne by policyholders [(c)] | 104,642 | 108,587 |
| Liabilities arising from investment contracts with discretionary participating features and where the financial risk is borne by policyholders | 3,621 | 4,700 |
| Liabilities arising from investment contracts with no discretionary participating features and where the financial risk is borne by policyholders | 26,336 | 25,006 |
| **Total Liabilities arising from contracts where the financial risk is borne by policyholders** | **134,599** | **138,293** |
| Liabilities arising from insurance contracts | 358,146 | 342,559 |
| Liabilities arising from investment contracts with discretionary participating features | 37,858 | 37,233 |
| Liabilities arising from investment contracts with no discretionary participating features | 380 | 720 |
| **Total Liabilities arising from other insurance and investment contracts** | **396,384** | **380,512** |

*(a) In 2010, Australian and New Zealand operations and some UK Life & Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale. (see Note 5.3)*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) Also includes liabilities arising from contracts where the financial risk is borne by policyholders with Guaranteed Minimum features.*

# 4.2 CONSOLIDATED STATEMENT OF INCOME

| *(In Euro million, except EPS in Euro)* **Notes** | | December 31, 2011 [a] | December 31, 2010 Restated [a] |
|---|---|---|---|
| | Gross written premiums | 80,570 | 83,390 |
| | Fees and charges relating to investment contracts with no participating features | 350 | 518 |
| | **Revenues from insurance activities** | **80,920** | **83,908** |
| | Net revenues from banking activities | 479 | 452 |
| | Revenues from other activities | 4,708 | 5,052 |
| **21** | **Revenues [b]** | **86,107** | **89,412** |
| | **Change in unearned premiums net of unearned revenues and fees** | **(549)** | **(451)** |
| | Net investment income [c] | 18,469 | 15,499 |
| | Net realized gains and losses relating to investments at cost and at fair value through shareholders' equity [d] | 3,153 | 1,894 |
| | Net realized gains and losses and change in fair value of investments at fair value through profit and loss [e] | (3,406) | 15,427 |
| | *of which change in fair value of assets with financial risk borne by policyholders [f]* | *(4,977)* | *13,788* |
| | Change in investments impairment [g] | (2,016) | (934) |
| **22** | **Net investment result excluding financing expenses** | **16,199** | **31,886** |
| | Technical charges relating to insurance activities [f] | (75,757) | (94,500) |
| 23 | Net result from outward reinsurance | (733) | (787) |
| | Bank operating expenses | (246) | (96) |
| 25 | Acquisition costs | (8,184) | (8,481) |
| | Amortization of the value of purchased business in force | (249) | (256) |
| 25 | Administrative expenses | (10,038) | (10,713) |
| | Change in tangible assets impairment | 29 | (13) |
| | Change in goodwill impairment and other intangible assets impairment | (1,206) | (111) |
| | Other income and expenses | (480) | (22) |
| 5 | Charges related to the partial disposal of UK Life & Savings operations | (38) | (1,642) |
| | **Other operating income and expenses** | **(96,902)** | **(116,619)** |
| | **Income from operating activities before tax** | **4,856** | **4,228** |
| 10 | Income arising from investments in associates – Equity method | 62 | 85 |
| 24 | Financing debts expenses [h] | (329) | (488) |
| | **Net income from operating activities before tax** | **4,589** | **3,826** |
| 19 | Income tax | (1,074) | (895) |
| | **Net operating income** | **3,515** | **2,931** |
| | Result from discontinued operations net of tax | 1,002 | 160 |
| | **Net consolidated income after tax** | **4,516** | **3,091** |
| | Split between: | | |
| | Net consolidated income – Group share | 4,324 | 2,749 |
| | Net consolidated income – Minority interests | 193 | 342 |
| **27** | **Earnings per share [i]** | **1.75** | **1.08** |
| | **Fully diluted earnings per share [i]** | **1.75** | **1.08** |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*
*(b) Gross of reinsurance.*
*(c) Net of investment management costs.*
*(d) Includes impairment releases on investments sold and net realized gains on sale of Australian and New Zealand operations (€742 million gross or €626 million net) and Taikang Life (€830 million gross or €798 million net).*
*(e) Includes realized and unrealized forex gains and losses relating to investments at cost and at fair value through shareholders' equity.*
*(f) Change in fair value of assets with financial risk borne by policyholders is offset by a balancing entry in technical charges relating to insurance activities.*
*(g) Excludes impairment releases on investments sold.*
*(h) Includes net balance of income and expenses related to derivatives on financing debt (however excludes change in fair value of these derivatives).*
*(i) Refer to Note 27 for the split of earning per share between continuing and discontinued operations.*

# 4.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(in Euro million)* | December 31, 2011 [(a)] | December 31, 2010 [(a)] |
|---|---|---|
| Reserves relating to changes in fair value through shareholders' equity | (1,634) | 1,588 |
| Translation reserves | 163 | 1,262 |
| Employee benefits actuarial gains and losses | (581) | (456) |
| **Net gains and losses recognized directly through shareholders' equity** | **(2,052)** | **2,395** |
| Net consolidated income | 4,516 | 3,091 |
| **TOTAL COMPREHENSIVE INCOME (CI)** | **2,464** | **5,485** |
| *Split between:* | | |
| CI – Group share | 2,646 | 4,762 |
| CI – Minority interests | (181) | 723 |

*(a) AXA Japan closes its full year accounts at September 30. Given significant movement in foreign exchange rates between September end and December end, balance sheet items have been translated using December 31 exchange rates for both 2010 and 2011 closings.*

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

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# 4.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share Capital | | | | |
|---|---|---|---|---|---|
| *(In Euro million, except for number of shares and nominal value)* | Number of shares (in thousands) | Nominal value (in Euros) | Share Capital | Capital in excess of nominal value | Treasury shares |
| **Shareholders 'equity opening January 1, 2011** | **2,320,105** | **2.29** | **5,313** | **20,192** | **(495)** |
| Capital | 37,092 | 2.29 | 85 | - | - |
| Capital in excess of nominal value | - | - | - | 236 | - |
| Equity – share based compensation | - | - | - | 43 | - |
| Treasury shares | - | - | - | - | 110 |
| Others reserves – transaction on treasury shares | - | - | - | - | - |
| Equity component of compound financial instruments | - | - | - | - | - |
| Undated subordinated debt | - | - | - | - | - |
| Financial expenses – Undated subordinated debt | - | - | - | - | - |
| Others (including impact on change in scope) (b) | - | - | - | - | - |
| Dividends paid | - | - | - | - | - |
| **Impact of transactions with shareholders** | **37,092** | **2.29** | **85** | **280** | **110** |
| Reserves relating to changes in fair value through shareholders' equity | - | - | - | - | - |
| Translation reserves | - | - | - | - | - |
| Employee benefits actuarial gains and losses (c) | - | - | - | - | - |
| Net consolidated income | - | - | - | - | - |
| **Total Comprehensive Income (CI)** | **-** | **-** | **-** | **-** | **-** |
| **Shareholders' equity closing December 31, 2011** | **2,357,198** | **2.29** | **5,398** | **20,471** | **(385)** |

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

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

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

*Notably include €2.5 billion reduction in shareholders' equity related to the buy-out of minority interests in AXA APH Asian operations, and relution impact from AllianceBernstein deferred compensation (€+107 million Group share, offset in minority interests) and €-165 million from open-market purchase of AllianceBernstein holding units (€-106 million Group share and €-59 million minority interests).*

*(c) Actuarial gains and losses accrued since opening January 1, 2011.*

| Attributable to shareholders | | | | | | |
|---|---|---|---|---|---|---|
| Other reserves | | | | | | |
| Reserves relating to the change in fair value of financial instruments available for sale | Reserves relating to the change in fair value of hedge accounting derivatives (cash flow hedge) | Other [(a)] | Translation reserves | Undistributed profits and other reserves | Shareholders' Equity Group share | Minority interests |
| **6,186** | **33** | **6,208** | **(2,075)** | **14,337** | **49,698** | **4,170** |
| - | - | - | - | - | 85 | - |
| - | - | - | - | - | 236 | - |
| - | - | - | - | - | 43 | - |
| - | - | - | - | - | 110 | - |
| - | - | (10) | - | - | (10) | - |
| - | - | - | - | - | - | - |
| - | - | (291) | - | - | (291) | - |
| - | - | - | - | - | - | - |
| 152 | - | - | (478) | (2,029) | (2,355) | (1,618) |
| - | - | - | - | (1,601) | (1,601) | - |
| **152** | **-** | **(301)** | **(478)** | **(3,630)** | **(3,782)** | **(1,618)** |
| (1,592) | 18 | - | - | - | (1,574) | (59) |
| - | - | 152 | 320 | - | 473 | (310) |
| - | - | - | - | (577) | (577) | (4) |
| - | - | - | - | 4,324 | 4,324 | 193 |
| **(1,592)** | **18** | **152** | **320** | **3,747** | **2,646** | **(181)** |
| **4,746** | **50** | **6,059** | **(2,232)** | **14,455** | **48,562** | **2,371** |

| | Share Capital | | | | |
|---|---|---|---|---|---|
| *(In Euro million, except for number of shares and nominal value)* | Number of shares (in thousands) | Nominal value (in Euros) | Share Capital | Capital in excess of nominal value | Treasury shares |
| **Shareholders' equity opening January 1, 2010** | **2,289,965** | **2.29** | **5,244** | **19,886** | **(505)** |
| Capital | 30,140 | 2.29 | 69 | - | - |
| Capital in excess of nominal value | - | - | - | 247 | - |
| Equity – share based compensation | - | - | - | 59 | - |
| Treasury shares | - | - | - | - | 10 |
| Equity component of compound financial instruments | - | - | - | - | - |
| Undated subordinated debt | - | - | - | - | - |
| Financial expenses – Undated subordinated debt | - | - | - | - | |
| Others (including impact on changes in scope) [(b)] | - | - | - | - | - |
| Dividends paid | - | - | - | - | - |
| **Impact of transactions with shareholders** | **30,140** | **2.29** | **69** | **306** | **10** |
| Reserves relating to changes in fair value through shareholders' equity | - | - | - | - | - |
| Translation reserves | - | - | - | - | - |
| Employee benefits actuarial gains and losses [(c)] | - | - | - | - | - |
| Net consolidated income | - | - | - | - | - |
| **Total Comprehensive Income (CI)** | **-** | **-** | **-** | **-** | **-** |
| **Shareholders' equity closing December 31, 2010** | **2,320,105** | **2.29** | **5,313** | **20,192** | **(495)** |

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

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

*(b) Including changes in ownership interest in consolidated subsidiaries without losing control. Notably dilution impact from AllianceBernstein deferred compensation (€-42 million Group share, offset in minority interests) and €-171 million from open-market purchase of AllianceBernstein holding units (€-106 million Group share and €-64 million minority interests).*

*(c) Actuarial gains and losses accrued since opening January 1, 2010.*

| Attributable to shareholders | | | | | | |
|---|---|---|---|---|---|---|
| Other reserves | | | | | | |
| Reserves relating to the change in fair value of financial instruments available for sale | Reserves relating to the change in fair value of hedge accounting derivatives (cash flow hedge) | Other [(a)] | Translation reserves | Undistributed profits and other reserves | Shareholders' Equity Group share | Minority interests |
| **4,691** | **64** | **6,208** | **(2,742)** | **13,383** | **46,229** | **3,693** |
| - | - | - | - | - | 69 | - |
| - | - | - | - | - | 247 | - |
| - | - | - | - | - | 59 | - |
| - | - | - | - | - | 10 | - |
| - | - | - | - | - | - | - |
| - | - | (33) | - | - | (33) | - |
| - | - | (300) | - | - | (300) | - |
| - | - | - | - | (85) | (85) | (246) |
| - | - | - | - | (1,259) | (1,259) | - |
| **-** | **-** | **(333)** | **-** | **(1,345)** | **(1,293)** | **(246)** |
| 1,495 | (32) | - | - | - | 1,463 | 125 |
| - | - | 332 | 668 | - | 1,000 | 262 |
| - | - | - | - | (450) | (450) | (6) |
| - | - | - | - | 2,749 | 2,749 | 342 |
| **1,495** | **(32)** | **332** | **668** | **2,299** | **4,762** | **723** |
| **6,186** | **33** | **6,208** | **(2,075)** | **14,337** | **49,698** | **4,170** |

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# 4.5 CONSOLIDATED STATEMENT OF CASH FLOWS

| *(in Euro million)* | December 31, 2011 [(a)] | December 31, 2010 [(a)] [(b)] |
|---|---|---|
| **Operating income including discontinued operation before tax** | **4,714** | **4,051** |
| Net amortization expense [(c)] | 723 | 548 |
| Change in goodwill impairment and other intangible assets impairment [(d)] | 1,092 | 117 |
| Charges related to the partial disposal of UK Life & Savings operations | 38 | 1,642 |
| Net change in deferred acquisition costs and equivalent | (1,787) | (1,434) |
| Net increase/(write back) in impairment on investments, tangible and other intangible assets | 2,144 | 954 |
| Change in fair value of investments at fair value through profit or loss | 6,859 | (18,810) |
| Net change in liabilities arising from insurance and investment contracts [(e)] | 6,446 | 27,360 |
| Net increase/(write back) in other provisions [(f)] | 857 | 428 |
| Income arising from investments in associates – Equity method | (62) | (85) |
| **Adjustment of non cash balances included in the operating income before tax** | **16,309** | **10,719** |
| Net realized investment gains and losses | (6,830) | (1,759) |
| Financing debt expenses | 329 | 488 |
| **Adjustment for reclassification to investing or financing activities** | **(6,501)** | **(1,271)** |
| Dividends recorded in profit or loss during the period | (3,034) | (1,181) |
| Investment income & expense recorded in profit or loss during the period | (16,704) | (15,393) |
| **Adjustment of transactions from accrued to cash basis** | **(19,738)** | **(16,573)** |
| Net cash impact of deposit accounting | 81 | 7 |
| Dividends and interim dividends collected | 3,474 | 2,070 |
| Investment income | 19,565 | 17,395 |
| Investment expense (excluding interests on financing and undated subordinated debts, margin calls and others) | (2,733) | (1,455) |
| Change in operating receivables and payables and net operating cash from banking activities | (8) | 653 |
| Net cash provided by other assets and liabilities [(g)] | 21 | 2,788 |
| Tax expenses paid | (671) | (643) |
| Other operating cash impact and non cash adjustment | 872 | 1,361 |
| **Net cash impact of transactions with cash impact not included in the operating income before tax** | **20,600** | **22,176** |
| **NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES** | **15,384** | **19,103** |
| Purchase of subsidiaries and affiliated companies, net of cash acquired | 11 | (159) |
| Disposal of subsidiaries and affiliated companies, net of cash ceded | 1,369 | 2,257 |
| **Net cash related to changes in scope of consolidation** | **1,381** | **2,098** |
| Sales of debt instruments [(g)] | 89,380 | 76,473 |
| Sales of equity instruments and non controlled investment funds [(g)] [(h)] | 21,253 | 16,653 |
| Sales of investment properties held directly or not [(g)] | 1,036 | 786 |
| Sales and/or repayment of loans and other assets [(g)] [(i)] | 24,484 | 38,445 |
| **Net cash related to sales and repayments of investments [(h)] [(g)] [(i)]** | **136,152** | **132,357** |
| Purchases of debt instruments [(g)] | (102,319) | (94,141) |
| Purchases of equity instruments and non controlled investment funds [(h)] [(g)] | (15,430) | (17,270) |
| Purchases of investment properties held direct or not [(g)] | (1,087) | (624) |
| Purchases and/or issues of loans and other assets [(g)] [(i)] | (22,904) | (39,260) |

| *(in Euro million)* | December 31, 2011 [(a)] | December 31, 2010 [(a) (b)] |
|---|---|---|
| **Net cash related to purchases and issuance of investments [(h) (g) (i)]** | **(141,739)** | **(151,295)** |
| Sales of tangible and intangible assets | 10 | 16 |
| Purchases of tangible and intangible assets | (373) | (397) |
| **Net cash related to sales and purchases of tangible and intangible assets** | **(363)** | **(381)** |
| Increase in collateral payable/Decrease in collateral receivable | 74,602 | 31,604 |
| Decrease in collateral payable/Increase in collateral receivable | (73,457) | (31,832) |
| **Net cash impact of assets lending/borrowing collateral receivables and payables** | **1,144** | **(228)** |
| **Other investing cash impact and non cash adjustment** | **-** | **186** |
| **NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES** | **(3,425)** | **(17,263)** |
| Issuance of equity instruments | 317 | 224 |
| Repayments of equity instruments | - | (32) |
| Transactions on treasury shares | (5) | (28) |
| Dividends payout | (1,769) | (1,573) |
| Interests on undated subordinated debts paid | (446) | (452) |
| Acquisition/sale of interests in subsidiaries without change in control [(m)] | (3,456) | - |
| **Net cash related to transactions with shareholders** | **(5,359)** | **(1,863)** |
| Cash provided by financial debts issuance | 15 | 1,386 |
| Cash used for financial debts repayments | 165 | (1,935) |
| Interests on financing debt paid [(j)] | (381) | (650) |
| **Net cash related to Group financing** | **(202)** | **(1,199)** |
| **Other financing cash impact and non cash adjustment** | **-** | **5** |
| **NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES** | **(5,560)** | **(3,057)** |
| **NET CASH PROVIDED BY DISCONTINUED OPERATIONS** | **1,910** | **-** |
| **CASH AND CASH EQUIVALENT AS OF JANUARY 1 [(K)]** | **21,097** | **18,210** |
| Net cash provided by operating activities | 15,384 | 19,103 |
| Net cash provided by investing activities | (3,425) | (17,263) |
| Net cash provided by financing activities | (5,560) | (3,057) |
| Net cash provided by discontinued operations | 1,910 | - |
| Impact of change in consolidation method and of reclassifications as held for sale [(l)] | (189) | 335 |
| Net impact of foreign exchange fluctuations and reclassification on cash and cash equivalents | 825 | 3,770 |
| **CASH AND CASH EQUIVALENT AS OF DECEMBER 31 [(K)]** | **30,042** | **21,097** |

*(a) AXA Japan closes its full year accounts at September 30. Given significant movement in foreign exchange rates between September end and December end, balance sheet items have been translated using December 31 exchange rates for both 2010 and 2011 closings.*
*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*
*(c) Includes premiums/discounts capitalization and relating amortization, amortization of investment and owner occupied properties (held directly).*
*(d) Includes impairment and amortization of intangible assets booked during business combinations.*
*(e) Includes impact of reinsurance and change in liabilities arising from contracts where the financial risk is borne by policyholders.*
*(f) Mainly includes change in provisions for risks & charges, for bad debts/doubtful receivables and change in impairment of assets held for sale.*
*(g) Includes related derivatives.*
*(h) Includes equity instruments held directly or by controlled investment funds as well as non controlled investment funds.*
*(i) Includes sales/purchases of assets backing insurance & investment contracts where the financial risk is borne by policyholders.*
*(j) Includes net cash impact of interest margin relating to hedging derivatives on financing debt.*
*(k) Net of bank overdrafts.*
*(l) In 2010, Australian and New Zealand operations and some UK Life & Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale. (see Note 5.3).*
*(m) To be looked in conjunction with "Disposal of subsidiaries and affiliated companies, net of cash ceded" for the AXA APH transaction (see Note 13.1.1).*

The disposal of Australian and New Zealand operations and the buy-out of minority interests in AXA APH Asian operations are presented in the Consolidated Statement of Cash flows in the following rows:

- "disposal of subsidiaries and affiliated companies, net of cash ceded" for an amount of €1,306 million;
- "acquisition/sale of interests in subsidiaries without change in control" for an amount of €-3,296 million.

Cash and cash equivalents are presented in Note 12.

# 4.6 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. The list of the 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;
- Asset Management;
- Banking.

AXA is listed on Euronext Paris Compartiment A.

These consolidated financial statements including all notes were finalized by the Board of Directors on March 7, 2012.

### 1.2. GENERAL ACCOUNTING PRINCIPLES

#### 1.2.1 Basis for preparation

AXA's consolidated financial statements are prepared as of December 31. However, certain entities within AXA have a different reporting year end, in particular AXA Life Japan, which has a September 30 financial year end.

The consolidated financial statements are prepared in compliance with IFRS standards and interpretations of the IFRS Interpretations Committee that are definitive and effective as of December 31, 2011, as adopted by the European Union before the balance sheet date. However, the Group does not use the "carve out" option allowing not to apply all hedge accounting principles required by IAS 39. In addition, the adoption of the new IFRS 9 standard published by the IASB in November 2009, amended in October 2010 and December 2011, has not been yet formally submitted to the European Union. However, the Group would not have used the earlier adoption option as of today. As a consequence, the consolidated financial statements also comply with IFRSs as issued by the International Accounting Standards Board (IASB).

**AMENDMENTS TO STANDARDS AND INTERPRETATIONS PUBLISHED AND ADOPTED ON JANUARY 1, 2011**

The application of the following amendments to standards and interpretations as of January 1, 2011, had no material impact on the Group's consolidated financial statements:

- Revised IAS 24 – Related Party Disclosures, published on November 4, 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments, published on November 26, 2009, clarifies the requirements when an entity renegotiates the terms of a financial liability with its creditors and the creditors agree to accept the entity's shares or other equity instruments to settle the financial liability fully or partially;
- The Improvements to IFRSs, published on May 6, 2010, include amendments that are not part of a major project. They are presented in a single document rather than as a series of piecemeal changes. They involve accounting changes for presentation, recognition or measurement purposes and terminology or editorial changes with minimal effect on accounting.

**STANDARDS, AMENDMENTS AND INTERPRETATIONS PUBLISHED BUT NOT YET EFFECTIVE**

IFRS 9 – Financial Instruments, published on November 12, 2009, amended on October 28, 2010 and December 16, 2011 and applicable to the Group from January 1, 2015 with earlier application permitted, represents the completion of the first part of a three-part project to replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. A financial asset is measured at amortized cost if both a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss. Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The adoption date of IFRS 9 including its different phases (the second and third phases respectively relate to the impairment methodology and the hedge accounting), its method of implementation and its impact are currently being examined within the Group.

The amendment to IFRS 7 – Disclosures – Transfers of Financial Assets, published on October 7, 2010, increases the disclosure requirements for transactions involving transfers of financial assets. The amendment is intended to provide additional information regarding risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure to the asset. The amendment also requires disclosure where transfers of financial assets are not evenly distributed throughout the period. The disclosure amendment is effective for annual periods beginning on or after July 1, 2011. It is not expected to have a material impact on the Group's consolidated financial statements.

The amendment to IAS 12 – Income Taxes, published on December 20, 2010 addresses the measurement of deferred tax liabilities and deferred tax assets, which depends on whether an entity expects to recover an asset by using the asset or by selling the asset. In some cases, it is difficult and subjective to assess whether recovery will be through use or through sale. The amendment provides a practical approach in such cases, by introducing a presumption that an asset is recovered entirely through sale unless the entity has clear evidence that recovery will occur in another manner. The presumption would apply when investment properties, property, plant and equipment or intangible assets are remeasured at fair value or revalued at fair value. The amendment is effective for annual periods beginning on or after January 1, 2012 and is not expected to have a material impact on the Group's consolidated financial statements.

A package of five new and revised standards were published on May 12, 2011 addressing the accounting for consolidation, involvement in joint arrangements and disclosure of involvements with other entities. Each of the five standards have an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other standards in the package is also early applied. The analysis of the potential impact on the Group's consolidated financial statements with regard to the package of five new and revised standards is currently underway.

- IFRS 10 – Consolidated Financial Statements replaces the consolidation guidance in IAS 27 – Consolidation and Separate Financial Statements and SIC-12 – Special Purpose Entities, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.
- IFRS 11 – Joint Arrangements introduces new accounting requirements for joint arrangements and replaces IAS 31 – Interests in Joint Ventures. IFRS 11 eliminates the option to apply the proportional consolidation method when accounting for jointly controlled entities and focuses on the rights and obligations of the arrangement, rather than the legal form. The application of the equity method instead of the proportional consolidation is not expected to have a material impact on the Group's consolidated financial statements.
- IFRS 12 – Disclosures of Interests in Other Entities requires enhanced disclosures for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- Amended IAS 27 – Separate Financial Statements sets out the unchanged requirements relating to separate financial statements. The other portions of IAS 27 are replaced by IFRS 10.
- Amended IAS 28 – Investments in Associates and Joint Ventures includes amendments for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

IFRS 13 – Fair Value Measurement, published on May 12, 2011, defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early application permitted, and it is not expected to have a material impact on the Group's consolidated financial statements.

The amendment to IAS 1 – Presentation of Financial Statements, published June 16, 2011, requires entities to group together items presented within other comprehensive income based on whether they are potentially reclassifiable to profit or loss in a subsequent period. The amendment also preserves the requirement that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The amendment is effective for annual periods beginning on or after July 1, 2012, with early application permitted, and it is not expected to have a material impact on the Group's consolidated financial statements.

The amendment to IAS 19 – Employee Benefits, published June 16, 2011, addresses the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income. The amendment also eliminates the corridor method deferral of recognition of gains and losses, which is not applied by the Group. The amendment is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The analysis of the potential impact on the Group's consolidated financial statements is currently underway.

The amendments to IAS 32 – Financial Instruments: Presentation, and the amendments to IFRS 7 – Financial Instruments Disclosure published December 16, 2011, provide clarifications of the application of the offsetting rules and amend the related disclosure requirements. The amendments to IAS 32 clarify that to result in offset of a financial asset and a financial liability, a right to set-off must be available today rather than be contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy. Additional clarifications are presented regarding the settlement process. The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 and the IFRS 7 disclosure amendments are required for annual periods beginning on or after January 1, 2013. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

#### VOLUNTARY CHANGE IN ACCOUNTING POLICIES

Deliberations at joint meetings of IASB and FASB regarding the Insurance Contracts Phase II project as well as change in interpretation of US GAAP (ASU-2010-26) applicable as at January 1, 2012 for companies applying US GAAP indicate that accounting standards are moving to lower capitalization and therefore deferral of acquisition expenses. This change in accounting policy expected to be applied retrospectively by the Group in 2012 is in line with the updated draft wording provided at the Insurance Working Group on October 24, 2011 around direct costs of acquiring a portfolio of insurance contracts which so far differs from ASU-2010-26 by not limiting the deferral to expenses from successful efforts only and in the detail of how that principle is applied (incremental direct cost of acquisition and specifying some other costs). The Group was seeking for better alignment with US GAAP applicants starting when the ASU-2010-26 change was applicable for such companies while conscious that the Group would be submitted to IFRS 4 Phase II whenever applicable. The estimated impact of this change would lead to a reduction of net DAC balance of approximately €2 billion Group share net of tax, policyholder participation and URR where applicable, as well as to approximately €-0.1 billion impact on earnings.

#### 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), intangible assets acquired in a business combination, the value of acquired business in force, deferred acquisition costs and equivalent, certain assets accounted at fair value, deferred tax assets, 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 in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and in the notes are expressed in Euro million, 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 major options elected in accordance with IFRS 1 were the following:

#### PURCHASE ACCOUNTING, GOODWILL AND OTHER INTANGIBLES RELATED TO PAST BUSINESS COMBINATIONS PERFORMED PRIOR TO JANUARY 1, 2004

AXA chose not to restate past business combinations based on the option available in IFRS 1. As a result, past business combinations prior to January 1, 2004 are accounted for on a previous GAAP basis in the IFRS financial statements, except:

- goodwill has been denominated in the functional currency of the acquired entity under IFRS since January 1, 2004 (transition to IFRS); and
- any item recognized under previous GAAP that did not qualify for recognition as an asset or liability under IFRS was reclassified into goodwill.

As a result, the goodwill gross value disclosed in Note 5 represents the gross value of these goodwill net of cumulated amortization recognized in French GAAP as of December 31, 2003.

#### CURRENCY TRANSLATION DIFFERENCES

AXA elected the option to reset to zero all past cumulative currency translation differences for all foreign operations as of January 1, 2004.

#### PENSION ACCOUNTING

All cumulative past actuarial gains and losses on all employee benefit plans were recognized in retained earnings as of January 1, 2004.

Unless otherwise stated, 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 investments 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. Under the current definition of IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control according to the IAS 27/SIC 12 current model 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 are also considered when assessing whether AXA controls another entity.

Entities that are controlled in substance, even without any ownership interest, are also consolidated, as well as entities that are controlled in substance because of a specific statute or an agreement, even without any ownership interest. In particular this relates to special purpose entities, such as securitization vehicles.

Companies over which AXA exercises a joint controlling influence alongside one or more third parties are consolidated proportionately.

Companies in which AXA exercises significant influence are accounted for 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 funds and real estate companies are either fully consolidated or proportionately consolidated or accounted for under the equity method, depending on which conditions of IAS 27/SIC 12 listed above they satisfy. For fully consolidated investment funds, 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 funds accounted by equity method are shown under the balance sheet caption "Financial investments".

### 1.3.2. Business combinations and subsequent changes in the Group ownership interest

In accordance with the option made available by IFRS 1 – First-time adoption of IFRS, business combinations prior to 2004 were not restated with respect to French accounting principles in force at the time.

As the Group decided to early adopt Revised IFRS 3 – Business Combinations and amendments to IAS 27 – Consolidated and Separate Financial Statements from January 1, 2009, the principles described below are those that apply from that date.

#### VALUATION OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF NEWLY ACQUIRED SUBSIDIARIES AND CONTINGENT LIABILITIES

Upon first consolidation, all assets, liabilities and contingent liabilities (unless they are not present obligations) of the acquired company are estimated at their fair value. However, in compliance with an exemption 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 life 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 the exemption permitted by IFRS 4 in phase I of the IASB's insurance project such as described above, i.e. the fair value of acquired liabilities is booked through the recognition of an asset corresponding to the value of acquired business in force. 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 identifiable intangible assets such as the value of customer relationships should be recognized. The value of customer relationships intangible 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, future premiums relating to acquired business may be recognized in the "Value of acquired business in force" item.

To the extent that these other intangible assets can be estimated separately, they can also be measured by looking at the purchased marketing resources that will allow to generate these future cash 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 consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group.

Purchase consideration includes any contingent element (adjustment in the acquisition price conditional upon on one or more events). In the estimate of the contingent element, attention is paid to use assumptions that are consistent with the assumptions used for the valuation of intangible assets such as VBI. For business combinations that occurred before January 1, 2009, any contingent element was included in the cost of the combination to the extent the adjustment was probable and could be measured reliably. If the future events do not occur or the estimate needs to be revised, the cost of the business combination continues to be adjusted accordingly, taking account of the impact in terms of additional goodwill and/or adjustments of the valuation of acquired assets and liabilities. For business combinations on or after January 1, 2009, any change to the estimate of the contingent element between the acquisition date and the amount actually subsequently paid is recognized in the income statement. Direct transaction costs related to a business combination are charged in the income statement when incurred.

In step acquisitions, any previously minority interest held by the Group is measured at fair value and the resulting adjustment is recognized through the net income. Similarly, when an additional purchase changes the control from significant influence or joint control to control, any investment pre-existing in a former associate/joint venture is re-measured to its fair value with the gain or loss through net income (consequently also resulting in a change in the previous recognized amount of goodwill).

According to a decision taken for each acquisition, any minority interest may be measured at fair value or at its proportionate interest in the acquiree's identifiable net assets.

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

Goodwill is measured as the excess of (a) the aggregate of the consideration transferred, the amount of any minority interest in the acquiree and in a business combination achieved in stages, the acquisition-date fair value of the Group's previously held equity interest in the acquiree over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising from the acquisition of a foreign entity is recorded in the local currency of the acquired entity and is translated into Euro at the closing date.

If the cost of acquisition is less than the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, the difference is directly recorded in the consolidated statement of income.

Adjustments can be made to goodwill within twelve months of the acquisition date, if new information becomes available to complete the initial accounting. In this case, comparative information is presented as if the initial accounting had been completed from the acquisition date. If, after the period of twelve months, a deferred tax asset, initially considered as not recoverable, finally meets the recognition criteria, the corresponding tax benefit is recorded in the consolidated statement of income without a corresponding adjustment in goodwill.

Goodwill is allocated across operating segments (Life & Savings, Property & Casualty, International Insurance, Asset Management and Banking) 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.

#### PURCHASE AND SALE OF MINORITY INTERESTS IN A CONTROLLED SUBSIDIARY

Purchase and sale transactions of minority interests in a controlled subsidiary that do not change the conclusion of control are recorded through shareholders' equity (including direct acquisition costs).

If control in a subsidiary is lost, any gain or loss is recognized in net income. Furthermore, if an investment in the entity is retained by the Group, it is re-measured to its fair value and any gain or loss is also recognized in net income.

#### 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.

When the contract involves an unconditional commitment exercisable by the option holder, it is recognized as a liability. Since the balancing entry to this liability is not specified by current IFRS, 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 either as an increase in goodwill for puts existing before January 1, 2009 or as a decrease in equity (Group share) for a put granted after January 1, 2009, to the extent there is no immediate transfer of risks and rewards. Similarly, subsequent changes in the liability are recorded against goodwill for puts existing before January 1, 2009 and against equity (Group share) for puts granted after that date.

#### INTRA-GROUP TRANSACTIONS

Intra-group transactions, including internal dividends, payables/receivables and gains/losses on intra-group transactions are eliminated:

- in full for controlled 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. However, in case of a loss, an impairment test is performed, in order to assess whether an impairment has to be booked.

In the event of an internal sale of an asset that is not intended to be held on the long term by the Group, deferred tax is recognized as the current tax calculated on the realized gain or loss is eliminated. 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 statement of financial position.

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. These transfers also have an impact on Group shareholders' equity (with a balancing entry recorded in minority interests). This impact is identified in the "other" changes of the consolidated statement of shareholders' equity.

### 1.4. FOREIGN CURRENCY TRANSLATION OF FINANCIAL STATEMENTS AND TRANSACTIONS

The consolidated financial statements are presented in Euro million, the Euro being the Group's presentational 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 presentational currency are translated as follows:

- assets and liabilities of entities in a functional currency different from Euro are translated at the closing rate;
- revenues and expenses are translated at the average exchange rates over the period;
- all resulting foreign exchange differences are recognized as a separate component of equity (translation differences).

At the local entity level, foreign currency transactions are translated into the functional currency 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 the 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 recycled in the income statement as part of the realized gain or loss on disposal of the hedge net investment.

Foreign exchange differences arising from monetary financial investments 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.

Regarding the cumulative amount of the exchange differences related to disposed business, the Group applies the step-by-step consolidation method (IFRIC 16).

## 1.5. SEGMENT REPORTING

The segmental analysis provided in AXA's Annual Report and Financial Statements reflects operating business segments; it is based on five business lines: Life & Savings, Property & Casualty, International Insurance, Asset Management and Banking. 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 impairment test of goodwill at least annually 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. 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 fair value less costs to sell 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 life insurance and investment contracts embedded value figures published by AXA or similar calculations for other activities. Fair values less costs to sell are based on various valuation multiples.

### 1.6.2. Value of purchased life insurance business in force (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 1.13.2), VBI is subject to annual recoverability testing based on actual experience and expected changes in the main assumptions.

### 1.6.3. Deferred acquisition costs (DAC) relating to insurance contracts and investment contracts with discretionary participating features – Rights to future management fees, also known as 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. In Property and Casualty, DAC are amortized over the terms of the policies, as premium is earned. In Life, the 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 1.13.2) 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, i.e. Rights to future management fees, also known as Deferred origination costs (DOC) (see Note 7) 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.

### 1.6.4. 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.

### 1.6.5. Other intangible assets

Other intangible assets include software 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 as well as distribution agreements recognized as a result of business combinations. 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 at least 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 fair value less costs to sell.

## 1.7. INVESTMENTS FROM INSURANCE, BANKING AND OTHER ACTIVITIES

Investments include investment in real estate properties and financial instruments including equity instruments, debt instruments and loans.

### 1.7.1. Investment in real estate properties

Investment in real estate properties (excluding investment in real estate properties totally or partially backing liabilities arising from contracts where the financial risk is borne by policyholders) is recognized at cost. The properties components are depreciated over their estimated useful lives, also considering their residual value if it may be reliably estimated.

In case of unrealized loss over 15%, an impairment is recognized for the difference between the net book value of the investment property and the fair value of the asset based on an independent valuation. Furthermore, at the level of each reporting entity, if the cumulated amount of unrealized losses under 15% (without offsetting with unrealized gains) represents more than 10% of the cumulated net cost of real estate assets, additional impairment are booked on a line-by-line approach until the 10% threshold is reached.

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 in real estate properties that totally or partially back liabilities arising from contracts where the financial risk is borne by policyholders is recognized at fair value with changes in fair value through profit or loss.

### 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;
- assets held for trading and assets designated as at fair value with change in fair value through profit or loss;
- available-for-sale assets accounted for at fair value with changes in fair value recognized through shareholders' equity;
- loans and receivables (including some debt instruments not quoted in an active market) accounted for at amortized cost.

At inception, the option to designate financial investments 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 investments 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 controlled and consolidated by the Group and made up of CDOs (Collateralized Debt Obligations);
- portfolios of managed financial investments 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 consolidated 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. As specified above, the financial instruments held in the "Satellite Investment Portfolios" are accounted for at fair value with changes in fair value recognized through income statement.

Assets designated as available-for-sale, trading assets, investments designated as at fair value through P&L and all derivatives are measured at fair value, i.e. the amount for which an asset could be exchanged, between knowledgeable, willing parties in an arm's length transaction. The Group applies the IAS 39 fair value hierarchy as detailed in Note 9.9.

Loans which are not designated under the fair value option are accounted at amortized cost using the effective interest rate method.

#### IMPAIRMENT OF FINANCIAL INSTRUMENTS

AXA assesses at each balance sheet date whether a financial asset or a group of financial investments at (amortized) cost or designated as "available for sale" is impaired. A financial asset or group of financial investments is impaired when there is objective evidence of impairment as a result of one or more events and this event has an impact on the estimated future cash flows of the asset(s) that can be reliably estimated.

For debt instruments classified as "held to maturity" or "available for sale", an impairment based respectively on future cash flows discounted using the initial effective interest rate or on fair value is recorded through the income statement if future cash flows may not be fully recoverable due to a credit event relating to the instrument issuer. A downgrade of an entity's credit rating is not, of itself, evidence of impairment. If the credit risk is eliminated or improves, the impairment may be released. The amount of the reversal is also recognized in the income statement.

For equity instruments 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 equity instruments 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 an available for sale financial asset, 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 instruments impairment recognized in the income statement cannot be reversed through the income statement until the asset is sold or derecognized.

Impairments of loans available for sale are based on the present value of expected future cash flows, discounted at the loan's effective interest rate (down to the loan's observable market price), or on the fair value of the collateral.

For financial investments accounted for at amortized cost, including loans and assets classified as "held to maturity" or assets designated as "Loans and receivables", 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 Assets and Liabilities Management (ALM) strategies as these strategies have been set up to take into account specific commitments to policyholders. These methods may differ within the Group provided that they are used consistently at each entity level.

### 1.7.3. Repurchase agreements and security lending

The Group is party to repurchase agreements and securities lending transactions under which financial assets are sold to a counterparty, subject to a simultaneous agreement to repurchase these financial assets at a certain later date, at an agreed price. If substantially all of the risks and rewards of the financial assets remain with the Group over the entire lifetime of the transaction, the Group does not derecognize the financial assets. The proceeds of the sale are reported separately. Interest expense from repurchase and security lending transactions is accrued over the duration of the agreements.

The Group is also party to reverse repurchase agreements under which financial assets are purchased from a counterparty, subject to a simultaneous agreement to return these financial assets at a certain later date, at an agreed price. If substantially all of the risks and rewards of the securities remains with the counterparty over the entire lifetime of the agreement of the transaction, the securities concerned are not recognized as financial assets of the Group. The amounts of cash disbursed are recorded under financial investments, except for transactions arising from banking activities, which are recorded as separate assets. Interest income on reverse repurchase agreements is accrued over the duration of the agreements.

## 1.8. ASSETS BACKING LIABILITIES ARISING FROM CONTRACTS WHERE THE FINANCIAL RISK IS BORNE BY POLICYHOLDERS

Assets backing 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 in real estate properties, debt instruments or equity instruments, 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. Therefore, the gain or loss relating to any ineffective portion is directly recognized in the income statement.

#### 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 is 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 recognized). 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 investments that include embedded derivatives. Such embedded derivatives are separately recorded and measured at fair value through profit or loss if the impact is deemed material.

For the statement of financial position 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.

The purpose and condition of the use of derivatives within the Group are detailed in Note 20.

## 1.10. ASSETS/LIABILITIES HELD FOR SALE AND ASSETS/LIABILITIES INCLUDING DISCONTINUED OPERATIONS

These comprise assets, particularly buildings or operations, intended to be sold or discontinued within twelve months. Subsidiaries held for sale remain within the scope of consolidation until the date on which the Group loses effective control. The assets and activities (assets and liabilities) concerned are measured at the lower of net carrying value and fair value net of selling costs. They are presented in separate asset and liability items on the balance sheet. The liabilities of subsidiaries (excluding shareholders' equity) held for sale are entered separately on the liability side of the consolidated balance sheet, with no netting against assets.

In the event of a discontinuation of operations representing either a business line, a main and distinct geographical region or a subsidiary acquired solely with a view to reselling, their after-tax contribution is stated on a separate line of the income statement. For comparison purposes, the same applies to the presentation of income statements relating to previous periods that are included in the financial statements. This separate line also includes the post-tax gain/loss recognized on the disposal of the discontinued operation at the date of loss of control.

Details on information presented in the statement of financial position and statement of income are provided in the notes to the consolidated financial statements.

## 1.11. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits while cash equivalents are short-term, liquid investments that are readily convertible to cash and which are subject to low volatility.

## 1.12. SHARE CAPITAL AND SHAREHOLDERS' EQUITY

### 1.12.1. 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.

### 1.12.2. Undated subordinated debts

Undated subordinated debts and any related interest charges are classified either in shareholders' equity (in the "other reserves" aggregate) or as liabilities depending on contract clauses without taking into consideration the prospect of redemption under economic constraints (e.g. step up clauses or shareholders' expectations).

### 1.12.3. 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) is classified separately on the liability side of the balance sheet with the equity component reported in Group 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.

### 1.12.4. 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.

## 1.13. LIABILITIES ARISING FROM INSURANCE AND INVESTMENT CONTRACTS

### 1.13.1. 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 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.

In 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.

### 1.13.2. 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, selective changes as permitted by IFRS 4 (see below), the extension of shadow accounting and except where IAS 39 applies.

The main characteristics of the accounting principles applied prior to IFRS and retained after the conversion to IFRS are as follows:

- reserves must be sufficient;
- life reserves cannot be discounted using a discount rate higher than prudently estimated expected assets yield;
- acquisition costs are deferred to the extent recoverable and amortized based on the estimated gross profits emerging over the life of the contracts;
- claims reserves represent estimated ultimate costs. Post claims reserves are generally not discounted, except in limited cases (a detail of discounted reserves is shown in Note 14.9).

#### PRE-CLAIMS RESERVES

**Unearned premiums reserves** represent the prorated portion of written premiums that relates to unexpired risks at the closing date.

**For traditional life insurance contracts** (that is, contracts with significant mortality or morbidity 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.

Changes in reserves are booked if there are impacts caused by a change in the 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 (similar to the retrospective approach, i.e. "account balance" methodology). 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.

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 minimum benefits reserves relating to contracts where the financial risk is borne by policyholders (insurance contracts because they include such guarantees or investment contracts with discretionary participating features), are build over the life of the contract 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, volatility, surrender and mortality rates. This present value of future benefit obligations is reserved as fees are collected 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.

#### POST CLAIMS RESERVES

**Claims reserves (life and non life contracts)**

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, and 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.

### 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 in force 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 of invested assets. 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 generally determined by applying on the basis of estimated participation of policyholders in unrealized gains and losses and any other valuation difference with the local contractual basis.

Jurisdictions where participating business is significant are Switzerland (for example "legal quote" for Group insurance policies), Germany and France where minimum are set to respectively 90%, 90% and 85% of a basis which may include not only financial income but also other components such as in Germany or Switzerland. Participating business is less developed in the United States or in Japan.

The estimated discretionary participating feature of such contracts is fully recognized in the liabilities. As a consequence, there is no component recognized as an equity component and 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 loss (unrealized change in fair value, impairment, expense related…) is accounted, a deferred participating asset (DPA) may be recognized only to the extent that it is highly probable that it can be charged to policyholders, by entity, in the future. This 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 the DPL netted against value of businesses in force or indirectly through deduction of future fees on premiums or margins.

Unrealized gains and losses on assets classified as trading or designated at fair value through profit and loss, along with any other entry impacting the income statement and generating a timing difference, are accounted in the income statement of the 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 booked through shareholders' equity.

### Recoverability tests and liability adequacy test (LAT)

#### Deferred participation

When net deferred participation asset is recognized, the Group uses liquidity analyses performed by the entities to assess the capacity to hold assets showing unrealized loss position, if any, generating such debits. The Group then performs projections to compare the value of assets backing policyholders' contracts with expected payments to be made to policyholders.

#### Liability Adequacy Test

In addition, 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 and deferred policyholders' participation asset. To perform these tests, entities group contracts together according to how they have been acquired, are serviced and have their profitability measured. Entities use current best estimates of all future contractual cash flows as well as claims handling and administration expenses, and take into account guarantees and investment yields relating to assets backing these contracts.

- such tests are based on the intention and capacity of entities to hold financial assets according to various sets of scenarios, excluding the value of new business;
- they include projections of future investments sales according to estimated surrender patterns;
- and the extent to which resulting gains/losses may be allocated/charged to policyholders, i.e. profit sharing between policyholders and shareholders.

These tests therefore include the capacity to charge estimated future losses to policyholders on the basis of the assessment of the holding horizon and potential realization of losses among unrealized losses existing at closing date.

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. Depending on the type of business, the future investment cash flows and discounting may be based on a best estimate and risk free rates, with corresponding participation, or in the case of Guaranteed Minimum Benefits, stochastic scenarios. Testing is performed either by a comparison of the reserve booked net of related assets (DAC, VBI…) to a reserve directly by discounting the cash flows, or by ensuring that the discounted profit net of participation from release of the technical provisions exceeds net related assets.

Any identified deficiency is charged to the income statement, initially by respectively writing off DPA, 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.

Sensitivities of:

- financial assets and liabilities;
- insurance and investment contracts related assets and liabilities including the value of Life & Savings business inforce,

to interest rate risk and equity risk are disclosed in Note 4.2.

#### 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 (with change in fair value recognized through income statement) if they are not considered as closely related to the host insurance contract and/or do not meet the definition of an insurance contract.

### 1.13.3. 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 these unit-linked contracts, the liabilities are valued at current unit value, i.e. on the basis of the fair value of the financial investments backing those contracts at the balance sheet date together with Rights to future management fees, also known as Deferred origination costs (DOC, described in Section 1.6.4).

#### UNEARNED FEES RESERVES

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.

## 1.14. 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.

## 1.15. FINANCING DEBTS

Financing debts issued to finance the solvency requirements of operational entities or to acquire a portfolio of contracts are isolated in a specific aggregate of the statement of financial position.

## 1.16. OTHER LIABILITIES

### 1.16.1. Income taxes

The current income tax expense (benefit) is recorded in the income statement on the basis of local tax regulations.

Deferred tax assets and liabilities emerge from temporary differences between the accounting and fiscal values of assets and liabilities, and when applicable from tax loss carry forwards. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset the temporary differences.

In particular, 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 (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.

Deferred taxes for taxable temporary differences relating to tax deductible goodwill are recognized to the extent they do not arise from the initial recognition of goodwill. These deferred taxes are 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. That would follow the way the Group expects to recover or settle the carrying amount of its assets and liabilities. When income taxes are calculated at a different rate if dividends are paid, deferred taxes are measured at the tax rate applicable to undistributed profits. The income tax consequences of dividends are only accounted when a liability to pay the dividend is recognized.

### 1.16.2. 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 once contributions are made.

**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 DBO (Defined 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 Defined Benefit Obligation and the market value at the balance sheet date of the corresponding invested plan assets after adjustment at fair value. If the net result is negative, a provision is recorded 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 the Statement of Comprehensive Income) in full in the period in which they occur. Similarly, any adjustment arising from the asset ceiling is recognized in shareholders' equity. Unrecognized past 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 impact in the income statement mainly relates to the service cost (annually accruing employee benefit) and the interest cost (unwinding of discount applied to the liability), reduced by the expected return on assets dedicated to the plan. Past service costs, settlements and curtailments also have an impact in the income statement.

### 1.16.3. Share-based compensation plans

Group's share-based compensation plans are predominantly equity-settled plans.

**All equity-settled share-based compensation plans granted** after November 7, 2002 and not fully vested as of 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 share-based compensation 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 (with an application subject to specific local regulations within the Group).

The cost of the traditional option Shareplan is valued according to the specific guidance issued in France by the ANC (*Autorité des Normes Comptables*). 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 value of the advantage granted to the employees by enabling them to benefit from an institutional derivatives-based pricing instead of a retail pricing.

## 1.17. PROVISIONS FOR RISKS, CHARGES AND CONTINGENT LIABILITIES

### 1.17.1. Restructuring costs

Restructuring provisions other than those that may be recognized on the balance sheet of an acquired company on the acquisition date are recorded when the Group has a present obligation evidenced by a binding sale agreement or a detailed formal plan whose main features are announced to those affected or to their representatives.

### 1.17.2. Other provisions and contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when the provision can be reliably estimated.

Provisions are not recognized for future operating losses. 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.

## 1.18. REVENUE RECOGNITION

### 1.18.1. 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.

### 1.18.2. 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 contracts 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 1.13.3).

### 1.18.3. 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 directly recognizes the consideration received as a deposit financial liability rather than as revenues;
- claims paid are recognized as withdrawals with no posting in the income statement apart from potential fees.

### 1.18.4. 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.

### 1.18.5. Change in unearned premiums reserves net of unearned revenues and fees

Changes in unearned premium reserves net of unearned revenues and fees include both the change in the unearned premiums reserve reported as a liability (see "Unearned premiums reserves" in Section 1.13.2) and 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 "Unearned revenues reserves" in Section 1.13.2) and investment contracts with no discretionary participating features (see Section 1.13.3 "Unearned fees reserves").

### 1.18.6. Net revenues from banking activities

Net revenues from banking activities include all revenues and expenses from banking operating activities, including interest expenses not related to financing, banking fees, capital gains and losses on sales of financial assets, change in fair value of assets under fair value option and related derivatives.

They exclude bank operating expenses and change in bad debts provisions, doubtful receivables or loans, which are recorded in the item "Bank operating expenses".

### 1.18.7. Revenues from other activities

Revenues from other activities mainly include:

- commissions received and fees for services relating to asset management activities;
- insurance companies revenues from non insurance activities, notably commissions received on sales or distribution of financial products; and
- rental income received by real estate management companies.

### 1.18.8. Net investment result excluding financing expenses

The net investment result includes:

- investment income from investments from non banking activities, net of depreciation expense on real estate investments (depreciation expense relating to owner occupied properties is included in the "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 impairment of investments (excluding releases of impairment following sales).

In respect of banking activities, interest income and expenses are included in the "Net revenue from banking activities" item (see Section 1.18.6).

## 1.19. SUBSEQUENT EVENTS

Subsequent events relate to events that occur between the balance sheet date and the date when the financial statements are authorized for issue:

- such events lead to an adjustment of the consolidated financial statements if they provide evidence of conditions that existed at the balance sheet date,
- such events result in additional disclosures if indicative of conditions that arose after the balance sheet date, and if relevant and material.

## 1.20. PRESENTATION OF THE FINANCIAL STATEMENTS

The Group proceeded to a refinement of its IFRS chart of accounts in 2011 for some limited areas of its consolidated financial statements (including the Notes). This process, also driven by the perspective of the upcoming Solvency II change in regulation, was applied to the 2011 opening balance sheet so that the December 31, 2010 statement of financial position is presented on comparable basis. The 2010 Full Year statement of income disclosed as at December 31, 2011 has not been adjusted as these changes do not materially affect the statement of income presentation.

The main area of change relates to the implementation of a higher granularity to internal reportings on financial investments with limited impacts on disclosed aggregates. In parallel, a review of the main risk drivers of financial instruments was performed taking into account Solvency II principles and the characteristics determining the capital charges computations.

- This resulted for example in disclosed loans now limited to debt instruments originated by the Group while other interest rates driven assets are shown as debt instruments.
- Private equity assets held directly are now shown together with equity securities instead of being disclosed as other assets.

Some accounts were also remapped from one aggregate of the statement of financial position to another to improve the consistency of presentation in the financial statements (e.g. accrued interests related to derivative instruments).

The level of breakdown collected in relation to receivables and payables was also reviewed and rationalized, notably by nature of business and activity type of counterparty. The gross-up of assets/liabilities transactions has been reviewed and further improved regarding transactions with double sided entries on the statement of financial position such as repurchased transactions.

Overall, reclassifications do not materially affect the presentation of the statement of financial position and the notes to the financial statements.

Shareholders equity and related components are unchanged. Total assets and liabilities have been reduced by €263 million from what was published in the 2010 Annual Report, principally because of actions described above.

# Note 2 Scope of consolidation

## 2.1. CONSOLIDATED COMPANIES

### 2.1.1. Main fully consolidated companies

| | | December 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|---|
| Parent and Holding Companies | Change in scope | Voting rights percentage | Group share of interests | Voting rights percentage | Group share of interests |
| **France** | | | | | |
| AXA | | Parent company | | Parent company | |
| AXA Asia | Newly consolidated | 100.00 | 100.00 | - | - |
| AXA China | | 100.00 | 100.00 | 100.00 | 77.47 |
| AXA France Assurance | | 100.00 | 100.00 | 100.00 | 100.00 |
| Colisée Excellence | Merged with AXA | - | - | 100.00 | 100.00 |
| AXA Participations II | Merged with AXA | - | - | 100.00 | 100.00 |
| Oudinot Participation | | 100.00 | 100.00 | 100.00 | 100.00 |
| Société Beaujon | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Technology Services | | 99.99 | 99.99 | 100.00 | 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 | 99.98 | 100.00 | 99.98 |
| AXA UK Plc | | 100.00 | 99.98 | 100.00 | 99.98 |
| AXA Equity & Law Plc | | 99.96 | 99.96 | 99.96 | 99.96 |
| **Asia/Pacific (excluding Japan)** | | | | | |
| National Mutual International Pty Ltd | Minority interests buyout | 100.00 | 100.00 | 100.00 | 54.03 |
| AXA Financial Services (Singapore) | Minority interests buyout | 100.00 | 100.00 | 100.00 | 54.03 |
| AXA Asia Pacific Holdings Ltd | Disposal of Australian and New Zealand operations | - | - | 54.03 | 54.03 |
| AXA India Holding | Minority interests buyout | 100.00 | 100.00 | 100.00 | 77.01 |
| **Japan** | | | | | |
| AXA Japan Holding | | 98.94 | 98.94 | 98.72 | 98.72 |
| **Germany** | | | | | |
| Kölnische Verwaltungs AG für Versicherungswerte | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Konzern AG | | 100.00 | 100.00 | 100.00 | 100.00 |
| WinCom Versicherungs-Holding AG | Merged with AXA Beteiligungsgesellschaft mbH | - | - | 100.00 | 100.00 |
| AXA Beteiligungsgesellschaft mbH | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Belgium** | | | | | |
| AXA Holdings Belgium | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Luxembourg** | | | | | |
| AXA Luxembourg SA | | 100.00 | 100.00 | 100.00 | 100.00 |
| Finance Solutions SARL | | 100.00 | 100.00 | 100.00 | 100.00 |

| | | December 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|---|
| Parent and Holding Companies | Change in scope | Voting rights percentage | Group share of interests | Voting rights percentage | Group share of interests |
| **The Netherlands** | | | | | |
| Vinci BV | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Mediterranean and Latin American Region** | | | | | |
| AXA Mediterranean Holding SA | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Italia S.p.A. | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Holding Maroc S.A. | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Turkey Holding A.S. | | 100.00 | 100.00 | 100.00 | 100.00 |

| | | December 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|---|
| Life & Savings and Property & Casualty | Change in scope | Voting rights percentage | Group share of interests | Voting rights percentage | Group share of interests |
| **France** | | | | | |
| AXA France IARD | | 99.92 | 99.92 | 99.92 | 99.92 |
| 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 Equitable Life Insurance Company | | 100.00 | 100.00 | 100.00 | 100.00 |
| Mony Life Insurance Company | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Financial (Bermuda) Ltd | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Canada** | | | | | |
| AXA Canada Inc. | Disposal | - | - | 100.00 | 100.00 |
| **United Kingdom** | | | | | |
| AXA Insurance UK Plc | | 100.00 | 99.98 | 100.00 | 99.98 |
| AXA PPP Healthcare Limited | | 100.00 | 99.98 | 100.00 | 99.98 |
| Bluefin Group Limited | | 100.00 | 99.98 | 100.00 | 99.98 |
| AXA Isle of Man Limited | | 100.00 | 99.98 | 100.00 | 99.98 |
| AXA Wealth Limited | | 100.00 | 99.98 | 100.00 | 99.98 |
| Architas Multi-Manager Limited | | 100.00 | 99.98 | 100.00 | 99.98 |
| Winterthur Life UK Limited | Disposal | - | - | 100.00 | 99.98 |
| **Ireland** | | | | | |
| AXA Insurance Limited | | 100.00 | 99.98 | 100.00 | 99.98 |
| AXA Life Europe Limited | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Reinsurance Ireland Limited | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Asia/Pacific (excluding Japan)** | | | | | |
| AXA Life Insurance Singapore | Minority interests buyout | 100.00 | 100.00 | 100.00 | 54.03 |
| AXA Australia New Zealand | Disposal of Australian and New Zealand operations | - | - | 100.00 | 54.03 |
| AXA China Region Limited | Minority interests buyout | 100.00 | 100.00 | 100.00 | 54.03 |
| 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 |

| Life & Savings and Property & Casualty | Change in scope | December 31, 2011 Voting rights percentage | December 31, 2011 Group share of interests | December 31, 2010 Voting rights percentage | December 31, 2010 Group share of interests |
|---|---|---|---|---|---|
| PT AXA Life Indonesia | Minority interests buyout | 100.00 | 100.00 | 100.00 | 54.03 |
| MLC Indonesia | Minority interests buyout | 100.00 | 100.00 | 100.00 | 54.03 |
| AXA Affin General Insurance Berhad [(a)] | | 42.41 | 42.41 | 42.41 | 42.41 |
| **Japan** | | | | | |
| AXA Life Insurance | | 100.00 | 98.94 | 100.00 | 98.72 |
| **Germany** | | | | | |
| AXA Versicherung AG | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Art | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Lebenversicherung AG | | 100.00 | 100.00 | 100.00 | 100.00 |
| Pro Bav Pensionskasse | | 100.00 | 100.00 | 100.00 | 100.00 |
| Deutsche Aerzteversicherung | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Krankenversicherung AG | | 100.00 | 100.00 | 100.00 | 100.00 |
| DBV-Winterthur Lebensversicherung AG | | 100.00 | 99.74 | 100.00 | 99.74 |
| Winsecura Pensionskasse AG | | 100.00 | 99.74 | 100.00 | 99.74 |
| Rheinisch-Westfälische Sterbekasse Lebensversicherung AG | | 100.00 | 100.00 | 100.00 | 100.00 |
| DBV Deutsche Beamten-Versicherung AG | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Belgium** | | | | | |
| Ardenne Prévoyante | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Belgium SA | | 100.00 | 100.00 | 100.00 | 100.00 |
| Servis SA | | 100.00 | 100.00 | 100.00 | 100.00 |
| Servis Life SA | | 100.00 | 100.00 | 100.00 | 100.00 |
| Les Assurés Réunis | | 99.93 | 99.93 | 99.93 | 99.93 |
| **Luxembourg** | | | | | |
| AXA Assurances Luxembourg | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Assurances Vie Luxembourg | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Mediterranean and Latin American Region [(b)]** | | | | | |
| AXA Vida, S.A. de Seguros | | 99.82 | 99.82 | 99.82 | 99.82 |
| AXA Seguros Generales, S.A. | | 99.90 | 99.90 | 99.89 | 99.89 |
| AXA Salud, S.A. | | 99.90 | 99.90 | 100.00 | 100.00 |
| AXA Interlife | | 100.00 | 99.99 | 100.00 | 99.99 |
| AXA Assicurazioni e Investimenti | | 100.00 | 99.99 | 100.00 | 99.99 |
| AXA MPS Vita | | 50.00 + 1 voting right | 50.00 | 50.00 + 1 voting right | 50.00 |
| AXA MPS Danni | | 50.00 + 1 voting right | 50.00 | 50.00 + 1 voting right | 50.00 |
| AXA Portugal Companhia de Seguros SA | | 99.73 | 99.49 | 99.73 | 99.49 |
| AXA Portugal Companhia de Seguros de Vida SA | | 95.09 | 94.89 | 95.09 | 94.89 |
| AXA Assurance Maroc | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Al Amane Assurance | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Hayat ve Emeklilik A.S. | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Sigorta AS | | 72.59 | 72.59 | 72.59 | 72.59 |

*(a) AXA Group has a full control given the shareholders' agreements.*
*(b) Mainly Spain, Italy, Portugal, Morocco, Turkey, Gulf Region, Greece, Mexico.*

| Life & Savings and Property & Casualty | Change in scope | December 31, 2011 Voting rights percentage | December 31, 2011 Group share of interests | December 31, 2010 Voting rights percentage | December 31, 2010 Group share of interests |
|---|---|---|---|---|---|
| AXA Cooperative Insurance Company | | 50.00 | 34.00 | 50.00 | 34.00 |
| AXA Insurance (Gulf) B.S.C.c. | | 50.00 | 50.00 | 50.00 | 50.00 |
| AXA Insurance A.E. Life | | 99.89 | 99.89 | 99.89 | 99.89 |
| AXA Insurance A.E. P&C | | 99.89 | 99.89 | 99.89 | 99.89 |
| AXA Seguros S.A. de C.V. | | 99.94 | 99.94 | 99.94 | 99.94 |
| **Switzerland** | | | | | |
| AXA Life (previously Winterthur Life) | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA-ARAG Legal Assistance | | 66.67 | 66.67 | 66.67 | 66.67 |
| AXA Insurance (previously Winterthur Swiss Insurance P&C) | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Central and Eastern Europe** | | | | | |
| AXA Czech Republic Pension Funds | | 99.99 | 99.99 | 99.99 | 99.99 |
| AXA Czech Republic Insurance | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Hungary | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Poland | Minority interests buyout | 100.00 | 100.00 | 94.92 | 94.92 |
| AXA Poland Pension Funds | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Slovakia | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Ukraine | | 50.00 | 50.00 | 50.00 | 50.00 |
| **Direct** [(a)] | | | | | |
| Avanssur (France and Poland) | | 100.00 | 100.00 | 100.00 | 100.00 |
| Kyobo AXA General Insurance Co. Ltd. (South Korea) | | 94.13 | 94.13 | 92.82 | 92.82 |
| AXA Non Life Insurance Co. Ltd. (Japan) | | 100.00 | 98.94 | 100.00 | 98.72 |
| Touring Assurances SA (Belgium) | | 100.00 | 100.00 | 100.00 | 100.00 |
| Hilo Direct SA de Seguros y Reaseguros (Spain) | | 100.00 | 100.00 | 100.00 | 100.00 |
| Quixa S.p.A (Italy) | | 100.00 | 99.99 | 100.00 | 99.99 |
| Seguro Directo Gere Companhia de Seguros SA (Portugal) | | 100.00 | 100.00 | 100.00 | 100.00 |

*(a) UK Direct activities are held by AXA Insurance UK Plc.*

| International Insurance (entities having worldwide activities) | Change in scope | December 31, 2011 Voting rights percentage | December 31, 2011 Group share of interests | December 31, 2010 Voting rights percentage | December 31, 2010 Group share of interests |
|---|---|---|---|---|---|
| AXA Corporate Solutions Assurance (sub-group) | | 98.75 | 98.75 | 98.75 | 98.75 |
| AXA Global P&C (previously AXA Cessions) | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Global Life (previously Saint-Georges Ré) | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Assistance SA (sub-group) | | 100.00 | 100.00 | 100.00 | 100.00 |
| Portman Insurance Ltd. (previously AXA Global Risks UK) | | 100.00 | 100.00 | 100.00 | 100.00 |
| Colisée RE (previously AXA RE) | | 100.00 | 100.00 | 100.00 | 100.00 |
| AXA Corporate Solutions Life Reinsurance Company | | 100.00 | 100.00 | 100.00 | 100.00 |

| Asset Management (entities having worldwide activities) | Change in scope | December 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|---|
| | | Voting rights percentage | Group share of interests | Voting rights percentage | Group share of interests |
| AXA Investment Managers (sub-group) | | 95.55 | 95.54 | 95.29 | 95.27 |
| AllianceBernstein (sub-group) [(a)] | | 64.60 | 64.60 | 61.43 | 61.43 |

*(a) AXA also holds indirectly 100% of the general partner of AllianceBernstein L.P.*

| Banking | Change in scope | December 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|---|
| | | Voting rights percentage | Group share of interests | Voting rights percentage | Group share of interests |
| **France** | | | | | |
| AXA Banque | | 100.00 | 99.89 | 100.00 | 99.89 |
| AXA Banque Financement | | 65.00 | 64.93 | 65.00 | 64.93 |
| **Germany** | | | | | |
| AXA Bank AG | | 100.00 | 100.00 | 100.00 | 100.00 |
| **Belgium** | | | | | |
| AXA Bank Europe (sub-group) | | 100.00 | 100.00 | 100.00 | 100.00 |

| Other | Change in scope | December 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|---|
| | | Voting rights percentage | Group share of interests | Voting rights percentage | Group share of interests |
| **France** | | | | | |
| CFP Management [(a)] | | 100.00 | 100.00 | 100.00 | 100.00 |

*(a) Formerly Compagnie Financière de Paris.*

Main changes in scope are detailed in Note 5.

#### CONSOLIDATED INVESTMENTS AND INVESTMENT FUNDS

As of December 31, 2011, consolidated investment funds represented total invested assets of €95,961 million (€95,045 million at the end of 2010), corresponding to 234 investment funds mainly in France, Germany and Japan and in majority relating to the Life & Savings segment.

As of December 31, 2011, the 21 consolidated real estate companies corresponded to total invested assets of €6,689 million (€6,642 million at the end of 2010), mainly in France and Germany.

The 5 consolidated CDOs at the end of 2010 have been unwound during the year. No CDOs are any longer consolidated.

In most investment funds (particularly open-ended investment funds), minority interests are presented as liabilities under “Minority interests of controlled investment funds and puttable instruments held by minority interest holders”. As of December 31, 2011, minority interests in controlled investment funds amounted to €3,896 million (€4,847 million as of December 31, 2010).

### 2.1.2. Proportionately consolidated companies

| Life & Savings and Property & Casualty | Change in scope | December 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|---|
| | | Voting rights percentage | Group share of interests | Voting rights percentage | Group share of interests |
| **France** | | | | | |
| Natio Assurances | | 50.00 | 49.96 | 50.00 | 49.96 |

### 2.1.3. Main investments in companies accounted for using the equity method

Companies accounted for using the equity method listed below exclude investment funds and real estate entities:

| | Change in scope | December 31, 2011 Voting rights percentage | December 31, 2011 Group share of interests | December 31, 2010 Voting rights percentage | December 31, 2010 Group share of interests |
|---|---|---|---|---|---|
| **France** | | | | | |
| Neuflize Vie (previously NSM Vie) | | 39.98 | 39.98 | 39.98 | 39.98 |
| **Asia/Pacific** | | | | | |
| Philippines AXA Life Insurance Corporation | AXA Asia Pacific Holdings minority interests buyout | 45.00 | 45.00 | 45.00 | 24.31 |
| Krungthai AXA Life Insurance Company Ltd | AXA Asia Pacific Holdings minority interests buyout | 50.00 | 50.00 | 50.00 | 27.01 |
| AXA Minmetals Assurance Co Ltd [(a)] | AXA Asia Pacific Holdings minority interests buyout | 51.00 | 51.00 | 51.00 | 39.51 |
| PT AXA Mandiri Financial Services | AXA Asia Pacific Holdings minority interests buyout | 49.00 | 49.00 | 49.00 | 26.47 |
| Bharti AXA Life | AXA Asia Pacific Holdings minority interests buyout | 26.00 | 26.00 | 22.22 | 17.11 |
| **Russia** | | | | | |
| Reso Garantia (RGI Holdings B.V.) [(b)] | | 39.34 | 39.34 | 39.34 | 39.34 |
| **Asset Management** | | | | | |
| Kyobo AXA Investment Managers Company Limited | | 50.00 | 47.77 | 50.00 | 47.64 |

*(a) "AXA Minmetals Assurance Co Ltd" is accounted for using the equity method as its shareholders' agreements don't provide the Group with controlling power.*
*(b) AXA's Group share of interest in operating unit of Reso Garantia is 36.68%.*

#### INVESTMENT FUNDS AND REAL ESTATE ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD.

As of December 31, 2011, real estate companies accounted for using the equity method represented total assets of €306 million (€392 million at the end of 2010) and investment funds accounted for using the equity method represented total assets of €3,829 million (€3,559 million at the end of 2010), mainly in the United States, the United Kingdom, Germany and Belgium.

## 2.2. CONSOLIDATED ENTITIES RELATING TO SPECIFIC OPERATIONS

#### ACACIA

The ACACIA SPV is consolidated within the operations of AXA France Vie. This structure was put in order to improve AXA France Vie assets/liabilities adequacy ratio by ceding receivables against cash. The main impact is a €158 million increase in the Group's other liabilities on the one hand, and in receivables on the other hand.

#### ARCHE FINANCE

In 2008, AXA France invested in Arche Finance, an investment vehicle dedicated to credit investments, which entered the scope of consolidation in June 2008 with a loan of €200 million. Held assets amounted to €1,204 million as of December 31, 2011.

#### HORDLE

In 2009, AXA set up a Group financing and cash management company which benefited from a loan of £673 million.

# Note 3 Statement of income by segment

Given the activities of AXA, the operating results are presented on the basis of five operating business segments: Life & Savings, Property & Casualty, International Insurance, Asset Management and Banking. An additional "Holding companies" segment includes all non-operational activities. The financial information relating to AXA's business segments and holding company activities reported to the Board of Directors twice a year is consistent with the presentation provided in the consolidated financial statements. The AXA's Chief Executive Officer and the Deputy Chief Executive Officer are both members of the Board of Directors. They are assisted by a Management Committee in the day-to-day operational management of the Group and by an Executive Committee to consider Group strategy.

The Group has built up an organization by Global business lines for both Life & Savings and Property & Casualty in order to improve the speed and effectiveness of the organization and further leverage its size.

The Life & Savings Global business line, as part of its role to define a common strategy has set the following priorities:

- accelerate diversification into Protection and Health;
- enhance profitability in Savings business;
- prioritize investments for growth;
- foster business efficiency.

The Property & Casualty Global business line is responsible for:

- defining common Property & Casualty strategy;
- accelerating efficiency gains;
- building common platforms;
- leveraging global technical expertise.

**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). The Life & Savings segment aggregates nine geographical operating components: France, the United States, the United Kingdom, Japan, Germany, Switzerland, Belgium, the Mediterranean and Latin American Region, and other countries.

**Property & Casualty:** This 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. The Property & Casualty segment aggregates seven geographical operating components (France, Germany, the United Kingdom and Ireland, Switzerland, Belgium, the Mediterranean and Latin American Region, and Other countries) and one operating component for the Direct business (previously included within countries and regions and now reported as a separate reporting unit).

**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. This segment also includes assistance activities, life reinsurance activities in run-off primarily AXA Corporate Solutions Life Reinsurance Company, and the group Property & Casualty run-off managed by AXA Liabilities Managers, including risks underwritten by Colisée RE (ex AXA RE) relating to 2005 and prior accident years. Years after 2005 are covered by a treaty ceding 100% of the reinsurance business to PartnerRe (ex Paris Ré). It also includes reinsurance activity managed by AXA Global Life and AXA Global P&C (ex AXA Cessions), which write reinsurance treaties of AXA entities after a selection of reinsurers. AXA Global P&C activity is mainly driven by its Property pool which provides AXA entities with cover on natural catastrophes. Activities from both global lines of business are reported in International Insurance.

The **Asset Management** segment includes diversified asset management (including investment fund management) and related services offered by AXA Investment Managers and AllianceBernstein entities, which are provided to a variety of institutional investors and individuals, including AXA's insurance companies.

The **Banking** segment includes banking activities (mainly retail banking, mortgages loans, savings) conducted primarily in France, Belgium, Switzerland, Germany and Central & Eastern Europe (Hungary, Slovakia and the Czech Republic).

The **Holding companies** segment (that includes all non-operational activities), also includes some investment vehicles including certain Special-Purpose Entities (SPE).

The inter-segment eliminations include only operations between entities from different segments. They mainly relate to reinsurance treaties, assistance guarantees recharging, asset management fees and interests on loans within the Group.

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 Banking segment.

## 3.1. SEGMENTAL CONSOLIDATED STATEMENT OF INCOME

| | December 31, 2011 [a] | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | Life & Savings | Property & Casualty | International Insurance | Asset Management | Banking | Holding companies [b] | Inter-segment eliminations | Total |
| Gross written premiums | 50,947 | 27,212 | 2,791 | - | - | - | (380) | 80,570 |
| Fees and charges relating to investment contracts with no participating features | 350 | - | - | - | - | - | - | 350 |
| **Revenues from insurance activities** | **51,298** | **27,212** | **2,791** | **-** | **-** | **-** | **(380)** | **80,920** |
| Net revenues from banking activities | - | - | - | - | 523 | 1 | (45) | 479 |
| Revenues from other activities | 1,183 | 74 | 267 | 3,601 | 6 | - | (423) | 4,708 |
| **Revenues [c]** | **52,481** | **27,286** | **3,057** | **3,601** | **529** | **1** | **(848)** | **86,107** |
| **Change in unearned premiums net of unearned revenues and fees** | **(152)** | **(431)** | **26** | **-** | **-** | **-** | **7** | **(549)** |
| Net investment income | 16,357 | 2,052 | 397 | 31 | (2) | 294 | (659) | 18,469 |
| Net realized gains and losses relating to investments at cost and at fair value through shareholders’ equity [d] | 2,006 | 373 | 54 | (4) | - | 723 | - | 3,153 |
| Net realized gains and losses and change in fair value of other investments at fair value through profit or loss [e] | (2,861) | (150) | (26) | (77) | - | (258) | (34) | (3,406) |
| *of which change in fair value of assets with financial risk borne by policyholders* | *(4,968)* | *-* | *-* | *-* | *-* | *-* | *(8)* | *(4,977)* |
| Change in investments impairment | (1,536) | (369) | (32) | - | - | (80) | - | (2,016) |
| **Net investment result excluding financing expenses** | **13,966** | **1,906** | **393** | **(50)** | **(2)** | **679** | **(692)** | **16,199** |
| Technical charges relating to insurance activities | (55,548) | (18,159) | (2,248) | - | - | - | 199 | (75,757) |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement.*

*(b) Includes SPEs.*

*(c) Revenues net of intercompany eliminations amounted to €52 billion for Life & Savings, €27 billion for Property & Casualty and €3 billion for International Insurance (see Note 21).*

*(d) Includes net realized gains on sale of Australian and New Zealand operations (€742 million gross or €626 million net) and Taikang Life (€830 million gross or €798 million net).*

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

| | December 31, 2011 [a] | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | Life & Savings | Property & Casualty | International Insurance | Asset Management | Banking | Holding companies [b] | Inter-segment eliminations | Total |
| Net result from outward reinsurance | 181 | (905) | (217) | - | - | - | 208 | (733) |
| Bank operating expenses | - | - | - | - | (247) | 1 | - | (246) |
| Acquisition costs | (3,089) | (4,748) | (359) | - | - | - | 12 | (8,184) |
| Amortization of the value of purchased business in force | (249) | - | - | - | - | - | - | (249) |
| Administrative expenses | (3,356) | (2,604) | (242) | (3,102) | (435) | (622) | 323 | (10,038) |
| Change in tangible assets impairment | 4 | - | - | - | - | 25 | - | 29 |
| Change in goodwill impairment and other intangible assets impairment | (1,035) | (82) | - | - | (89) | - | - | (1,206) |
| Other income and expenses | (196) | 13 | 9 | (216) | 26 | (18) | (98) | (480) |
| Charges related to the partial disposal of UK Life & Savings operations | (37) | - | - | - | - | (1) | - | (38) |
| **Other operating income and expenses** | **(63,324)** | **(26,486)** | **(3,058)** | **(3,318)** | **(745)** | **(615)** | **644** | **(96,902)** |
| **Income from operating activities before tax** | **2,972** | **2,276** | **418** | **233** | **(218)** | **65** | **(889)** | **4,856** |
| Income arising from investments in associates – Equity method | 47 | 18 | - | (3) | - | - | - | 62 |
| Financing debts expenses | (115) | (6) | (4) | (39) | (18) | (1,068) | 920 | (329) |
| **Net income from operating activities before tax** | **2,903** | **2,288** | **414** | **191** | **(236)** | **(1,003)** | **31** | **4,589** |
| Income tax | (588) | (651) | (137) | (45) | 1 | 377 | (31) | (1,074) |
| **Net operating income** | **2,315** | **1,637** | **277** | **145** | **(235)** | **(625)** | **-** | **3,515** |
| Result from discontinued operations net of tax | 6 | 93 | - | - | - | 902 | - | 1,002 |
| **Net consolidated income after tax** | **2,321** | **1,730** | **277** | **145** | **(235)** | **277** | **-** | **4,516** |
| *Split between:* | | | | | | | | |
| Net consolidated income – Group share | 2,193 | 1,699 | 276 | 153 | (237) | 240 | - | 4,324 |
| Net consolidated income – Minority interests | 128 | 31 | 2 | (8) | 2 | 38 | - | 193 |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement.*
*(b) Includes SPEs.*
*(c) Revenues net of intercompany eliminations amounted to €52 billion for Life & Savings, €27 billion for Property & Casualty and €3 billion for International Insurance (see Note 21).*
*(d) Includes net realized gains on sale of Australian and New Zealand operations (€742 million gross or €626 million net) and Taikang Life (€830 million gross or €798 million net).*
*(e) Includes realized and unrealized forex gains and losses relating to investments at cost and at fair value through shareholders' equity.*

| | December 31, 2010 Restated [a] | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | **Life & Savings** | **Property & Casualty** | **International Insurance** | **Asset Management** | **Banking** | **Holding companies [b]** | **Inter-segment eliminations** | **TOTAL** |
| Gross written premiums | 54,894 | 26,141 | 2,736 | - | - | - | (382) | 83,390 |
| Fees and charges relating to investment contracts with no participating features | 518 | - | - | - | - | - | - | 518 |
| **Revenues from insurance activities** | **55,412** | **26,141** | **2,736** | **-** | **-** | **-** | **(382)** | **83,908** |
| Net revenues from banking activities | - | - | - | - | 496 | 1 | (45) | 452 |
| Revenues from other activities | 1,444 | 78 | 289 | 3,685 | 7 | - | (451) | 5,052 |
| **Revenues [c]** | **56,856** | **26,219** | **3,025** | **3,685** | **504** | **1** | **(878)** | **89,412** |
| **Change in unearned premiums net of unearned revenues and fees** | **(333)** | **(148)** | **30** | **-** | **-** | **-** | **-** | **(451)** |
| Net investment income | 13,188 | 2,041 | 248 | 53 | (1) | 665 | (694) | 15,499 |
| Net realized gains and losses relating to investments at cost and at fair value through shareholders' equity | 1,543 | 277 | 17 | 16 | - | 41 | - | 1,894 |
| Net realized gains and losses and change in fair value of other investments at fair value through profit or loss [d] | 16,033 | (31) | 37 | 24 | - | (610) | (26) | 15,427 |
| *of which change in fair value of assets with financial risk borne by policyholders* | *13,798* | - | - | - | - | - | *(10)* | *13,788* |
| Change in investments impairment | (738) | (117) | (12) | (2) | - | (65) | - | (934) |
| **Net investment result excluding financing expenses** | **30,025** | **2,170** | **290** | **91** | **(1)** | **31** | **(720)** | **31,886** |
| Technical charges relating to insurance activities | (74,907) | (17,855) | (2,021) | - | - | - | 283 | (94,500) |
| Net result from outward reinsurance | 185 | (839) | (282) | - | - | - | 149 | (787) |
| Bank operating expenses | - | - | - | - | (97) | 1 | - | (96) |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

*(b) Includes SPEs and CDOs.*

*(c) Revenues net of intercompany eliminations amounted to €57 billion for Life & Savings, €26 billion for Property & Casualty and €3 billion for International Insurance (see Note 21).*

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

| (in Euro million) | Life & Savings | Property & Casualty | International Insurance | Asset Management | Banking | Holding companies (b) | Inter-segment eliminations | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2010 Restated (a) | | | | | | | |
| Acquisition costs | (3,413) | (4,741) | (348) | - | - | - | 21 | (8,481) |
| Amortization of the value of purchased business in force | (256) | - | - | - | - | - | - | (256) |
| Administrative expenses | (3,984) | (2,527) | (228) | (3,068) | (422) | (822) | 338 | (10,713) |
| Change in tangible assets impairment | - | (12) | - | - | - | - | - | (13) |
| Change in goodwill impairment and other intangible assets impairment | (30) | (78) | - | - | (3) | - | - | (111) |
| Other income and expenses | (70) | 8 | 14 | (215) | 17 | 263 | (38) | (22) |
| Charges related to the partial disposal of UK Life & Savings operations | (1,642) | - | - | - | - | - | - | (1,642) |
| **Other operating income and expenses** | **(84,116)** | **(26,045)** | **(2,865)** | **(3,284)** | **(505)** | **(558)** | **754** | **(116,619)** |
| **Income from operating activities before tax** | **2,433** | **2,196** | **481** | **492** | **(2)** | **(527)** | **(844)** | **4,228** |
| Income arising from investments in associates – Equity method | 55 | 32 | - | (2) | - | - | - | 85 |
| Financing debts expenses | (92) | (6) | (3) | (31) | (20) | (1,175) | 840 | (488) |
| **Net income from operating activities before tax** | **2,395** | **2,222** | **477** | **459** | **(22)** | **(1,701)** | **(5)** | **3,826** |
| Income tax | (765) | (580) | (96) | (125) | 33 | 635 | 5 | (895) |
| **Net operating income** | **1,630** | **1,642** | **381** | **333** | **11** | **(1,066)** | **-** | **2,931** |
| Result from discontinued operations net of tax | 12 | 148 | - | - | - | - | - | 160 |
| **Net consolidated income after tax** | **1,642** | **1,789** | **381** | **333** | **11** | **(1,066)** | **-** | **3,091** |
| *Split between:* | | | | | | | | |
| Net consolidated income – Group share | 1,396 | 1,750 | 378 | 255 | 9 | (1,040) | - | 2,749 |
| Net consolidated income – Minority interests | 246 | 39 | 3 | 79 | 2 | (27) | - | 342 |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

*(b) Includes SPEs and CDOs.*

*(c) Revenues net of intercompany eliminations amounted to €57 billion for Life & Savings, €26 billion for Property & Casualty and €3 billion for International Insurance (see Note 21).*

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

# Note 4 Financial and insurance risk management

All of the following paragraphs form an integral part of the Group financial statements. They appear in Section 3.3 “Quantitative and Qualitative Disclosures About Market Risk and Risk Factors” and Section 1.4 “Liquidity and capital resources” sections of this Annual Report:

## 4.1. RISK MANAGEMENT ORGANIZATION

Please refer to pages 205 to 206 of the “Quantitative and Qualitative Disclosures About Market Risk and Risk Factors” section.

## 4.2. MARKET RISKS (INCLUDING SENSITIVITY ANALYSES)

Please refer to pages 206 to 213 of the “Quantitative and Qualitative Disclosures About Market Risk and Risk Factors” section.

## 4.3. CREDIT RISK

Please refer to pages 216 to 219 of the “Quantitative and Qualitative Disclosures About Market Risk and Risk Factors” section.

## 4.4. INSURANCE RISK

Please refer to pages 220 to 223 of the “Quantitative and Qualitative Disclosures About Market Risk and Risk Factors” section.

## 4.5. LIQUIDITY AND CAPITAL RESOURCES

Please refer to pages 96 to 101, “Liquidity and capital resources” section.

# Note 5 Goodwill

## 5.1. GOODWILL

An analysis of goodwill is presented in the table below:

| *(in Euro million)* | Transaction year | Gross value December 31, 2011 | Accumulated impairment December 31, 2011 | Net value December 31, 2011 | Gross value December 31, 2010 [(a)] | Accumulated impairment December 31, 2010 [(a)] | Net value December 31, 2010 [(a)] |
|---|---|---|---|---|---|---|---|
| AXA Turkey (Oyak) | 2008 | 216 | - | 216 | 257 | - | 257 |
| AXA Mexico (Seguros ING) | 2008 | 540 | - | 540 | 591 | - | 591 |
| AXA MPS (Montepaschi) | 2007 & 2008 | 724 | - | 724 | 724 | - | 724 |
| AXA Greece (Alpha Insurance) | 2007 | 123 | - | 123 | 123 | - | 123 |
| AXA Bank Hungary (ELLA Bank) | 2007 | 59 | (59) | - | 59 | - | 59 |
| Swiftcover | 2007 | 250 | - | 250 | 244 | - | 244 |
| UK Life & Savings [(b)] | | 599 | - | 599 | 584 | - | 584 |
| Winterthur [(b)] | 2006 | 2,605 | - | 2,605 | 2,561 | - | 2,561 |
| MLC | 2006 | 118 | - | 118 | 114 | - | 114 |
| Seguro Directo | 2005 | 31 | - | 31 | 31 | - | 31 |
| MONY | 2004 | 206 | - | 206 | 200 | - | 200 |
| AXA Financial, Inc. | 2000 | 2,915 | (1,008) | 1,907 | 2,820 | - | 2,820 |
| Sanford C. Bernstein | 2000 | 3,293 | - | 3,293 | 3,187 | - | 3,187 |
| AXA UK Holdings (SLPH) [(b)] | 2000 | 588 | - | 588 | 641 | - | 641 |
| AXA Japan (Nippon Dantaï) [(c)] | 2000 | 1,849 | (96) | 1,753 | 1,697 | (88) | 1,609 |
| AXA China Region | 2000 | 251 | - | 251 | 243 | - | 243 |
| AXA Aurora | 2000 | 120 | - | 120 | 120 | - | 120 |
| Rosenberg and other AXA IM transactions | 1999 & 2005 | 183 | - | 183 | 178 | - | 178 |
| Guardian Royal Exchange [(b)] | 1999 | 630 | - | 630 | 638 | - | 638 |
| AXA Belgium (Royale Belge) | 1998 | 452 | - | 452 | 452 | - | 452 |
| UAP [(b)] | 1997 | 457 | - | 457 | 457 | - | 457 |
| Others [(b)] | | 809 | (1) | 809 | 911 | (1) | 910 |
| **TOTAL** | | **17,019** | **(1,164)** | **15,855** | **16,831** | **(90)** | **16,741** |
| Of which: | | | | | | | |
| Life & Savings | | 7,928 | (1,104) | 6,824 | 7,645 | (88) | 7,557 |
| Property & Casualty | | 4,502 | (1) | 4,502 | 4,746 | (1) | 4,745 |
| International Insurance | | 34 | - | 34 | 34 | (1) | 33 |
| Asset Management | | 4,427 | - | 4,427 | 4,279 | - | 4,279 |
| Others | | 127 | (59) | 68 | 127 | - | 127 |

*In this table, goodwill excludes goodwill related to entities accounted for using the equity method (see Note 10).*

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) All the different goodwill of UK Life & Savings has been allocated to one single line "UK Life & Savings" in the context of the partial disposal of its business.*

*(c) 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 in 2005, equivalent to €96 million as of December 31, 2011 due to change in foreign exchange).*

As of December 31, 2011, the main contributors in terms of cash generating units to:

- Life & Savings net goodwill of €6,824 million were Japan (€2,295 million), the United States (€1,694 million), Mediterranean and Latin American Region (€890 million) and the United Kingdom (€599 million);
- Property & Casualty net goodwill of (€4,502 million) were Mediterranean and Latin American Region (€1,355 million), Germany (€918 million), Direct (€676 million), the United Kingdom (€577 million) and Belgium (€563 million);
- Asset Management net goodwill (€4,427 million) was AllianceBernstein (€4,048 million).

The total goodwill Group share amounted to €14,845 [(1)] million as of December 31, 2011 and €15,511 [(1)] million as of December 31, 2010.

*(1) Sanford C. Bernstein: €73 million was transferred to Group share following relution of Group share of interest as of December 31, 2011 while €34 million was transferred to minority interest following dilution of Group share of interest as of December 31, 2010.*

## 5.2. CHANGE IN GOODWILL

### 5.2.1. Goodwill – Change in gross value

| *(in Euro million)* | Gross value January 1, 2011 | Acquisitions during the period | Disposals during the period [(a)] | Goodwill adjustments | Currency translation adjustment | Other changes | Gross value December 31, 2011 |
|---|---|---|---|---|---|---|---|
| AXA Turkey (Oyak) | 257 | - | - | - | (41) | - | 216 |
| AXA Mexico (Seguros ING) | 591 | - | - | - | (51) | - | 540 |
| AXA MPS (Montepaschi) | 724 | - | - | - | - | - | 724 |
| AXA Greece (Alpha Insurance) | 123 | - | - | - | - | - | 123 |
| AXA Bank Hungary (ELLA Bank) | 59 | - | - | - | - | - | 59 |
| Swiftcover | 244 | - | - | - | 6 | - | 250 |
| UK Life & Savings | 584 | - | - | - | 15 | - | 599 |
| Winterthur | 2,561 | 3 | - | (1) | 42 | - | 2,605 |
| MLC | 114 | - | - | - | 4 | - | 118 |
| Seguro Directo | 31 | - | - | - | - | - | 31 |
| MONY | 200 | - | - | - | 7 | - | 206 |
| AXA Financial, Inc. | 2,820 | - | - | - | 94 | - | 2,915 |
| Sanford C. Bernstein | 3,187 | - | - | - | 107 | - | 3,293 |
| AXA UK Holdings (SLPH) | 641 | - | (67) | - | 14 | - | 588 |
| AXA Japan (Nippon Dantaï) | 1,697 | - | - | - | 152 | - | 1,849 |
| AXA China Region | 243 | - | - | - | 8 | - | 251 |
| AXA Aurora | 120 | - | - | - | - | - | 120 |
| Rosenberg and other AXA IM transactions | 178 | - | - | - | 5 | - | 183 |
| Guardian Royal Exchange | 638 | - | (12) | - | 4 | - | 630 |
| AXA Belgium (Royale Belge) | 452 | - | - | - | - | - | 452 |
| UAP | 457 | - | - | - | - | - | 457 |
| Others | 911 | 33 | (143) | - | 8 | - | 809 |
| **Total** | **16,831** | **36** | **(222)** | **(1)** | **375** | **-** | **17,019** |
| Of which: | | | | | | | |
| Life & Savings | 7,645 | 3 | (1) | (1) | 282 | - | 7,928 |
| Property & Casualty | 4,746 | 21 | (221) | - | (44) | - | 4,502 |
| International Insurance | 34 | - | (1) | - | - | - | 34 |
| Asset Management | 4,279 | 12 | - | - | 137 | - | 4,427 |
| Others | 127 | - | - | - | - | - | 127 |

*(a) Includes €-80 million following the disposal of Denplan and €-141 million (translated by using exchange rate as of September 23, 2011) from the disposal of Canadian operations (see Note 5.3).*

| *(in Euro million)* | Gross value January 1, 2010 [(a)] | UK Life & Savings [(b)] | Acquisitions during the period | Disposals during the period | Goodwill adjustments | Currency translation adjustment | Other changes [(c)] | Gross value December 31, 2010 [(a)] |
|---|---|---|---|---|---|---|---|---|
| AXA Turkey (Oyak) | 248 | - | - | - | - | 9 | - | 257 |
| AXA Mexico (Seguros ING) | 512 | - | - | - | - | 79 | - | 591 |
| AXA MPS (Montepaschi) | 724 | - | - | - | - | - | - | 724 |
| AXA Greece (Alpha Insurance) | 123 | - | - | - | - | - | - | 123 |
| AXA Bank Hungary (ELLA Bank) | 59 | - | - | - | - | - | - | 59 |
| Swiftcover | 235 | - | - | - | - | 8 | - | 244 |
| UK Life & Savings | - | 1,436 | - | (784) | - | 38 | (106) | 584 |
| Bluefin Advisory Services Limited | 130 | (130) | - | - | - | - | - | - |
| Winterthur | 2,636 | (224) | - | - | - | 147 | 3 | 2,561 |
| MLC | 107 | - | - | - | - | 7 | - | 114 |
| Seguro Directo | 31 | - | - | - | - | - | - | 31 |
| MONY | 187 | - | - | - | - | 13 | - | 200 |
| IPAC (Australia & New Zealand) [(d)] | - | - | - | - | - | 48 | (48) | - |
| AXA Equity & Law | 287 | (287) | - | - | - | - | - | - |
| Sterling Grace (Australia & New Zealand) [(d)] | - | - | - | - | - | 28 | (28) | - |
| AXA Financial, Inc. | 2,640 | - | - | - | - | 180 | - | 2,820 |
| Sanford C. Bernstein | 2,983 | - | - | - | - | 203 | - | 3,187 |
| AXA UK Holdings (SLPH) | 1,180 | (560) | - | - | - | 21 | - | 641 |
| AXA Japan (Nippon Dantaï) | 1,406 | - | - | - | - | 291 | - | 1,697 |
| AXA China Region | 228 | - | - | - | - | 15 | - | 243 |
| AXA Aurora | 120 | - | - | - | - | - | - | 120 |
| Rosenberg and other AXA IM transactions | 169 | - | - | - | - | 9 | - | 178 |
| Guardian Royal Exchange | 641 | (10) | - | - | - | 6 | - | 638 |
| AXA Belgium (Royale Belge) | 452 | - | - | - | - | - | - | 452 |
| UAP | 661 | (204) | - | - | - | - | - | 457 |
| Others [(d)] | 783 | (21) | 99 | - | (1) | 86 | (36) | 911 |
| **Total** | **16,543** | **-** | **99** | **(784)** | **(1)** | **1,189** | **(215)** | **16,831** |
| Of which: | | | | | | | | |
| Life & Savings | 7,872 | - | - | (784) | (1) | 779 | (221) | 7,645 |
| Property & Casualty | 4,525 | - | 62 | - | - | 152 | 6 | 4,746 |
| International Insurance | 32 | - | 2 | - | - | - | - | 34 |
| Asset Management | 3,987 | - | 34 | - | - | 257 | - | 4,279 |
| Others | 127 | - | - | - | - | - | - | 127 |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) All the different goodwill of UK Life & Savings lines has been allocated to one single line "UK Life & Savings" in the context of the partial disposal of its business. (see Note 5.3).*

*(c) Includes the impact of exercises and revaluations of minority interest buyout commitments. The €106 million on the UK Life & Savings line corresponds to the reclassification as held for sale of some portfolios for which the disposal process is not finalized as of December 31, 2010.*

*(d) IPAC, Sterling Grace and a part of the line "Others" are related to Australian and New Zealand. The movements are due to forex which are reclassified as held for sale.*

### 5.2.2. Goodwill – Change in impairment

| *(in Euro million)* | Cumulative impairment January 1, 2011 | Increase in impairment during the period | Increase in impairment relating to goodwill created on acquisitions during the period | Write back of impairment of goodwill sold during the period | Accumulated impairment losses transferred out relating to goodwill transferred in the "held for sale" category | Currency translation adjustment | Other Changes | Cumulative impairment December 31, 2011 |
|---|---|---|---|---|---|---|---|---|
| AXA Bank Hungary (ELLA Bank) | - | - | 59 | - | - | - | - | 59 |
| AXA Financial, Inc. | - | - | 943 | - | - | 64 | - | 1,008 |
| AXA Japan (Nippon Dantaï) | 88 | - | - | - | - | 8 | - | 96 |
| Others | 1 | - | - | (1) | - | - | - | 1 |
| **Total** | **90** | **-** | **1,002** | **(1)** | **-** | **72** | **-** | **1,164** |
| Of which: | | | | | | | | |
| Life & Savings | 88 | - | 943 | - | - | 72 | - | 1,104 |
| Property & Casualty | 1 | - | - | - | - | - | - | 1 |
| International Insurance | 1 | - | - | (1) | - | - | - | - |
| Asset Management | - | - | - | - | - | - | - | - |
| Others | - | - | 59 | - | - | - | - | 59 |

| *(in Euro million)* | Cumulative impairment January 1, 2010 | Increase in impairment during the period | Increase in impairment relating to goodwill created on acquisitions during the period | Write back of impairment of goodwill sold during the period | Accumulated impairment losses transferred out relating to goodwill transferred in the "held for sale" category | Currency translation adjustment | Other changes | Cumulative impairment December 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| UK Life & Savings [(a)] | - | 784 | - | (784) | - | - | - | - |
| AXA Japan (Nippon Dantaï) | 73 | - | - | - | - | 15 | - | 88 |
| Others | 1 | - | - | - | - | - | - | 1 |
| **Total** | **74** | **784** | **-** | **(784)** | **-** | **15** | **-** | **90** |
| Of which: | | | | | | | | |
| Life & Savings | 73 | 784 | - | (784) | - | 15 | - | 88 |
| Property & Casualty | 1 | - | - | - | - | - | - | 1 |
| International Insurance | 1 | - | - | - | - | - | - | 1 |
| Asset Management | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - |

*(a) Please refer to the Note 5.3 for more details on partial disposal of UK Life & Savings operations.*

An impairment loss is recognized for a cash-generating unit if, and only if, the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The recoverable amount of each cash generating unit or group of units is the higher of (i) the cash generating unit or group of units' fair value less costs to sell and (ii) its value in use.

Fair value includes quotations when available and/or relevant or valuation techniques incorporating observable market data, adjusted when necessary to take into account control premiums. Value in use calculations are also based on valuation techniques.

**LIFE & SAVINGS**

For Life & Savings businesses, such valuation techniques include discounted cash flows taking into account:

- the current shareholders' net asset value plus future profitability on business in force.

  Such techniques (embedded value types of methodologies) are industry specific valuation methods which are consistent with the principles of discounted earnings approaches as the value of business in force results from the projection of distributable earnings. The current shareholders' net asset value is adjusted to take into account any difference between the basis of cash flows projections used in the value of business in force calculations and IFRS;

- and profitability on future new business.

The value of new business is computed either on the basis of multiples of a standardized year of new business contribution (present value of projected future distributable profits generated from business written in a year) or on a projection of each of the expected annual future earnings when multiples are not appropriate. Major assumptions include expected growth, expenses, cost of capital, future investment margins, financial market volatility, first assessed on a risk free basis (basic test) and then on the basis of illustrative investment assumptions suitable for a traditional embedded value approach if the previous recoverable value is lower than the carrying amount.

#### PROPERTY & CASUALTY AND ASSET MANAGEMENT

For each group of units of the Property & Casualty and Asset Management businesses (tested separately), the calculation uses cash flow projections based on business plans approved by management covering a three to five year period and a risk adjusted discount rate. Cash flows beyond that period have been extrapolated using a steady growth rate and terminal value.

#### COMMON KEY ASSUMPTIONS TO ALL SEGMENTS

In these tests, for all segments, discount rates used range from 7.5% to 10.5% and growth rates where applicable from 2% to 4% beyond the strategic plan horizon.

#### UNITED STATES LIFE & SAVINGS CASH GENERATING UNIT

The deterioration of market conditions in the second half of the year 2011 and especially the additional drop in interest rates resulted in the recognition of a USD 1.3 billion (€943 million) reduction in goodwill allocated to the US Life & Savings cash generating unit (CGU), attributable to the US Accumulator Variable Annuity book of business, following the fall in US long term interest rates as well as the reduction in lapses.

#### HUNGARIAN CREDIT BANKING OPERATIONS

The Hungarian government enacted a legislation in September 2011 allowing customers to redeem foreign currency denominated mortgages at non-market rates.

In this context, Hungarian lending activity has been stopped. The discontinuation of lending activities led to the impairment of the related goodwill (€-59 million) and other intangibles (€-27 million – see Note 8.3).

#### ALL CASH GENERATING UNITS

The results of the projections net of the 2011 goodwill reduction charge for US cash generating unit and the outcomes of the tests run for the other cash generating units support the carried amount of each related cash generating unit or group of units. To the extent that securities valuations and interest rates levels remain depressed for prolonged periods of time, volatility and other market conditions stagnate or worsen, new business volumes and profitability together with the inforce portfolio value would likely be negatively affected. In addition, the future cash flow expectations from both the inforce and new business and other assumptions underlying management's current business plans could be negatively impacted by other risks to which the Group's business is subject. As a result, subsequent impairment tests may be based upon different assumptions and future cash flow projections, which may result in an impairment of these assets in the foreseeable future.

## 5.3. OTHER INFORMATION RELATING TO GOODWILL AND ACQUISITIONS AND DISPOSALS

### 5.3.1. Australia and New Zealand

On November 15, 2010, AXA announced a joint proposal with AMP to AXA APH whereby AXA disposed of its 54% stake in AXA APH to AMP and acquired AXA APH Asian operations.

This joint offer resulted in AMP acquiring AXA APH's outstanding shares for AU$ 13.3 billion (or €9.7 billion [(1)]), of which AXA's shares in AXA APH have been paid for AU$ 7.2 billion (or €5.2 billion [(1)]) in cash, while AXA acquired from AMP 100% of AXA APH's Asian operations for AU$ 9.8 billion (or €7.1 billion [(1)]) in cash. AXA APH's Australia & New Zealand businesses price was AU$ 3.5 billion (or €2.6 billion [(1)]).

On April 1, 2011, after receiving the various shareholders approval, court approvals and regulatory approvals in Australia and New Zealand as well as other regulators notably in Asia, AXA announced that it has successfully completed the AXA APH transaction, whereby it has disposed of its Australian & New Zealand operations and acquired the AXA APH Asia Life operations.

The disposal of the Australian and New Zealand operations led to a net capital gain of €626 million in AXA Group's net income as of December 31, 2011.

*(1) Translated from Australian Dollar to Euro using exchange rate as of March 31, 2011.*

The major classes of assets and liabilities of the Australian and New Zealand operations that were classified as held for sale separately from other assets and liabilities in the consolidated statement of financial position as of December 31, 2010 included the following (amounts are presented net of inter-company balances with other AXA entities):

| *(in Euro million)* | December 31, 2010 |
|---|---|
| Goodwill | 660 |
| Other intangible assets | 697 |
| Investments | 9,805 |
| Other assets | 1,578 |
| Cash and cash equivalents | 642 |
| **TOTAL ASSETS HELD FOR SALE** | **13,383** |

| *(in Euro million)* | December 31, 2010 |
|---|---|
| Liabilities arising from insurance and investment contracts | 10,339 |
| Provisions for risks and charges | 154 |
| Other liabilities | 953 |
| **TOTAL LIABILITIES HELD FOR SALE** | **11,446** |

*As of December 31, 2010, comprehensive income amounted to €272 million.*

### 5.3.2. United Kingdom

On June 24, 2010, AXA announced that it had agreed to sell to Resolution Ltd its UK-based traditional life and pensions businesses, its IFA protection and corporate pension businesses, and its annuity businesses for a consideration of €3.3 billion.

The deal closed on September 15, 2010. The transaction led to the recognition of a realized loss net of tax of €-1.6 billion as of December 31, 2010, coming mainly from intangible assets' impairments, of which goodwill €-0.8 billion, other intangibles €-0.7 billion as well as €-0.1 billion costs associated with the sale.

In addition, the completion of the held for sale portfolio transfer generated a €-38 million adjustment in 2011 net income.

The major classes of assets and liabilities of the United Kingdom operations that were classified as held for sale separately from other assets and liabilities in the consolidated statement of financial position as of December 31, 2010 included the following (amounts are presented net of inter-company balances with other AXA entities):

| *(in Euro million)* | December 31, 2010 |
|---|---|
| Goodwill | 106 |
| Other intangible assets | 51 |
| Investments | 8,286 |
| Other assets | 444 |
| Cash and cash equivalents | 162 |
| **TOTAL ASSETS HELD FOR SALE** | **9,049** |

| *(in Euro million)* | December 31, 2010 |
|---|---|
| Liabilities arising from insurance and investment contracts | 8,662 |
| Provisions for risks and charges | - |
| Other liabilities | 60 |
| **TOTAL LIABILITIES HELD FOR SALE** | **8,722** |

*As of December 31, 2010, comprehensive income amounted €2 million.*

### 5.3.3. Canada

On September 23, 2011, AXA completed the disposal of its Canadian operations in Property & Casualty and Life & Savings insurance to Intact Financial Corporation for a total cash consideration of CAD 2.6 billion (or ca. €1.9 billion). In addition, AXA is entitled to receive up to CAD 100 million (or ca. €72 million) in contingent considerations based on profitability metrics over a period of 5 years.

The disposal of the Canadian operations led to a net capital gain of €902 million in AXA Group's net income as of December 31, 2011.

The major classes of assets and liabilities of the Canadian operations disposed (amounts are presented net of inter-company balances with other AXA entities) included the following as of June 30, 2011 (balance sheet used as a basis for the capital gain calculation):

| *(in Euro million)* | **June 30, 2011** |
|---|---|
| Goodwill | 140 |
| Other intangible assets | 211 |
| Investments | 3,093 |
| Other assets | 929 |
| Cash and cash equivalents | 100 |
| **TOTAL ASSETS HELD FOR SALE** | **4,473** |

| *(in Euro million)* | **June 30, 2011** |
|---|---|
| Liabilities arising from insurance and investment contracts | 3,066 |
| Provisions for risks and charges | 65 |
| Other liabilities | 288 |
| **TOTAL LIABILITIES HELD FOR SALE** | **3,419** |

*As of June 30, 2011, comprehensive income amounted to €91 million.*

The statement of income of the Canadian operations disposed is as follow as of June 30, 2011 and December 31, 2010:

| *(in Euro million)* | **June 30, 2011** | **December 31, 2010** |
|---|---|---|
| Revenues | 828 | 1,568 |
| Change in unearned premiums net of unearned revenues and fees | (44) | (61) |
| Net investment result excluding financing expenses | 96 | 148 |
| Other operating income and expenses | (756) | (1,430) |
| **Income from operating activities before tax** | **125** | **225** |
| Income arising from investments in associates – Equity method | - | - |
| Financing debts expenses | - | - |
| **Income from operating activities before tax** | **125** | **225** |
| Income tax | (26) | (65) |
| **Net operating income** | **99** | **160** |
| Split between: | | |
| Net consolidated income – Group share | 99 | 160 |
| Net consolidated income – Minority interests | - | - |

The result from discontinued operations net of tax amounted to €1,002 million as of December 2011. It includes €902 million net capital gain and €99 million net operating income from Canadian operations.

The statement of cash flows of the Canadian operations disposed is as follow as of June 30, 2011:

| *(in Euro million)* | **June 30, 2011** |
|---|---|
| Net cash provided/(used) by operating activities | 62 |
| Net cash provided/(used) by investing activities | (42) |
| Net cash provided/(used) by financing activities | (7) |
| **NET CASH PROVIDED BY DISCONTINUED OPERATIONS** | **14** |

As of December 31, 2011, impact of the disposal of Canadian operations in the consolidated statement of cash flows amounted of €1,875 million and is presented on the row «net cash from discontinued operations».

### 5.3.4. Other main 2011 transactions

**DENPLAN**

On December 20, 2011, AXA announced that it has signed and closed the sale of Denplan to Simplyhealth Group Limited. The net realized capital gain amounted to €53 million reflecting €137 million transaction price and a €80 million goodwill allocated.

**AXA BANK SWITZERLAND**

As announced on November 15, 2011, AXA Bank Europe decided to close its Swiss operations as part of a cooperation agreement with bank zweiplus. AXA Bank Switzerland has transferred its customer portfolio to bank zweiplus. The one-off costs associated with this operation amounted to €4 million. Related assets and liabilities (€189 million) are classified as held for sale.



## Note 6 Value of purchased life business in-force

The change in Value of Business In-force ("VBI") in the Life & Savings segment was as follows:

| *(in Euro million)* | 2011 | 2010 [(a)] |
|---|---|---|
| Gross carrying value as of January 1 | 7,067 | 7,250 |
| Accumulated amortization and impairment | (3,334) | (3,264) |
| Shadow accounting on VBI | (629) | (369) |
| **Net carrying value as of January 1** | **3,105** | **3,617** |
| VBI capitalization | - | - |
| Capitalized interests | 101 | 125 |
| Amortization and impairment for the period | (345) | (572) |
| **Changes in VBI amortization, capitalization and impairment** | **(244)** | **(447)** |
| Change in shadow accounting on VBI | 110 | (178) |
| Currency translation | 101 | 358 |
| Acquisitions and disposals of subsidiaries and portfolios | 3 | (245) |
| **Net carrying value as of December 31** | **3,074** | **3,105** |
| Gross carrying value as of December 31 | 7,358 | 7,067 |
| Accumulated amortization and impairment | (3,729) | (3,334) |
| Shadow accounting on VBI | (554) | (629) |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

# Note 7 Deferred acquisition costs and equivalent

## 7.1. BREAKDOWN OF DEFERRED ACQUISITION COSTS (DAC) AND EQUIVALENT

| *(in Euro million)* | December 31, 2011 | December 31, 2010 [(a)] [(d)] |
|---|---|---|
| Deferred acquisition costs relating to Life & Savings [(b)] | 19,962 | 17,750 |
| Net rights to future managements fees [(c)] | 836 | 723 |
| Shadow accounting on DAC | (699) | (628) |
| **Deferred acquisition costs and equivalent relating to Life & Savings** | **20,099** | **17,845** |
| **Deferred acquisition costs and equivalent relating to Property & Casualty and International Insurance** | **1,686** | **1,796** |
| **Deferred acquisition costs and equivalent** | **21,785** | **19,641** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*
*(b) Applicable to Life & Savings insurance contracts and investment contracts with discretionary participation features according to IFRS 4. Amounts are net of accumulated amortization.*
*(c) Applicable to investment contracts with no discretionary participation features (IAS 39).*
*(d) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

## 7.2. ROLLFORWARD OF DEFERRED ACQUISITION COSTS AND EQUIVALENT – LIFE & SAVINGS

Changes in deferred acquisition costs and equivalent for Life & Savings were as follows:

| | December 31, 2011 | | December 31, 2010 [(a)] | |
|---|---|---|---|---|
| *(in Euro million)* | Life & Savings Deferred Acquisition Costs [(b)] | Rights to future management fees [(c)] | Life & Savings Deferred Acquisition Costs [(b)] | Rights to future management fees [(c)] |
| **Life & Savings deferred acquisition costs and equivalent net carrying value as of January 1** | **17,122** | **723** | **15,824** | **1,225** |
| Amortization and impairment for the period | (1,536) | (75) | (2,121) | (444) |
| Capitalized interests for the period | 818 | 11 | 755 | 4 |
| DAC and similar costs capitalization for the period | 2,321 | 186 | 2,365 | 197 |
| **Changes in amortization, capitalization and impairment** | **1,602** | **122** | **999** | **(242)** |
| Change in shadow accounting on DAC | (48) | - | (224) | - |
| Currency translation | 586 | (10) | 950 | 48 |
| Acquisitions and disposals of subsidiaries and portfolios | - | 1 | (426) | (309) |
| **Life & Savings deferred acquisition costs and equivalent net carrying value as of December 31** | **19,263** | **836** | **17,122** | **723** |
| **TOTAL** | **20,099** | | **17,845** | |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*
*(b) Relating to contracts subject to IFRS 4, i.e. insurance contracts and investment contracts with discretionary participating features.*
*(c) Applicable to investment contracts with no discretionary participation features (IAS 39).*

## 7.3. DEFERRED ACQUISITION COSTS AND EQUIVALENT, NET OF AMORTIZATION, UNEARNED REVENUE RESERVES AND UNEARNED FEE RESERVES – LIFE & SAVINGS

The value of Life & Savings deferred acquisition costs and equivalent, net of amortization, unearned revenue reserves and unearned fee reserves, was as follows:

| | December 31, 2011 | | December 31, 2010 [a] | |
|---|---|---|---|---|
| *(in Euro million)* | Life & Savings Deferred Acquisition Costs [b] | Rights to future management fees [c] | Life & Savings Deferred Acquisition Costs [b] | Rights to future management fees [c] |
| **DAC and equivalent** | **19,263** | **836** | **17,122** | **723** |
| *of which shadow DAC* | *(699)* | - | *(628)* | - |
| **Unearned revenues and unearned fees reserves** | **2,475** | **501** | **2,324** | **433** |
| *of which shadow unearned revenues reserves* | *(138)* | - | *(150)* | - |
| DAC net of unearned revenues and unearned fees reserves | 16,788 | 336 | 14,799 | 290 |
| **TOTAL** | **17,124** | | **15,088** | |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Relating to contracts subject to IFRS 4, i.e. insurance contracts and investment contracts with discretionary participating features.*

*(c) Applicable to investment contracts with no discretionary participation features (IAS 39).*

# Note 8 Other intangible assets

## 8.1. BREAKDOWN OF OTHER INTANGIBLE ASSETS

Other intangible assets represented €3,382 million net value as of December 31, 2011 and mainly included:

| *(in Euro million)* | Gross value | Accumulated amortization and impairment | Net Value December 31, 2011 | Net Value December 31, 2010 [(a)] |
|---|---|---|---|---|
| Software capitalized | 1,823 | (1,150) | 672 | 612 |
| Intangible assets recognized in business combinations | 3,062 | (685) | 2,378 | 2,599 |
| Other intangible assets | 515 | (183) | 332 | 437 |
| **TOTAL INTANGIBLE ASSETS** | **5,400** | **(2,018)** | **3,382** | **3,648** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were reclassified as held for sale (see Note 5.3).*

In 2010, the pension law reform in France led to an increase of policyholders reserves (€480 million). As a result of this law, insurers were also granted with rights to collect price increases and penalties. As a consequence, a corresponding €379 million intangible asset was recognized as of December 31, 2010 reflecting such rights with a finite useful life. The impact on the consolidated statement of income was €-101 million gross of tax in 2010.

This intangible asset was amortized by €140 million in 2011, offset by participation benefit reserve releases (€107 million) and tariff increases. The remaining intangible asset amounted to €240 million as of December 31, 2011.

## 8.2. BREAKDOWN OF INTANGIBLE ASSETS RECOGNIZED IN BUSINESS COMBINATIONS

| | December 31, 2011 | | |
|---|---|---|---|
| *(in Euro million)* | Gross value | Accumulated amortization and impairment | Net carrying value |
| AXA MPS (Montepaschi) | 939 | - | 939 |
| AXA Greece (Alpha Insurance) | 97 | (30) | 68 |
| AXA Bank Hungary (ELLA Bank) | 35 | (35) | - |
| Swiftcover | 29 | (19) | 11 |
| Bluefin Advisory Services Limited | 94 | (68) | 26 |
| AXA Turkey (Denizbank) | 23 | - | 23 |
| Winterthur | 1,254 | (482) | 772 |
| Framlington | 205 | (6) | 199 |
| MONY | 20 | (13) | 7 |
| Others | 365 | (31) | 334 |
| **TOTAL** | **3,062** | **(685)** | **2,378** |

Intangible assets recognized in business combinations mainly include value of distribution agreements and customer related intangibles, including €1,246 million with indefinite useful life.

| | December 31, 2010 [(a)] | | |
|---|---|---|---|
| *(in Euro million)* | Gross value | Accumulated amortization and impairment | Net value |
| AXA MPS (Montepaschi) | 939 | - | 939 |
| AXA Greece (Alpha insurance) | 97 | (14) | 83 |
| AXA Bank Hungary (ELLA Bank) | 39 | (9) | 30 |
| Swiftcover | 29 | (16) | 13 |
| Bluefin Advisory Services Limited | 92 | (40) | 52 |
| Winterthur | 1,238 | (353) | 885 |
| Framlington | 208 | (6) | 202 |
| AXA Canada (Citadel) | 23 | (11) | 11 |
| MONY | 19 | (11) | 8 |
| Other | 412 | (38) | 374 |
| **TOTAL** | **3,097** | **(498)** | **2,599** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

## 8.3. CHANGE IN INTANGIBLE ASSETS RECOGNIZED IN BUSINESS COMBINATIONS

| *(in Euro million)* | Net value at January 1, 2011 | Acquisition during the period | Purchase increases following adjustments |
|---|---|---|---|
| AXA MPS (Montepaschi) | 939 | - | - |
| AXA Greece (Alpha Insurance) | 83 | - | - |
| AXA Bank Hungary (ELLA Bank) | 30 | - | - |
| Swiftcover | 13 | - | - |
| Bluefin Advisory Services Limited | 52 | - | - |
| AXA Turkey (Denizbank) | - | 24 | - |
| Winterthur | 885 | - | - |
| Framlington | 202 | - | - |
| AXA Canada (Citadel) | 11 | - | - |
| MONY | 8 | - | - |
| Others | 374 | 6 | - |
| **TOTAL** | **2,599** | **31** | **-** |

| *(in Euro million)* | Net value at January 1, 2010 (a) | Acquisition during the period | Purchase increases following adjustments |
|---|---|---|---|
| AXA MPS (Montepaschi) | 939 | - | - |
| AXA Greece (Alpha insurance) | 87 | - | - |
| AXA Bank Hungary (ELLA Bank) | 34 | - | - |
| Swiftcover | 16 | - | - |
| Bluefin Advisory Services Limited | 43 | - | - |
| Winterthur | 890 | - | - |
| Framlington | 195 | - | - |
| AXA Canada (Citadel) (b) | 12 | - | - |
| MONY | 9 | - | - |
| Other | 373 | 4 | 1 |
| **TOTAL** | **2,598** | **4** | **1** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

| Amortization and impairment allowance | Disposal during the period | Purchase decreases following adjustments | Amortization and impairment write back following disposal | Currency impact | Other Changes | Closing net value at December 31, 2011 |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | 939 |
| (16) | - | - | - | - | - | 68 |
| (30) | - | - | - | - | - | - |
| (3) | - | - | - | - | - | 11 |
| (27) | - | - | - | - | - | 26 |
| (0) | - | - | - | (1) | - | 23 |
| (124) | - | - | - | 9 | 1 | 772 |
| - | - | - | - | 5 | (8) | 199 |
| - | (11) | - | - | - | (2) | - |
| (2) | - | - | - | - | - | 7 |
| (6) | (36) | - | - | (1) | (2) | 334 |
| **(207)** | **(47)** | **-** | **-** | **12** | **(11)** | **2,378** |

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| Amortization and impairment allowance | Disposal during the period | Purchase decreases following adjustments | Amortization and impairment write back following disposal | Currency impact | Other Changes | Net value as of December 31, 2010 [(a)] |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | 939 |
| (4) | - | - | - | - | - | 83 |
| (3) | - | - | - | (1) | - | 30 |
| (3) | - | - | - | 1 | - | 13 |
| (10) | - | - | - | 2 | 17 | 52 |
| (86) | - | - | - | 88 | (7) | 885 |
| - | - | - | - | 7 | - | 202 |
| - | - | - | - | 1 | (2) | 11 |
| (2) | - | - | - | 1 | - | 8 |
| (5) | - | - | - | 6 | (4) | 374 |
| **(112)** | **-** | **-** | **-** | **104** | **5** | **2,599** |

# Note 9 Investments

Certain investment properties (see Note 1), available-for-sale investments, trading assets, instruments designated as at fair value through profit or loss and all derivatives are measured at fair value in the financial statements. In addition, this note also discloses the fair value of investment properties and financial assets held at cost. Principles applied in measuring fair value generally described in Note 1 are further detailed in Note 9.2 (investment in real estate properties) and 9.9 (financial assets recognized at fair value).

| *(in Euro million)* | Insurance | | |
|---|---|---|---|
| | Fair value | Carrying value | % (value balance sheet) |
| Investment in real estate properties at amortized cost | 19,087 | 14,818 | 2.60% |
| Investment in real estate properties designated as at fair value through profit or loss [(a)] | 1,243 | 1,243 | 0.22% |
| Macro hedge and other derivatives | - | - | - |
| **Investment in real estate properties** | **20,330** | **16,061** | **2.82%** |
| Debt instruments held to maturity | - | - | - |
| Debt instruments available for sale | 325,510 | 325,510 | 57.20% |
| Debt instruments designated as at fair value through profit or loss [(a)] [(b)] | 25,775 | 25,775 | 4.53% |
| Debt instruments held for trading | 188 | 188 | 0.03% |
| Debt instruments (at cost) that are not quoted in an active market [(c)] | 6,740 | 6,789 | 1.19% |
| **Debt instruments** | **358,213** | **358,262** | **62.96%** |
| Equity instruments available for sale | 11,649 | 11,649 | 2.05% |
| Equity instruments designated as at fair value through profit or loss [(a)] | 5,391 | 5,391 | 0.95% |
| Equity instruments held for trading | 35 | 35 | 0.01% |
| **Equity instruments** | **17,075** | **17,075** | **3.00%** |
| Non controlled investment funds available for sale | 6,672 | 6,672 | 1.17% |
| Non controlled investment funds designated as at fair value through profit or loss [(a)] | 5,010 | 5,010 | 0.88% |
| Non controlled investment funds held for trading | - | - | - |
| **Non controlled investment funds** | **11,682** | **11,682** | **2.05%** |
| **Other assets designated as at fair value through profit or loss, held by controlled investment funds** | **5,413** | **5,413** | **0.95%** |
| **Macro hedge and other derivatives** | **1,283** | **1,283** | **0.23%** |
| **Financial investments** | **393,666** | **393,715** | **69.19%** |
| Loans held to maturity | - | - | - |
| Loans available for sale | - | - | - |
| Loans designated as at fair value through profit or loss [(a)] | - | - | - |
| Loans held for trading | - | - | - |
| Loans at cost [(d)] | 26,107 | 25,050 | 4.40% |
| Macro hedge and other derivatives | - | - | - |
| **Loans** | **26,107** | **25,050** | **4.40%** |
| **Assets backing contracts where the financial risk is borne by policyholders** | **134,230** | **134,230** | **23.59%** |
| **INVESTMENTS** | **574,333** | **569,056** | **100.00%** |
| **Investments (excluding those backing contracts where the financial risk is borne by policyholders)** | **440,103** | **434,826** | **76.41%** |
| Life & Savings | 378,060 | 373,471 | 65.63% |
| Property & Casualty | 53,759 | 53,070 | 9.33% |
| International Insurance | 8,285 | 8,285 | 1.46% |

*(a) Use of fair value option.*
*(b) Includes notably assets measured at fair value under the fair value option.*
*(c) Eligible to the IAS 39 Loans and Receivables measurement category.*
*(d) Mainly relates to mortgage loans and policy loans.*

## 9.1. BREAKDOWN OF INVESTMENTS

Each investment item is presented net of the effect of related hedging derivatives (IAS 39 qualifying hedges or economic hedges) except derivatives related to macro hedges shown separately. Detail effects of derivatives are provided in Note 20.3.

| December 31, 2011 | | | | | |
|---|---|---|---|---|---|
| Other activities | | | Total | | |
| Fair value | Carrying value | % (value balance sheet) | Fair value | Carrying value | % (value balance sheet) |
| 3,329 | 2,574 | 7.30% | 22,417 | 17,392 | 2.88% |
| - | - | - | 1,243 | 1,243 | 0.21% |
| - | - | - | - | - | - |
| **3,329** | **2,574** | **7.30%** | **23,660** | **18,635** | **3.08%** |
| - | - | - | - | - | - |
| 8,045 | 8,045 | 22.81% | 333,554 | 333,554 | 55.19% |
| 72 | 72 | 0.20% | 25,847 | 25,847 | 4.28% |
| 29 | 29 | 0.08% | 217 | 217 | 0.04% |
| 4,364 | 4,364 | 12.37% | 11,104 | 11,153 | 1.85% |
| **12,510** | **12,510** | **35.47%** | **370,723** | **370,772** | **61.35%** |
| 1,903 | 1,903 | 5.40% | 13,552 | 13,552 | 2.24% |
| 425 | 425 | 1.21% | 5,816 | 5,816 | 0.96% |
| - | - | - | 35 | 35 | 0.01% |
| **2,328** | **2,328** | **6.60%** | **19,404** | **19,404** | **3.21%** |
| 179 | 179 | 0.51% | 6,851 | 6,851 | 1.13% |
| 166 | 166 | 0.47% | 5,176 | 5,176 | 0.86% |
| 374 | 374 | 1.06% | 374 | 374 | 0.06% |
| **719** | **719** | **2.04%** | **12,401** | **12,401** | **2.05%** |
| **1** | **1** | **0.00%** | **5,413** | **5,413** | **0.90%** |
| **(2,500)** | **(2,500)** | **-7.09%** | **(1,218)** | **(1,218)** | **-0.20%** |
| **13,057** | **13,057** | **37.03%** | **406,723** | **406,772** | **67.31%** |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 21,406 | 19,621 | 55.64% | 47,512 | 44,672 | 7.39% |
| 12 | 12 | 0.03% | 12 | 12 | 0.00% |
| **21,418** | **19,634** | **55.68%** | **47,525** | **44,684** | **7.39%** |
| **-** | **-** | **-** | **134,230** | **134,230** | **22.21%** |
| **37,804** | **35,264** | **100.00%** | **612,137** | **604,321** | **100.00%** |

| | Insurance | | |
|---|---|---|---|
| *(in Euro million)* | Fair value | Carrying value | % (value balance sheet) |
| Investment in real estate properties at amortized cost | 18,505 | 14,628 | 2.60% |
| Investment in real estate properties designated as at fair value through profit or loss [c] | 1,122 | 1,122 | 0.20% |
| Macro hedge and other derivatives | - | - | - |
| **Investment in real estate properties** | **19,628** | **15,751** | **2.80%** |
| Debt instruments held to maturity | - | - | - |
| Debt instruments available for sale | 307,946 | 307,946 | 54.68% |
| Debt instruments designated as at fair value through profit or loss [c] | 29,474 | 29,474 | 5.23% |
| Debt instruments held for trading | (17) | (17) | 0.00% |
| Debt instruments (at cost) that are not quoted in an active market [d] | 8,198 | 8,194 | 1.46% |
| **Debt instruments** | **345,601** | **345,598** | **61.37%** |
| Equity instruments available for sale | 16,746 | 16,746 | 2.97% |
| Equity instruments designated as at fair value through profit or loss [c] | 5,755 | 5,755 | 1.02% |
| Equity instruments held for trading | 32 | 32 | 0.01% |
| **Equity instruments** | **22,533** | **22,533** | **4.00%** |
| Non controlled investment funds available for sale | 6,998 | 6,998 | 1.24% |
| Non controlled investment funds designated as at fair value through profit or loss [c] | 4,990 | 4,990 | 0.89% |
| Non controlled investment funds held for trading | - | - | - |
| **Non controlled investment funds** | **11,988** | **11,988** | **2.13%** |
| **Other assets designated as at fair value through profit or loss, held by controlled investment funds** | **5,223** | **5,223** | **0.93%** |
| **Macro hedge and other derivatives** | **570** | **570** | **0.10%** |
| **Financial investments** | **385,915** | **385,911** | **68.53%** |
| Loans held to maturity | - | - | - |
| Loans available for sale | - | - | - |
| Loans designated as at fair value through profit or loss [c] | - | - | - |
| Loans held for trading | - | - | - |
| Loans at cost [e] | 24,430 | 23,718 | 4.21% |
| Macro hedge and other derivatives | - | - | - |
| **Loans** | **24,430** | **23,718** | **4.21%** |
| **Assets backing contracts where the financial risk is borne by policyholders** | **137,757** | **137,757** | **24.46%** |
| **INVESTMENTS** | **567,729** | **563,137** | **100.00%** |
| **Investments (excluding those backing contracts where the financial risk is borne by policyholders)** | **429,972** | **425,380** | **75.54%** |
| Life & Savings | 364,797 | 360,849 | 64.08% |
| Property & Casualty | 56,610 | 55,964 | 9.94% |
| International Insurance | 8,565 | 8,568 | 1.52% |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*
*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*
*(c) Use of fair value option.*
*(d) Eligible to the IAS 39 Loans and Receivables measurement category.*
*(e) Mainly relates to mortgage loans and policy loans.*

December 31, 2010 (a) (b)

| Other activities | | | Total | | |
|---|---|---|---|---|---|
| Fair value | Carrying value | % (value balance sheet) | Fair value | Carrying value | % (value balance sheet) |
| 3,003 | 2,435 | 7.75% | 21,509 | 17,063 | 2.87% |
| - | - | - | 1,122 | 1,122 | 0.19% |
| - | - | - | - | - | - |
| **3,003** | **2,435** | **7.75%** | **22,631** | **18,185** | **3.06%** |
| - | - | - | - | - | - |
| 6,020 | 6,020 | 19.16% | 313,966 | 313,966 | 52.81% |
| 448 | 448 | 1.43% | 29,923 | 29,923 | 5.03% |
| 242 | 242 | 0.77% | 225 | 225 | 0.04% |
| 2,237 | 2,237 | 7.12% | 10,434 | 10,431 | 1.75% |
| **8,947** | **8,947** | **28.48%** | **354,548** | **354,545** | **59.63%** |
| 2,204 | 2,204 | 7.02% | 18,951 | 18,951 | 3.19% |
| 350 | 350 | 1.11% | 6,105 | 6,105 | 1.03% |
| - | - | - | 32 | 32 | 0.01% |
| **2,554** | **2,554** | **8.13%** | **25,088** | **25,088** | **4.22%** |
| 237 | 237 | 0.75% | 7,235 | 7,235 | 1.22% |
| 106 | 106 | 0.34% | 5,096 | 5,096 | 0.86% |
| 347 | 347 | 1.11% | 347 | 347 | 0.06% |
| **690** | **690** | **2.20%** | **12,678** | **12,678** | **2.13%** |
| **1** | **1** | **0.00%** | **5,224** | **5,224** | **0.88%** |
| **(1,957)** | **(1,957)** | **-6.23%** | **(1,387)** | **(1,387)** | **-0.23%** |
| **10,235** | **10,235** | **32.58%** | **396,150** | **396,147** | **66.63%** |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2 | 2 | 0.01% | 2 | 2 | 0.00% |
| - | - | - | - | - | - |
| 19,767 | 18,719 | 59.58% | 44,196 | 42,438 | 7.14% |
| 25 | 25 | 0.08% | 25 | 25 | 0.00% |
| **19,793** | **18,746** | **59.67%** | **44,223** | **42,464** | **7.14%** |
| **-** | **-** | **-** | **137,757** | **137,757** | **23.17%** |
| **33,032** | **31,416** | **100.00%** | **600,761** | **594,553** | **100.00%** |

## 9.2. INVESTMENT IN REAL ESTATE PROPERTIES

Investment in real estate properties include buildings owned directly and through real estate subsidiaries.

Breakdown of the carrying value and fair value of investments in real estate properties at amortized cost, excluding the impact of all derivatives:

| | December 31, 2011 | | | | | December 31, 2010 [a] [b] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | Gross value | Amortization | Impairment | Carrying value | Fair value | Gross value | Amortization | Impairment | Carrying value | Fair value |
| **Investment in real estate properties at amortized cost** | | | | | | | | | | |
| Insurance | 16,957 | (1,656) | (483) | 14,818 | 19,088 | 16,636 | (1,569) | (438) | 14,628 | 18,505 |
| Banking and other activities | 3,103 | (191) | (339) | 2,574 | 3,329 | 2,833 | (169) | (230) | 2,435 | 3,003 |
| All activities | 20,061 | (1,847) | (822) | 17,392 | 22,417 | 19,469 | (1,737) | (668) | 17,063 | 21,509 |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

Fair value is generally based on valuations performed by qualified property appraisers. They are based on a multi-criteria approach and their frequency and terms are often based on local regulations.

Change in impairment and amortization of investments in real estate properties at amortized cost (all activities):

| | Impairment – Investment in real estate properties | | Amortization – Investment in real estate properties | |
|---|---|---|---|---|
| *(in Euro million)* | December 31, 2011 | December 31, 2010 [a] [b] | December 31, 2011 | December 31, 2010 [a] [b] |
| **Opening value** | **668** | **657** | **1,737** | **1,596** |
| Increase for the period | 163 | 45 | 248 | 248 |
| Write back following sale or reimbursement | - | (11) | (143) | (53) |
| Write back following recovery in value | (11) | (31) | | |
| Others [c] | 2 | 8 | 4 | (54) |
| **Closing value** | **822** | **668** | **1,847** | **1,737** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) Includes change in scope and the effect of changes in exchange rates.*

As of December 31, 2011, the end of year balance of impairment on investment in real estate properties amounted to €822 million and the amortization balance amounted to €1,847 million. The impairment increase for the period amounted to €163 million, of which €108 million without impact on AXA Net income Group share, as related to some real estate funds operated by AXA Investments Managers in which AXA has no material investment but exercises control under IFRS principles.

## 9.3. UNREALIZED GAINS AND LOSSES ON FINANCIAL INVESTMENTS

Excluding the effect of derivatives, unrealized capital gains and losses on financial investments, when not already reflected in the income statement, are allocated as follows:

### Insurance

| | December 31, 2011 | | | | | December 31, 2010 (a) (b) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | Amortized cost (c) | Fair value | Carrying value (d) | Unrealized gains | Unrealized losses | Amortized cost (c) | Fair value | Carrying value (d) | Unrealized gains | Unrealized losses |
| Debt instruments available for sale | 313,472 | 326,306 | 326,306 | 20,749 | 7,915 | 296,425 | 306,408 | 306,408 | 15,973 | 5,990 |
| Debt instruments (at cost) that are not quoted in an active market | 6,791 | 6,742 | 6,791 | 97 | 146 | 8,227 | 8,230 | 8,227 | 71 | 67 |
| Equity instruments available for sale | 8,988 | 10,886 | 10,886 | 2,010 | 111 | 11,335 | 15,900 | 15,900 | 4,702 | 137 |
| Non controlled investment funds available for sale | 6,020 | 6,820 | 6,820 | 895 | 96 | 5,672 | 6,621 | 6,621 | 1,037 | 88 |

### Banking and other activities

| | December 31, 2011 | | | | | December 31, 2010 (b) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | Amortized cost (c) | Fair value | Carrying value (d) | Unrealized gains | Unrealized losses | Amortized cost (c) | Fair value | Carrying value (d) | Unrealized gains | Unrealized losses |
| Debt instruments available for sale | 8,489 | 8,184 | 8,184 | 36 | 340 | 6,326 | 6,099 | 6,099 | 26 | 254 |
| Debt instruments (at cost) that are not quoted in an active market | 4,364 | 4,364 | 4,364 | - | - | 2,235 | 2,235 | 2,235 | - | - |
| Equity instruments available for sale | 2,762 | 2,750 | 2,750 | 281 | 293 | 2,635 | 2,860 | 2,860 | 226 | 1 |
| Non controlled investment funds available for sale | 175 | 180 | 180 | 5 | - | 227 | 237 | 237 | 13 | 3 |

### Total

| | December 31, 2011 | | | | | December 31, 2010 (a) (b) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | Amortized cost (c) | Fair value | Carrying value (d) | Unrealized gains | Unrealized losses | Amortized cost (c) | Fair value | Carrying value (d) | Unrealized gains | Unrealized losses |
| Debt instruments available for sale | 321,961 | 334,490 | 334,490 | 20,785 | 8,255 | 302,751 | 312,507 | 312,507 | 15,999 | 6,244 |
| Debt instruments (at cost) that are not quoted in an active market | 11,155 | 11,106 | 11,155 | 97 | 146 | 10,462 | 10,465 | 10,462 | 71 | 67 |
| Equity instruments available for sale | 11,749 | 13,636 | 13,636 | 2,291 | 404 | 13,970 | 18,760 | 18,760 | 4,928 | 138 |
| Non controlled investment funds available for sale | 6,195 | 7,000 | 7,000 | 900 | 96 | 5,900 | 6,858 | 6,858 | 1,050 | 92 |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) Net of impairment – including premiums/discounts and related accumulated amortization.*

*(d) Net of impairment (details in Note 9.8).*

See also table 9.8.1 Breakdown of financial assets subject to impairment.

## 9.4. DEBT INSTRUMENTS AND LOANS

### 9.4.1. Debt instruments by type of issuer

The table below sets out the debt instruments portfolio by issuer type, excluding macro hedging derivatives and other derivatives but including the effect of related hedging derivatives (IAS 39 qualifying hedges or economic hedges). Details of the effect of derivatives are provided in Note 20.3.

| | December 31, 2011 | December 31, 2010 [a] [b] |
|---|---|---|
| *(in Euro million)* | Carrying value | Carrying value |
| Government debt instruments | 162,054 | 149,144 |
| Government related debt instruments | 53,585 | 49,810 |
| Corporate debt instruments [c] | 154,852 | 152,415 |
| Other debt instruments [d] | 2,110 | 2,090 |
| Hedging derivatives and other derivatives | (1,829) | 1,085 |
| **TOTAL DEBT INSTRUMENTS** | **370,772** | **354,545** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*
*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*
*(c) Includes debt instruments issued by companies in which a State now holds interests following the 2008 financial crisis.*
*(d) Includes fixed maturity investment funds and debt securities related to reverse repo.*

Additional information on the credit risk associated with debt instruments is provided in Note 4 "Financial and insurance risks management".

### 9.4.2. Focus on banking loans

| | December 31, 2011 | | December 31, 2010 [a] | |
|---|---|---|---|---|
| *(in Euro million)* | Fair value | Carrying value | Fair value | Carrying value |
| Mortgage loans | 16,071 | 14,543 | 14,391 | 13,486 |
| Other loans | 4,423 | 4,168 | 4,111 | 3,975 |
| **TOTAL** | **20,494** | **18,711** | **18,501** | **17,461** |

*(a) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

## 9.5. CONTRACTUAL MATURITIES AND EXPOSURE TO INTEREST RATE RISK

The tables below set out the contractual maturities of debt instruments held by the Group. Effective maturities may differ from those presented, mainly because some assets include clauses allowing early redemption, with or without penalty or duration extension features.

Debt instruments (at cost) that are not quoted in an active market, the effect of derivatives (detailed in Note 20.3), loans and debt instruments backing contracts where the financial risk is borne by policyholders are excluded from the tables below. The effect of derivatives modifies in certain cases the maturity profile of assets presented below. Most of the debt instruments and loans held by the Group are fixed-rate debt instruments (i.e. exposed to fair value interest rate risk).

| | December 31, 2011 Net carrying amount by maturity | | | |
|---|---|---|---|---|
| *(in Euro million)* | 12 months or less | More than 1 year up to 5 years | More than 5 years | Total net carrying value |
| Debt instruments available for sale | 20,297 | 85,254 | 214,965 | 320,515 |
| Debts instruments designated as at fair value throught profit or loss [(a)] | 2,336 | 7,237 | 8,645 | 18,218 |
| **Sub total – Debt instruments** | **22,633** | **92,490** | **223,610** | **338,733** |
| Loans available for sale | - | - | - | - |
| Loans designated as at fair value throught profit or loss [(a)] | - | - | - | - |
| Loans at cost | 4,867 | 8,156 | 21,856 | 34,878 |
| **Sub total – Loans** | **4,867** | **8,156** | **21,856** | **34,878** |
| **TOTAL – FINANCIAL INVESTMENTS EXPOSED TO FAIR VALUE INTEREST RATE RISK** | **27,499** | **100,646** | **245,466** | **373,611** |
| Debt instruments available for sale | 488 | 2,623 | 10,864 | 13,975 |
| Debts instruments designated as at fair value throught profit or loss [(a)] | 1,342 | 2,831 | 4,565 | 8,738 |
| **Sub total – Debt instruments** | **1,830** | **5,454** | **15,429** | **22,713** |
| Loans available for sale | - | - | - | - |
| Loans designated as at fair value throught profit or loss [(a)] | 83 | 463 | 142 | 688 |
| Loans at cost | 1,799 | 2,188 | 6,218 | 10,205 |
| **Sub total – Loans** | **1,881** | **2,651** | **6,361** | **10,893** |
| **TOTAL – FINANCIAL INVESTMENTS EXPOSED TO CASH FLOW INTEREST RATE RISK** | **3,711** | **8,105** | **21,790** | **33,606** |
| **TOTAL FINANCIAL INVESTMENTS EXPOSED TO INTEREST RATE RISK** | **31,211** | **108,752** | **267,255** | **407,218** |

*(a) Corresponds to financial assets held for trading purposes and financial assets recognized designated as at fair value through profit or loss.*

| | December 31, 2010 [a] [b] Net carrying amount by maturity | | | |
|---|---|---|---|---|
| *(in Euro million)* | 12 months or less | More than 1 year up to 5 years | More than 5 years | Total net carrying value |
| Debt instruments available for sale | 18,639 | 79,586 | 201,490 | 299,715 |
| Debts instruments designated as at fair value throught profit or loss [c] | 4,630 | 7,678 | 11,795 | 24,103 |
| **Sub total – Debt instruments** | **23,269** | **87,264** | **213,285** | **323,818** |
| Loans available for sale | - | - | - | - |
| Loans designated as at fair value throught profit or loss [c] | - | - | - | - |
| Loans at cost | 5,031 | 8,648 | 25,910 | 39,589 |
| **Sub total – Loans** | **5,031** | **8,648** | **25,910** | **39,589** |
| **TOTAL – FINANCIAL INVESTMENTS EXPOSED TO FAIR VALUE INTEREST RATE RISK** | **28,300** | **95,912** | **239,195** | **363,407** |
| Debt instruments available for sale | 636 | 2,747 | 9,409 | 12,792 |
| Debts instruments designated as at fair value throught profit or loss [c] | 901 | 1,610 | 3,877 | 6,387 |
| **Sub total – Debt instruments** | **1,537** | **4,356** | **13,286** | **19,179** |
| Loans available for sale | - | - | - | - |
| Loans designated as at fair value throught profit or loss [c] | - | 224 | 116 | 340 |
| Loans at cost | 230 | 1,189 | 1,509 | 2,928 |
| **Sub total – Loans** | **230** | **1,413** | **1,625** | **3,268** |
| **TOTAL – FINANCIAL INVESTMENTS EXPOSED TO CASH FLOW INTEREST RATE RISK** | **1,767** | **5,770** | **14,911** | **22,448** |
| **TOTAL FINANCIAL INVESTMENTS EXPOSED TO INTEREST RATE RISK** | **30,067** | **101,681** | **254,107** | **385,855** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) Corresponds to financial assets held for trading purposes and financial assets recognized designated as at fair value through profit or loss.*

## 9.6. EXPOSURE TO PRICE RISK

Excluding the effect of derivatives (detailed in Note 20.3) and equity instruments of real estate companies, the breakdown by industry of equity instruments owned across the Group is as follows:

| **December 31, 2011** *(in Euro million)* | Financial | Consumer goods & Services | Energy | Commu-nications | Industrial | Basic Materials | Techno-logy | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Equity instruments available for sale | 4,423 | 2,919 | 998 | 1,007 | 1,308 | 870 | 563 | 1,548 | 13,636 |
| Equity instruments designated as at fair value through profit or loss | 324 | 13 | 1 | 12 | 4 | 5 | - | 140 | 498 |
| **Sub-total: Equity instruments held directly** | **4,748** | **2,932** | **999** | **1,018** | **1,312** | **875** | **563** | **1,687** | **14,134** |
| Equity instruments held by controlled investment funds (a) | 2,667 | 1,098 | 404 | 257 | 293 | 149 | 196 | 292 | 5,356 |
| **TOTAL EQUITY INSTRUMENTS AS OF DECEMBER 31, 2011** | **7,415** | **4,030** | **1,404** | **1,275** | **1,605** | **1,024** | **758** | **1,980** | **19,490** |

*(a) Designated as at fair value through profit or loss.*

| **December 31, 2010** (a) (b) *(in Euro million)* | Financial | Consumer goods & Services | Energy | Commu-nications | Industrial | Basic Materials | Techno-logy | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Equity instruments available for sale | 7,187 | 2,986 | 1,616 | 968 | 2,504 | 1,263 | 1,283 | 953 | 18,760 |
| Equity instruments designated as at fair value through profit or loss | 224 | 21 | 7 | 2 | 13 | 1 | 14 | 158 | 440 |
| **Sub-total: Equity instruments held directly** | **7,411** | **3,006** | **1,623** | **970** | **2,517** | **1,264** | **1,298** | **1,111** | **19,200** |
| Equity instruments held by controlled investment funds (c) | 2,505 | 1,310 | 403 | 320 | 450 | 207 | 206 | 295 | 5,697 |
| **TOTAL EQUITY INSTRUMENTS AS OF DECEMBER 31, 2010** | **9,916** | **4,316** | **2,026** | **1,290** | **2,967** | **1,471** | **1,504** | **1,407** | **24,897** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) Designated as at fair value through profit or loss.*

## 9.7. NONCONTROLLED INVESTMENT FUNDS

Non-controlled investment funds break down as follows:

| | December 31, 2011 | | | |
|---|---|---|---|---|
| | Insurance | | Other activities | |
| *(in Euro million)* | Fair value [c] | Amortized Cost | Fair value [c] | Amortized Cost |
| Non controlled investment funds available for sale mainly holding equity securities | 901 | 711 | 80 | 75 |
| Non controlled investment funds as at fair value through profit or loss mainly holding equity securities | 988 | - | 5 | - |
| Non controlled investment funds held for trading mainly holding equity securities | - | - | 271 | - |
| **Non controlled investment funds mainly holding equity securities** | **1,889** | **-** | **356** | **-** |
| Non controlled investment funds available for sale mainly holding debt instruments | 1,511 | 1,371 | 1 | 1 |
| Non controlled investment funds as at fair value through profit or loss mainly holding debt instruments | 1,417 | - | 5 | - |
| Non controlled investment funds held for trading mainly holding debt instruments | - | - | 103 | - |
| **Non controlled investment funds mainly holding debt instruments** | **2,928** | **-** | **109** | **-** |
| Other Non controlled investment funds available for sale | 4,408 | 3,938 | 99 | 99 |
| Other Non controlled investment funds at fair value through profit or losses | 2,615 | - | 155 | - |
| Other Non controlled investment funds held for trading | - | - | - | - |
| **Other non controlled investment funds** | **7,022** | **-** | **254** | **-** |
| **Derivatives related to Non controlled investment funds (only)** | **(158)** | **-** | **-** | **-** |
| **TOTAL** | **11,682** | | **719** | |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) Amounts are presented excluding macro hedging and other derivatives but including the effect of related hedging derivatives (IAS 39 qualifying hedges or economic hedges).*

| | | December 31, 2010 [a] [b] | | | | | |
|---|---|---|---|---|---|---|---|
| Total | | Insurance | | Other activities | | Total | |
| Fair value [c] | Amortized Cost | Fair value [c] | Amortized Cost | Fair value [c] | Amortized Cost | Fair value [c] | Amortized Cost |
| 981 | 786 | 1,388 | 1,111 | 26 | 26 | 1,413 | 1,137 |
| 993 | - | 1,831 | - | 106 | - | 1,937 | - |
| 271 | - | - | - | 232 | - | 232 | - |
| **2,245** | **-** | **3,219** | **-** | **363** | **-** | **3,582** | **-** |
| 1,512 | 1,372 | 1,385 | 1,226 | - | - | 1,385 | 1,226 |
| 1,422 | - | 1,724 | - | - | - | 1,724 | - |
| 103 | - | - | - | 116 | - | 116 | - |
| **3,037** | **-** | **3,109** | **-** | **116** | **-** | **3,225** | **-** |
| 4,507 | 4,037 | 3,849 | 3,335 | 211 | 202 | 4,060 | 3,536 |
| 2,770 | - | 1,351 | - | - | - | 1,351 | - |
| - | - | - | - | - | - | - | - |
| **7,276** | **-** | **5,200** | **-** | **211** | **-** | **5,411** | **-** |
| **(158)** | **-** | **460** | **-** | **-** | **-** | **460** | **-** |
| **12,401** | | **11,988** | | **690** | | **12,678** | |

## 9.8. FINANCIAL ASSETS SUBJECT TO IMPAIRMENT

### 9.8.1. Breakdown of financial assets subject to impairment (excluding investment in real estate properties)

Each investment item is presented net of the effect of related hedging derivatives (IAS 39 qualifying hedges or economic hedges) except derivatives related to macro hedges shown separately.

| | December 31, 2011 | | |
|---|---|---|---|
| *(in Euro million)* | Cost before impairment and revaluation to fair value (c) | Impairment | Cost after impairment but before revaluation to fair value (d) |
| Debt instruments available for sale | 323,801 | (2,474) | 321,327 |
| Debt instruments (at cost) that are not quoted in an active market | 11,144 | - | 11,144 |
| **Debt instruments** | **334,945** | **(2,474)** | **332,471** |
| **Equity instruments available for sale** | **14,635** | **(2,883)** | **11,752** |
| **Non controlled investment funds available for sale** | **7,336** | **(1,141)** | **6,195** |
| Loans held to maturity | - | - | - |
| Loans available for sale | - | - | - |
| Loans at cost (e) | 45,658 | (610) | 45,048 |
| **Loans** | **45,658** | **(610)** | **45,048** |
| **TOTAL** | **402,575** | **(7,108)** | **395,467** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*
*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*
*(c) Asset value including impact of discounts/premiums and accrued interests, but before impairment and revaluation to fair value of assets available for sale.*
*(d) Asset value including impairment, discounts/premiums and accrued interests, but before revaluation to fair value of assets available for sale.*
*(e) Including policy loans.*

### 9.8.2. Change in impairment on invested assets (excluding investment in real estate properties)

| *(in Euro million)* | January 1, 2011 (b) | Increase for the period | Write back following sale or reimbursement | Write back following recovery in value | Other (a) | December 31, 2011 |
|---|---|---|---|---|---|---|
| Impairment – Debt instruments | 1,567 | 1,175 | (240) | (43) | 15 | 2,474 |
| Impairment – Equity instruments | 2,848 | 773 | (764) | - | 26 | 2,883 |
| Impairment – Non controlled investment funds | 1,107 | 87 | (76) | - | 23 | 1,141 |
| Impairment – Loans | 521 | 239 | (13) | (87) | (50) | 610 |
| **TOTAL** | **6,043** | **2,273** | **(1,092)** | **(130)** | **14** | **7,108** |

*(a) Mainly relates to changes in the scope of consolidation and impact of changes in exchange rates.*
*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

| | | December 31, 2010 [a] [b] | | | | |
|---|---|---|---|---|---|---|
| Revaluation to fair value | Carrying value | Cost before impairment and revaluation to fair value [c] | Impairment | Cost after impairment but before revaluation to fair value [d] | Revaluation to fair value | Carrying value |
| 12,227 | 333,554 | 305,083 | (1,567) | 303,516 | 10,450 | 313,966 |
| 9 | 11,153 | 10,424 | - | 10,424 | 8 | 10,431 |
| **12,237** | **344,707** | **315,507** | **(1,567)** | **313,939** | **10,458** | **324,397** |
| **1,800** | **13,552** | **16,604** | **(2,848)** | **13,757** | **5,194** | **18,951** |
| **656** | **6,851** | **6,517** | **(1,107)** | **5,410** | **1,825** | **7,235** |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (377) | 44,672 | 42,509 | (521) | 41,988 | 449 | 42,438 |
| **(377)** | **44,672** | **42,509** | **(521)** | **41,988** | **449** | **42,438** |
| **14,316** | **409,783** | **381,137** | **(6,043)** | **375,094** | **17,926** | **393,021** |

| *(in Euro million)* | January 1, 2010 | Increase for the period | Write back following sale or reimbursement | Write back following recovery in value | Other [a] | December 31, 2010 [b] [c] |
|---|---|---|---|---|---|---|
| Impairment – Debt instruments | 1,551 | 396 | (311) | (91) | 23 | 1,567 |
| Impairment – Equity instruments | 3,659 | 483 | (1,401) | (0) | 107 | 2,848 |
| Impairment – Non controlled investment funds | 1,076 | 86 | (252) | (0) | 198 | 1,107 |
| Impairment – Loans [c] | 500 | 143 | (21) | (55) | (46) | 521 |
| **TOTAL** | **6,785** | **1,107** | **(1,985)** | **(146)** | **282** | **6,043** |

*(a) Mainly relates at changes in the scope of consolidation and impact of changes in exchange rates.*
*(b) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*
*(c) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

As of December 31, 2011, the end of year balance of impairment on invested assets excluding real estate properties amounted to €7,108 million.

## 9.9. FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE

### 9.9.1. Fair value measurement

#### (A) ACTIVE MARKET: QUOTED PRICE

The Group applies the IAS 39 fair value hierarchy as described below for both assets measured at fair value (and assets at cost for which fair value is disclosed in the previous notes).

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

The amount of assets for which fair value is determined in whole directly by reference to an active market is disclosed in level 1 of the table shown below in Section 9.9.2.

#### (B) ACTIVE VERSUS INACTIVE MARKETS

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

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

#### (C) ASSETS NOT QUOTED IN AN ACTIVE MARKET

The fair values of financial instruments that are not traded in an active market are estimated:

- using external and independent pricing services; or
- using valuation techniques.

The amount of assets which are not traded in an active market is disclosed in level 2 and 3 of the table shown below in Section 9.9.2.

#### No active market: use of external pricing services

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

#### No active market: use of valuation techniques

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

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

**Use of valuation techniques in dislocated markets**

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

In such cases, the Group uses valuation techniques including observable data whenever possible and relevant, adjusted if needed to develop the best estimate of fair value, including adequate risk premiums or develops a valuation model based on unobservable data representing estimates of assumptions that willing market participants would use when prices are not current, relevant or available without undue costs and efforts: in inactive markets, transactions may be inputs when measuring fair value, but would likely not be determinative and unobservable data may be more appropriate than observable inputs. The objective of these models is to arrive at the price at which an orderly transaction would take place between market participants (a willing buyer and a willing seller) at the measurement date.

For those assets for which the Group used mark to model valuations because of dislocated market conditions, sensitivities are disclosed in Section 9.9.2 below, even when such techniques are based on a majority of observable inputs.

## 9.9.2. Financial assets recognized at fair value excluding derivatives

Amounts presented exclude the impact of all derivatives (set out in Notes 20.3 and 20.5) and investment funds consolidated by equity method. Investment funds accounted for using the equity method represented assets of €2,988 million as of December 31, 2011 (€2,630 million as of December 31, 2010).

The breakdown by valuation method of financial assets recognized at fair value is as follows:

| | December 31, 2011 | | | | December 31, 2010 [(a) (b)] | | | |
|---|---|---|---|---|---|---|---|---|
| | Assets quoted in an active market | Assets not quoted in an active market/No active market | | | Assets quoted in an active market | Assets not quoted in an active market/No active market | | |
| *(in Euro million)* | Fair value determined directly by reference to an active market level 1 | Fair value based on observable market data level 2 | Fair value not based on observable market data level 3 | Total | Fair value determined directly by reference to an active market level 1 | Fair value based on observable market data level 2 | Fair value not based on observable market data level 3 | Total |
| Debt instruments | 163,561 | 169,797 | 1,131 | 334,490 | 228,526 | 82,159 | 1,822 | 312,507 |
| Equity instruments | 10,943 | 1,113 | 1,581 | 13,636 | 15,240 | 1,279 | 2,241 | 18,760 |
| Non controlled investment funds | 1,344 | 4,271 | 1,385 | 7,000 | 1,892 | 3,324 | 1,642 | 6,858 |
| Loans | - | - | - | - | - | - | - | - |
| **Financial investments and loans available for sale** | **175,848** | **175,181** | **4,097** | **355,126** | **245,658** | **86,762** | **5,705** | **338,125** |
| Investments in real estate properties | - | 1,148 | 95 | 1,243 | - | 1,122 | - | 1,122 |
| Debt instruments | 11,471 | 14,262 | 997 | 26,730 | 20,430 | 8,531 | 955 | 29,916 |
| Equity instruments | 2,099 | 421 | 3,296 | 5,816 | 2,782 | 248 | 3,075 | 6,105 |
| Non controlled investment funds | 708 | 3,571 | 906 | 5,185 | 1,472 | 2,982 | 559 | 5,013 |
| Other assets held by controlled investment funds designated as at fair value through profit or loss | 1,801 | 2,804 | 809 | 5,414 | 1,911 | 2,933 | 404 | 5,248 |
| Loans | - | - | - | - | - | - | - | - |
| **Financial investments and loans designated as at fair value through profit or loss** | **16,079** | **22,206** | **6,103** | **44,389** | **26,596** | **15,816** | **4,992** | **47,404** |
| Debt instruments | 53 | 173 | - | 226 | 149 | 425 | 1 | 574 |
| Equity instruments | 38 | - | - | 38 | 32 | - | - | 32 |
| Non controlled investment funds | 363 | 11 | - | 374 | 327 | 20 | - | 347 |
| Loans | - | - | - | - | - | - | - | - |
| **Financial investments and loans held for trading** | **453** | **185** | **-** | **638** | **508** | **445** | **1** | **954** |
| **TOTAL FINANCIAL INVESTMENTS AND LOANS ACCOUNTED FOR AT FAIR VALUE** | **192,381** | **197,572** | **10,200** | **400,153** | **272,762** | **103,023** | **10,698** | **386,483** |

*N.B.: This table excludes assets backing contracts where the financial risk is borne by policyholders with guaranteed minimum features.*

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

Methods applied to determine the fair value of held assets measured at fair value in the financial statements are described in Section 9.9.1 above. The Group applies the IAS 39 fair value hierarchy.

### ASSETS CLASSIFICATION

Fair values determined in whole directly by reference to an active market relate to prices which are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis, i.e. the market is still active. Such assets are categorized in the Level 1 of the IAS 39 fair value hierarchy.

Level 2 and 3 assets are investments which are not quoted in an active market or for which there is no active market. Fair values for level 2 and 3 assets include:

- values provided by external parties which are readily available including last transaction prices but relate to assets for which the market is not always active or values provided at the request of the Group by pricing services and which are not readily publicly available, and
- assets measured on the basis of valuation techniques including a varying degree of assumptions supported by market transactions and observable data.

The common characteristic of level 2 and 3 assets is that their related market is considered as inactive. Their value is generally based on mark to market basis, except when there is no market or when the market is distressed, in which case a mark to model approach is used. Assets not quoted in an active market which are marked to market are classified in level 2. For all assets not quoted in an active market/no active market and for which a mark to model approach is used, the classification between level 2 and level 3 depends on the proportion of assumptions used supported by market transactions and observable data:

- assumed to be used by pricing services, or
- used by the Group in the limited cases of application of mark to model valuations.

### a) Fair values determined in whole directly by reference to an active market (level 1)

Since the 2008 financial crisis, a significant volatility related to corporate spreads has been observed leading to more or less large transfers between level 1 and 2 with both yield and bid ask spreads widening and narrowing from one closing to another. Since 2010, this volatility was extended to government bonds with govies yields and bid ask spreads also varying significantly from one period to another. At the end of December 2011, both corporate and government bonds bid ask spreads had widen significantly and a large portion of them were classified in level 2 in comparison with the situation observed at the end of 2010. Since June 2010, some government bonds had already been transferred in level 2 and as at December 31, 2011, Italy and Belgium bonds were added to Greece, Ireland, Portugal, and Spain sovereign bonds in level 2.

### b) Fair values of assets not quoted in an active market – no active markets (level 2 and level 3)

**Overview of the nature of such investments**

Amounts presented in level 2 and 3 represent a variety of circumstances. A financial instrument is regarded as not quoted in an active market if there is little observation of transaction prices as an inherent characteristic of the instrument, when there is a significant decline in the volume and level of trading activity, in case of significant illiquidity or if observable prices can not be considered as representing fair value because of dislocated market conditions. Characteristics of inactive markets can therefore be very different in nature, inherent to the instrument or be indicative of a change in the conditions prevailing in certain markets.

The identification of level 3 assets among assets not quoted in an active market involves a significant level of judgment. The following are considered as observable: inputs provided by external pricing services, information observable obtained from specialized data providers, rating agencies, external surveys. The extent to which such data are external to the Group and not assessed by internal valuation teams is one of the main criteria applied in assessing whether data are observable or not. Should those data be significantly adjusted or would they be outdated because of the lack of new available factors, such inputs would be deemed unobservable. Another area of judgment is the assessment of the significance of an input against the fair value measurement in its entirety. As a result, a different cut between observable and unobservable data and variances in the weighting of the significance of each input against the fair value measurement in its entirety could produce a different categorization.

Assets such as certain unquoted debt instruments, instruments issued on private markets such as Private Equity instruments or private loans were always considered as not quoted in active markets as an inherent characteristic of these investments and were included as Assets not quoted in active markets/No active markets in all periods presented. Valuations are based either on external pricing providers or internal models using techniques commonly used by market participants. Valuation teams make the maximum use of current transaction prices if any and observable data but some of the underlying sectors to which the investment relate may be so particular that significant adjustments are performed or unobservable data are used. Private Equity funds of funds are measured on the basis of the latest Net Asset Values of funds provided to the Group.

A significant portion of ABS (Asset Backed Securities) and CDOs (Collaterized Debt Obligations) held by the Group were transferred as level 2 and 3 assets as of December 2007 when markets became no longer active while still measured using the same valuation approaches (mainly external valuations and indices). As of December 31, 2008, the turmoil reached a further point of dislocation. Many financial institutions closed their desks dedicated to structured assets deals and were no longer in a position of delivering meaningful quotes with the appropriate knowledge and dedication at the end of year 2008. The lack of activity with very few prices representing arm's length transactions between willing market participants restricted the possibility and the relevance to refer to the very limited number of observed deals. As a result, more valuation techniques were introduced at year end 2008 based on a maximum use of observable inputs whenever possible. Such modeled based valuation were maintained at the end of the year 2011 because of the continued inexistence of primary markets and the lack of transactions representing fair values during the period on the secondary market.

Such models incorporate factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. They were applied except when the uncertainty surrounding valuation was assessed as being too significant to exercise an adequate judgment in setting the appropriate risk margins (in which case assets remained measured on the basis of available quotes). For the purpose of the modeling, ABS and CDOs were ranked according to their underlying risks characteristics such as their underwriting and origination year for example to determine the appropriate set of assumptions to be used, giving consideration to market conditions in pricing these instruments. Cash flows were developed based on current observable inputs reflecting the credit metrics of each type of underlying assets: for example weighted average rating factors – WARF – provided by rating agencies, historical default rates or third parties credit defaults studies, with loss severity assumptions and recovery lag, adjusted with adequate risk margins to reflect the uncertainty related to these inputs and the historical dimension of some of these data. Risk adjusted discount rates have been based on interest rates and discount margins derived from observations of implied rates of return adjusted considering the current evolution of available quotes which reflect spreads widening due to increased liquidity risks. The objective of these models is to arrive at the price at which an orderly transaction would take place between market participants (a willing buyer and a willing seller) at the measurement date.

For ABS and CDOs measured as of December 31, 2011 using the valuation techniques described above (€9,906 million):

- using alternative credit risks assumptions higher by 25% would have no material impact neither on the net income nor the Statement of Comprehensive Income;
- using alternative discount margins higher by 25% would have no material impact on the net income, and would decrease the Statement of Comprehensive Income by €115 million.

**Transfer in and out of the level 3 category and other movements**

From January 1, 2011 to December 31, 2011, the amount of Level 3 assets moved from €10.7 billion to €10.2 billion, representing 2.5% of the total assets at fair value (2.8% in 2010): a decrease mainly due to sales (€-1.6 billion) notably the disposal of the stake in Taikang Life.

Main movements related to Level 3 assets to be noted are:

- €-1.6 billion of sales mainly debt instruments and equity securities accounted for as available for sale,
- €+1.3 billion of new investments,
- €+0.2 billion of foreign exchange fluctuation impact,
- €-0.2 billion of transfers into level 3 category.

A majority of assets classified in Level 3 corresponds to Private Investments and in particular Equity.

## 9.10. INVESTMENTS BACKING CONTRACTS WHERE THE FINANCIAL RISK IS BORNE BY POLICYHOLDERS

| | Fair Value (a) | |
|---|---|---|
| *(in Euro million)* | December 31, 2011 | December 31, 2010 (b) (c) |
| Investment in real estate properties | 346 | 321 |
| Equity instruments & non controlled investment funds | 114,282 | 118,356 |
| Debt instruments | 16,948 | 17,194 |
| Others | 2,654 | 1,886 |
| **TOTAL INSURANCE ACTIVITIES** | **134,230** | **137,757** |

*(a) Fair value equals carrying value.*

*(b) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(c) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

These assets (including investment in real estate properties) are measured at fair value through profit or loss. Financial assets included in these investments are stated at fair value through profit or loss under the fair value option.

As described in Note 4 (Financial and insurance risks management), the financial risk associated with these contracts is borne by policyholders, except for contracts that offer some investment-related guarantees.

## Note 10 Investments in associates accounted for using the equity method

| | 2011 | | | | | |
|---|---|---|---|---|---|---|
| *(in Euro million)* | January 1 | Acquisitions & disposals | Contribution to net income | Currency translation impact | Other changes [(a)] | December 31 |
| Neuflize Vie | 127 | - | 6 | - | (5) | 128 |
| AXA Life Insurance Corporation Philippines [(b)] | 26 | - | 6 | 1 | (4) | 29 |
| Krungthai AXA Life Insurance Company Ltd | 50 | - | 19 | - | (5) | 64 |
| AXA Minmetals Assurance Co Ltd | 56 | - | (3) | 7 | 28 | 89 |
| PT AXA Mandiri Financial Services [(b)] | 22 | - | 27 | 1 | (16) | 33 |
| Bharti AXA Life [(b)] | 18 | - | (2) | (3) | 12 | 25 |
| Reso Garantia [(b)] | 751 | - | 16 | (24) | (60) | 683 |
| Kyobo AXA Investment Managers Company Limited [(b)] | 26 | - | 1 | - | (1) | 27 |
| Other | 93 | (27) | (9) | (1) | 4 | 61 |
| **TOTAL** | **1,168** | **(27)** | **62** | **(19)** | **(46)** | **1,139** |

*(a) Includes dividend distributions and changes in consolidation method.*
*(b) Those entities close their full year accounts as of September 30.*

In 2011, "Other changes" notably included:

- the dividends paid by Reso Garantia (€-30 million) and PT AXA Mandiri Financial Services (€-16 million);
- the share of assets reevaluation by shareholders' equity of Reso Garantia (€-30 million), Bharti AXA life (€+9 million) and AXA Minmetals Assurance (€+28 million);

In the years ended December 31, 2011 and 2010, AXA received cash dividends from companies accounted for using the equity method totaling €58 million, and €21 million respectively.

At the end of 2011, Reso Garantia's financial information was as follow (on a 100% basis and excluding goodwill on the AXA investment):

- total assets: €1,841 million (€1,507 million as of December 31, 2010);
- total liabilities (excluding shareholders' equity): €1,554 million (€1,096 million as of December 31, 2010);
- gross revenues: €1,024 million (€846 million as of December 31, 2010).

In Group accounts as of December 31, 2011, the goodwill Group share of Reso Garantia had a net value of €580 million (€601 million as of December 31, 2010). Changes are related to foreign exchange impacts.

At the end of 2011, Neuflize Vie's financial information was as follows (on a 100% basis):

- total assets: €8,935 million (€9,313 million as of December 31, 2010);
- total liabilities (excluding shareholders' equity): €8,796 million (€9,178 million as of December 31, 2010);
- gross revenues: €727 million (€883 million as of December 31, 2010).

| | 2010 [(a)] | | | | | |
|---|---|---|---|---|---|---|
| *(in Euro million)* | January 1 | Acquisitions & disposals | Contribution to net income | Currency translation impact | Other changes [(b)] | December 31 |
| Neuflize Vie | 100 | (1) | 19 | - | 9 | 127 |
| AXA Life Insurance Corporation Philippines [(c)] | 20 | - | 6 | - | (1) | 26 |
| Krungthai AXA Life Insurance Company Ltd | 29 | - | 18 | 2 | 1 | 50 |
| AXA Minmetals Assurance Co Ltd | 32 | - | (3) | 3 | 23 | 56 |
| PT AXA Mandiri Financial Services [(c)] | 12 | - | 18 | 1 | (8) | 22 |
| Bharti AXA Life [(c)] | 7 | - | (9) | (13) | 33 | 18 |
| Reso Garantia [(c)] | 715 | - | 30 | 23 | (16) | 751 |
| Kyobo AXA Investment Managers Company Limited [(c)] | 24 | - | 1 | 2 | (1) | 26 |
| Other | 106 | (1) | 6 | 5 | (23) | 93 |
| **TOTAL** | **1,044** | **(2)** | **85** | **23** | **17** | **1,168** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*
*(b) Includes dividend distributions and changes in consolidation method.*
*(c) Those entities close their full year accounts as of September 30.*

In 2010, "Other changes" notably included:

- the additional investments in AXA Minmetals Assurance Co Ltd (€+23 million) and Bharti AXA Life (€+19 million);
- the deconsolidation of NEXTIA Life Insurance Company Limited (€-18 million), included in the line "Other";
- the dividends paid by Reso Garantia to AXA SA (€-16 million).

This excluded investment funds and real estate companies consolidated by equity method, which are presented in financial investments.

## Note 11 Receivables

| (in Euro million) | December 31, 2011 Gross value | December 31, 2011 Impairment | December 31, 2011 Carrying value | December 31, 2011 Fair value | December 31, 2010 [(a)] [(b)] Gross value | December 31, 2010 [(a)] [(b)] Impairment | December 31, 2010 [(a)] [(b)] Carrying value | December 31, 2010 [(a)] [(b)] Fair value |
|---|---|---|---|---|---|---|---|---|
| Deposits and guarantees | 1,481 | (1) | 1,480 | 1,480 | 1,451 | (1) | 1,450 | 1,450 |
| Current accounts receivables from other companies | 1,515 | (11) | 1,504 | 1,504 | 1,217 | - | 1,217 | 1,217 |
| Receivables from policyholders, brokers and general agents | 7,622 | (369) | 7,253 | 7,253 | 8,227 | (428) | 7,799 | 7,799 |
| Premiums earned not yet written | 3,109 | - | 3,109 | 3,109 | 3,002 | - | 3,002 | 3,002 |
| **Receivables arising from direct insurance and inward reinsurance operations** | **13,727** | **(381)** | **13,346** | **13,346** | **13,897** | **(429)** | **13,468** | **13,468** |
| Deposits and Guarantees | 41 | (2) | 39 | 39 | 40 | - | 40 | 40 |
| Receivables from reinsurers | 692 | (68) | 624 | 624 | 895 | (71) | 823 | 824 |
| Receivables from brokers and general agents | 23 | (15) | 8 | 8 | 167 | (22) | 145 | 145 |
| **Receivables arising from outward reinsurance operations** | **755** | **(84)** | **671** | **671** | **1,101** | **(93)** | **1,008** | **1,009** |
| **Current tax receivables** | **2,347** | **-** | **2,347** | **2,347** | **1,851** | **-** | **1,851** | **1,851** |
| Employee benefits & related | 1,200 | (1) | 1,199 | 1,199 | 1,433 | (30) | 1,403 | 1,402 |
| Other deposits | 4,212 | - | 4,212 | 4,212 | 2,969 | - | 2,969 | 2,969 |
| Others | 11,431 | (518) | 10,913 | 10,913 | 9,967 | (421) | 9,546 | 9,546 |
| **Other receivables** | **19,191** | **(519)** | **18,672** | **18,672** | **16,219** | **(451)** | **15,768** | **15,767** |
| **TOTAL RECEIVABLES** | **33,674** | **(985)** | **32,689** | **32,689** | **31,218** | **(974)** | **30,244** | **30,244** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

# Note 12 Cash and cash equivalents

| (in Euro million) | December 31, 2011 Carrying value [(a)] | December 31, 2010 Carrying value [(a) (b) (c)] |
|---|---|---|
| Arising from insurance activities | 24,676 | 16,587 |
| Arising from banking activities | 888 | 1,167 |
| Arising from other activities [(d)] | 5,507 | 4,341 |
| **Cash and cash equivalents [(e)]** | **31,072** | **22,095** |

*(a) Fair value is assessed as being equal to net carrying value given the nature of such assets.*
*(b) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*
*Thus the cash held by Australia and New Zealand (€643 million in 2010), the cash held by UK Life & Savings not finalized disposal business (€162 million in 2010), and the cash held by are excluded from cash and cash equivalents.*
*(c) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*
*(d) Includes SPEs and CDOs.*
*(e) including €593 million deposits in the central banks in 2011 and €658 million in 2010.*

The table above excludes cash held by consolidated investment funds in the “Satellite Investment Portfolio”, as defined in Section 1.7.2.

The table below reconciles assets and liabilities cash and cash equivalent balances with the statement of consolidated cash flows:

| (in Euro million) | December 31, 2011 | December 31, 2010 [(a) (b)] |
|---|---|---|
| Cash and cash equivalent | 31,072 | 22,095 |
| Bank overdrafts [(c)] | (1,029) | (998) |
| **Cash and cash equivalent as of December 31 [(d)]** | **30,042** | **21,097** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*
*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*
*(c) Included in “Other debt instruments issued and bank overdrafts”.*
*(d) 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). The “Cash and cash equivalents” item in the Statement of Consolidated Cash Flows excludes cash backing contracts where the financial risk is borne by policyholders (unit-linked contracts).*

As of December 31, 2011, total consolidated net cash and cash equivalents amounted to €30,042 million, net of €1,029 million bank overdrafts classified under “Other debt instrument issued and bank overdrafts” in the consolidated statement of financial position.

Net cash and cash equivalents increased by €+8,945 million compared to 2010 mainly due to:

- Switzerland Life & Savings €+3,606 million mainly driven by higher investment sales proceeds not yet reinvested;
- United States Life & Savings €+2,835 million mainly due to derivatives roll-over related to insurance and investment contracts;
- the Company €+1,041 million mainly arising from the disposal of the Canadian businesses and from the increase in dividends received, partly offset by net reinvestment in Asian businesses and changes in margin calls paid to bank counterparties under collateral agreements;
- France Life & Savings €+880 million mainly driven by lower purchases of financial instruments combined with higher dividends received partly offset by lower operating cash.

Regarding the consolidated statement of cash flows presented together with the primary financial statements, net cash provided by operating activities totaled €15,384 million in 2011, as compared to €19,103 million in 2010.

Net cash used in investing activities was €-3,425 million in 2011 and mainly reflecting:

- €-5,587 million of net cash used in purchases and sales of financial invested assets;
- €1,306 million following the disposal of Australian and New Zealand operations. This amount should be looked at together with the amount from financing activities regarding minority shares in AXA APH Asian operations buy back;

- €1,144 million of net cash impact of assets lending/borrowing collateral receivables and payables.

Net cash used in investing activities was €-17,263 million in 2010 and mainly due to:

- €-18,938 million of net cash used in the purchases and sales of financial invested assets;
- United Kingdom €+3,162 million net of cash proceeds related to the partial disposal of UK Life & Savings operations.

Net cash relating to financing activities totaled €-5,560 million in 2011 mainly due to:

- dividends payments of €-1,769 million;
- €-3,296 million following the buy back of minority shares in AXA APH Asian operations. This amount should be looked at together with the amount from investing activities regarding the disposal of Australian and New Zealand operations.

Net cash relating to financing activities totaled €-3,057 million in 2010 mainly due to:

- dividends payments of €-1,573 million;
- €-1,199 million of net cash related to Group financing activities, mainly including financing debts reimbursements by the United States (€-546 million) and Interests on financing debt paid by the Group (€-650 million).



# Note 13 Shareholders' equity and minority interests

## 13.1. IMPACT OF TRANSACTIONS WITH SHAREHOLDERS

The Consolidated Statement of Changes in Equity is presented as a primary financial statement following the amendment to IAS 1 as described in Note 1.

### 13.1.1. Change in shareholders' equity Group share in 2011

#### A) SHARE CAPITAL AND CAPITAL IN EXCESS OF NOMINAL VALUE

During in 2011, the following transactions had an impact on AXA's share capital and capital in excess of nominal value:

- increase in capital of €+336 million of which employee share offering (December 2011) for €+332 million;
- share-based payments for €+43 million;
- realized losses on AXA shares for €-10 million.

#### B) TREASURY SHARES

As of December 31, 2011, the Company and its subsidiaries owned approximately 17 million AXA shares, representing 0.8% of the share capital, a decrease of 8 million shares compared to December 31, 2010.The share repurchase program terminated on February 18, 2011, impacting shareholders' equity by €+110 million.

As of December 31, 2011, the carrying value of treasury shares and related derivatives was €383 million. This figure included €1.0 million relating to AXA shares held by consolidated Mutual funds (81,965 shares) not backing contracts where financial risk is borne by policyholders.

As of December 31, 2011, 2.0 million treasury shares backing contracts where financial risk is borne by policyholders held in controlled investment funds were not deducted from shareholders' equity. Their total estimated historical cost was €43 million and their market value €21 million at the end of December 2011.

#### C) UNDATED SUBORDINATED DEBT AND RELATED FINANCIAL EXPENSES

As described in Note 1.12.2 of the accounting principles, undated subordinated debts issued by the Group do not qualify as liabilities under IFRS.

Undated subordinated debt instruments are classified in shareholders' equity at their historical value as regards credit spread and interest rates and their closing value as regards exchange rates. The corresponding exchange differences are cancelled out through the translation reserve.

In 2011, the change in other reserves was due to €-291 million in interest expense related to the undated subordinated debt (net of tax), and €+152 million in exchange rate differences.

As of December 31, 2011 and December 31, 2010, undated subordinated debt recognized in shareholders' equity broke down as follows:

| | December 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| *(in Euro million)* | Value of the undated subordinated debt in currency of issuance | Value of the undated subordinated debt in Euro million | Value of the undated subordinated debt in currency of issuance | Value of the undated subordinated debt in Euro million |
| October 29, 2004 – 375 M€ 6.0% | 375 | 375 | 375 | 375 |
| December 22, 2004 – 250 M€ 6.0% | 250 | 250 | 250 | 250 |
| January 25, 2005 – 250 M€ 6.0% | 250 | 250 | 250 | 250 |
| July 6, 2006 – 1,000 M€ 5.8% | 1,000 | 994 | 1,000 | 994 |
| July 6, 2006 – 500 M£ 6.7% | 500 | 593 | 500 | 575 |
| July 6, 2006 – 350 M£ 6.7% | 350 | 419 | 350 | 407 |
| October 26, 2006 – 600 M A$ (of which 300 MA$ 7.5%) | 600 | 469 | 600 | 454 |
| November 7, 2006 – 150 MA$ 7.5% | 150 | 117 | 150 | 114 |
| December 14, 2006 – 750 MUS$ 6.5% | 750 | 577 | 750 | 559 |
| December 14, 2006 – 750 MUS$ 6.4% | 750 | 577 | 750 | 559 |
| October 5, 2007 – 750 M€ 6.2% | 750 | 746 | 750 | 746 |
| October 16, 2007 – 700 M£ 6.8% | 700 | 835 | 700 | 811 |
| Undated notes – variables rates in € | 660 | 660 | 660 | 660 |
| Undated notes – 3.3% in JPY | 27,000 | 269 | 27,000 | 249 |
| Undated notes – (of which 500 MUS$ at 7.1%) in US$ | 875 | 676 | 875 | 655 |
| **Sub-Total undated subordinated debt** | **-** | **7,809** | | **7,656** |
| Equity component of convertible debt (2017) | 95 | 95 | 95 | 95 |
| **TOTAL** | **-** | **7,903** | **-** | **7,751** |

In addition to the nominal amounts shown above, shareholders' equity included net accumulated financial expenses of:

- €-1,834 million as of December 31, 2011;
- €-1,543 million as of December 31, 2010.

Undated subordinated debt often contains the following features:

- early redemption clauses (calls) at the Group's option, giving AXA the ability to redeem the principal amount before settlement without penalty on certain dates, and
- interest rate step-up clauses with effect from a given date.

#### D) DIVIDENDS PAID

At April 27, 2011 Shareholders' Meeting, shareholders approved a dividend distribution of €1,601 million with respect to the 2010 financial year.

#### E) AXA APH TRANSACTION

On April 1, 2011, AXA announced that it has successfully completed the AXA APH transaction, whereby it has disposed of its Australian & New Zealand operations and acquired the AXA APH Asia Life operations. This transaction had an impact on AXA Group of €0.6 billion realized capital gains recorded in net income regarding the sale of its Australian and New Zealand operations and €2.5 billion reduction in shareholders' equity mainly related to the buy-out of minority interests in AXA APH Asian operations in accordance with the application of the new accounting principles on Business Combinations. The ownership increase in a controlled company while maintaining the control is accounted for in shareholders' equity and no additional goodwill is recognized.

### 13.1.2. Change in shareholders' equity Group share in 2010

#### A) SHARE CAPITAL AND CAPITAL IN EXCESS OF NOMINAL VALUE

In 2010, the following transactions had an impact on AXA's share capital and capital in excess of nominal value:

- employee share offering (December 2010) for €330 million;

- share-based payment for €59 million;
- realized losses on AXA shares for €15 million;

#### B) TREASURY SHARES

As of December 31, 2010, the Company and its subsidiaries owned approximately 26 million AXA shares, representing 1.1% of the share capital, a decrease of 0.7 million shares or €10 million compared to December 31, 2009.

As of December 31, 2010, the carrying value of treasury shares and related derivatives was €495 million. This figure included €0.8 million relating to AXA shares held by consolidated Mutual funds (51,158 shares) not backing contracts where financial risk is borne by policyholders.

As of December 31, 2010, 2.3 million treasury shares backing contracts where financial risk is borne by policyholders held in controlled investment funds were not deducted from shareholders' equity. Their total estimated historical cost was €48 million and their market value €28 million at the end of December 2010.

#### C) UNDATED SUBORDINATED DEBT AND RELATED FINANCIAL EXPENSES

In 2010, the change in other reserves was due to the redemption of undated subordinated debt (€33 million) in accordance with the redemption option granted to the issuer ten years after the issue date, €-300 million in interest expenses related to the undated subordinated debt (net of tax), and €+332 million in exchange rate differences.

#### D) DIVIDENDS PAID

At April 29, 2010 Shareholders' Meeting, shareholders approved a dividend distribution of €1,259 million with respect to the 2009 financial year.

## 13.2. COMPREHENSIVE INCOME FOR THE PERIOD

The Statement of Comprehensive Income, presented as primary financial statements, 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. Comprehensive income for 2011

#### A) RESERVE RELATED TO CHANGES IN FAIR VALUE OF AVAILABLE FOR SALE FINANCIAL INSTRUMENTS INCLUDED IN SHAREHOLDERS' EQUITY

The decrease of net unrealized gains and losses on assets available for sale totaled €-1,440 million, mainly due to

- €-1,883 million lower unrealized capital gains on equity securities, mainly driven by the sale of Taikang Life stake;
- €+509 million on debt instruments primarily due to interest rates decrease mainly impacting the United States (€+381 million), Germany (€+192 million) and France (€+101 million).

The following table shows 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, 2011 | December 31, 2010 |
|---|---|---|
| **Gross unrealized gains and losses [(a)]** | **15,221** | **15,505** |
| **Less unrealized gains and losses attributable to:** | | |
| Shadow accounting on policyholders' participation | (6,855) | (5,801) |
| Shadow accounting on Deferred Acquisition Costs [(b)] | (560) | (478) |
| Shadow accounting on Value of purchased Business In force | (554) | (629) |
| **Unallocated unrealized gains and losses before tax** | **7,252** | **8,597** |
| Deferred tax | (2,107) | (1,979) |
| **Unrealized gains and losses (net of tax) – Assets available for sale** | **5,145** | **6,618** |
| Unrealized gains and losses (net of tax) – Equity accounted companies [(c)] | (21) | 33 |
| **UNREALIZED GAINS AND LOSSES (NET OF TAX) – 100% – TOTAL** | **5,124** | **6,651** |
| **Minority interests' share in unrealized gains and losses [(d)]** | **3** | **(203)** |
| **Translation reserves [(e)]** | **(381)** | **(262)** |
| **UNREALIZED GAINS AND LOSSES (NET GROUP SHARE) [(C)]** | **4,746** | **6,186** |

*(a) Unrealized gains on total available for sale invested assets including loans.*
*(b) Net of shadow accounting on unearned revenues and fees reserves.*
*(c) Including unrealized gains and losses on assets from discontinued operations.*
*(d) Including foreign exchange impact attributable to minority interests.*
*(e) Group share.*

At December 31, 2011, most of the unrealized gains on assets available for sale related to the Life & Savings segment, leading to significant movements in shadow policyholders' participation. In jurisdictions where participating business represents an important portion of contracts in force and where required minimum local policyholders' share in the entities' results (limited to investment or not) are significant, the reconciliation between gross unrealized gains and losses on available for sale financial assets and the corresponding net reserve recognized in shareholders' equity were as follows as of December 31, 2011:

| *(in Euro million)* | December 31, 2011 | | |
|---|---|---|---|
| | France Life & Savings | Germany Life & Savings | Switzerland Life & Savings |
| **Gross unrealized gains and losses** [(a)] | **4,843** | **2,263** | **2,193** |
| **Less unrealized gains and losses attributable to:** | | | |
| Shadow accounting on policyholders' participation | (2,942) | (1,964) | (1,786) |
| Shadow accounting on Deferred Acquisition Costs [(b)] | (118) | - | (7) |
| Shadow accounting on Value of purchased Business In force | - | - | (54) |
| **Unallocated unrealized gains and losses before tax** | 1,783 | 299 | 347 |
| Deferred tax | (277) | (96) | (73) |
| **Unrealized gains and losses (net of tax) – Assets available for sale** | **1,506** | **203** | **274** |
| Unrealized gains and losses (net of tax) – Equity accounted companies | 2 | - | - |
| **UNREALIZED GAINS AND LOSSES (NET OF TAX) – 100% – TOTAL** | **1,507** | **203** | **274** |
| **Minority interests' share in unrealized gains and losses** [(c)] | **(4)** | **-** | **-** |
| **Translation reserves** [(d)] | **-** | **-** | **(171)** |
| **UNREALIZED GAINS AND LOSSES (NET GROUP SHARE)** | **1,503** | **203** | **103** |

*(a) Unrealized gains and losses on total available for sale invested assets including loans.*
*(b) Net of shadow accounting on unearned revenues and fees reserves.*
*(c) Including foreign exchange impact attributable to minority interests.*
*(d) Group share.*

The change in reserves related to changes in fair value of available for sale financial instruments included in shareholders' equity relating to changes in fair value of assets as of December 31, 2011 and December 31, 2010 broke down as follows:

| *(in Euro million)* | December 31, 2011 | December 31, 2010 |
|---|---|---|
| **Unrealized gains and losses (net of tax) 100%, as of January 1** | **6,651** | **4,687** |
| Transfer in the income statement on the period [(a)] | (745) | (878) |
| Investments bought in the current accounting period and changes in value | (566) | 2,519 |
| Foreign exchange impact | 56 | 388 |
| Change in scope and other changes | (273) | (66) |
| **UNREALIZED GAINS AND LOSSES (NET OF TAX) 100%, 15 OF DECEMBER 31** | **5,124** | **6,651** |

*(a) Transfer induced by disposal of financial assets, impairment write-back following reevaluation, or transfer of expenses following impairment charge during the period, and debt instruments discount premium impacts.*

#### B) TRANSLATION RESERVE

The total impact of foreign exchange rate movement was €+163 million (of which €+473 million from Group share and €-310 million from minority interest) as of December 31, 2011.

The Group share translation reserves movement (€+473 million) was mainly driven by the United States (€+335 million), Japan (€+513 million), Switzerland (€+246 million), partly offset by the Company (€-510 million) driven by change in fair value of derivatives and debts hedging net investments in foreign operations.

#### C) EMPLOYEE BENEFITS ACTUARIAL GAINS AND LOSSES

The total impact of employee benefits actuarial gains and losses amounted to €-581 million net Group share (of which Group share was €-577 million and minority interests was €-4 million) as of December 31, 2011.

Additional information on pension benefits is provided in Note 26.2.

### 13.2.2. Comprehensive income for 2010

#### 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 and losses on assets available for sale totaled €1,495 million (net Group share), mainly attributable to the United States (€+494 million), Japan Life & Savings (€+399 million) and Switzerland (€+299 million).

The increase of gross unrealized gains and losses on assets available for sale totaled €3,153 million, primarily following the decrease in interest rates and favorable change in foreign exchange rates.

#### B) TRANSLATION RESERVE

The total impact of foreign exchange rate movements was €+1,262 million (of which Group share was €+1,000 million and minority interests was €+262 million) as of December 31, 2010.

The Group share translation reserve movement (€+1,000 million) was mainly driven by Switzerland (€+1,272 million), Japan (€+891 million), the United States (€+725 million), partly offset by the Company (€-2,622 million driven by the change in fair value of derivatives and debts hedging net investments in foreign operations).

#### C) EMPLOYEE BENEFITS ACTUARIAL GAINS AND LOSSES

The total impact of employee benefits actuarial gains and losses was €-456 million (of which Group share was €-450 million and minority interests was €-6 million) as of December 31, 2010.

The main contributors to the €-450 million (Group share) decrease in actuarial gains and losses on employee benefit obligations were the United Kingdom (€-154 million), the United States (€-140 million) and Germany (€-66 million).

Additional information on pension benefits is provided in Note 26.2.

## 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. The same is true for puttable instruments held by minority interest holders.

### 13.3.1. Change in minority interests for 2011

The €1,799 million decrease in minority interests to €2,371 million was due to transactions with shareholders' for €-1,618 million mainly resulting from AXA APH transaction (minority buy-out of Asian operations), and comprehensive income for €-181 million.

The comprehensive income for the period notably included the following:

- net income attributable to minority interests for €+193 million;
- change in translation reserves for €-310 million mainly driven by Australia;
- reserves relating to changes in fair value through shareholders' equity for €-59 million, including €-152 million following the transaction with AXA APH.

### 13.3.2. Change in minority interests for 2010

The €+477 million increases in minority interests to €4,170 million were mainly due to:

- net income attributable to minority interests for €+342 million;
- foreign exchange impact attributed to minority interests for €+262 million mainly driven by Australia;
- change in the scope of consolidation mainly due to a dilution impact on deferred compensation in AllianceBernstein (€+42 million).
- dividends paid to minority interests' holders for €-339 million.

# Note 14 Liabilities arising from insurance and investment contracts

The Canadian operations sold are accounted for as discontinued operations. As a consequence, they are stated on a separate line of the income statement as of December 31, 2010 and 2011. Assets and liabilities related to these operations are not presented in separate asset and liability items in the statement of financial position as of December 31, 2010.

## 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, 2011 | |
|---|---|---|
| *(in Euro million)* | **Life & Savings** | **Property & Casualty** |
| Future policy benefit reserves | 283,967 | 9 |
| Unearned premiums reserves | 320 | 9,014 |
| Claim reserves (b) | 10,917 | 35,579 |
| *of which IBNR (e)* | *3,805* | *6,923* |
| Liability adequacy test reserves | - | - |
| Other reserves (c) | 4,462 | 4,277 |
| **Liabilities arising from insurance contracts** | **299,666** | **48,879** |
| *Of which measured at current assumptions (d)* | *10,860* | - |
| Future policy benefit reserves | 104,480 | - |
| Claim reserves (b) | 65 | - |
| *of which IBNR (e)* | - | - |
| Other reserves | 97 | - |
| **Liabilities arising from insurance contracts where the financial risk is borne by policyholders** | **104,642** | **-** |
| Reinsurers' share in future policy benefit reserves | 4,921 | - |
| Reinsurers' share in unearned premiums reserves | 1 | 404 |
| Reinsurers' share in claim reserves (b) | 775 | 1,625 |
| *of which IBNR (e)* | *270* | *242* |
| Reinsurers' share in other reserves | 353 | (6) |
| **Reinsurers' share in liabilities arising from insurance contracts** | **6,049** | **2,023** |
| *Of which measured at current assumptions (d)* | - | - |
| Reinsurers' share in future policy benefit reserves | - | - |
| Reinsurers' share in claim reserves (b) | - | - |
| *of which IBNR (e)* | - | - |
| Reinsurers' share in other reserves | - | - |
| **Reinsurers share in liabilities arising from insurance contracts where the financial risk is borne by policyholders** | **-** | **-** |
| **TOTAL LIABILITIES ARISING FROM INSURANCE CONTRACTS, NET OF REINSURANCE CEDED** | **398,258** | **46,856** |

*NB: Liabilities relating to unearned revenues and fees (see Note 7.3), to policyholders participation (see Note 14.8), and derivative instruments (see Note 20.4) are excluded from the table above.*
*Reinsurer's share in insurance contracts liabilities relating to policyholders' participation (€51 million in 2011, €70 million in 2010), as well as derivatives instruments (none in 2011 and 2010) are excluded from the table above.*

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*
*(b) Includes reserves for claim handling expenses.*
*(c) Notably includes non-life annuities mathematical reserves.*
*(d) See Note 1.13.2 – Reserves measured according to the option offered by IFRS 4.24 for selective re-measurement of reserves at current market assumptions.*
*(e) For the detail of P&C and International Insurance IBNR, see Note 21.2.4.*

As of December 31, 2010, liabilities arising from insurance contracts (net of reinsurance ceded) related to the Canadian operations included in the table above amounted to €502 million in Life & Savings and €2,294 million in Property & Casualty.

| | | December 31, 2010 [a] | | | |
|---|---|---|---|---|---|
| International Insurance | Total | Life & Savings | Property & Casualty | International Insurance | Total |
| 711 | 284,686 | 266,770 | 4 | 534 | 267,308 |
| 449 | 9,783 | 294 | 9,475 | 471 | 10,240 |
| 8,388 | 54,883 | 10,799 | 36,408 | 9,067 | 56,274 |
| *2,799* | *13,527* | *3,428* | *7,089* | *3,856* | *14,374* |
| - | - | - | - | - | - |
| 54 | 8,794 | 4,295 | 4,374 | 67 | 8,737 |
| **9,601** | **358,146** | **282,158** | **50,261** | **10,140** | **342,559** |
| - | *10,860* | *3,866* | - | *46* | *3,912* |
| - | 104,480 | 108,432 | - | - | 108,432 |
| - | 65 | 69 | - | - | 69 |
| - | - | - | - | - | - |
| - | 97 | 86 | - | - | 86 |
| **-** | **104,642** | **108,587** | **-** | **-** | **108,587** |
| 1 | 4,923 | 4,664 | - | (25) | 4,639 |
| 153 | 557 | 10 | 398 | 146 | 554 |
| 2,401 | 4,801 | 680 | 1,725 | 2,839 | 5,244 |
| *609* | *1,121* | *188* | *380* | *545* | *1,114* |
| - | 347 | 314 | (4) | - | 310 |
| **2,556** | **10,628** | **5,667** | **2,120** | **2,960** | **10,747** |
| - | - | - | - | - | - |
| - | - | 7 | - | - | 7 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| **-** | **-** | **8** | **-** | **-** | **8** |
| **7,046** | **452,160** | **385,070** | **48,141** | **7,180** | **440,391** |

## 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:

| *(in Euro million)* | December 31, 2011 Total | December 31, 2010 [(a)] Total |
|---|---|---|
| Future policy benefit reserves | 37,576 | 36,996 |
| Unearned premiums reserves | - | - |
| Claim reserves [(b)] | 267 | 229 |
| Liability adequacy test reserves | - | - |
| Other reserves | 15 | 8 |
| **Liabilities arising from investment contracts with discretionary participating features** | **37,858** | **37,233** |
| *Of which measured at current assumptions* [(c)] | - | - |
| Future policy benefit reserves | 366 | 690 |
| Claim reserves [(b)] | 12 | 27 |
| Other reserves | 2 | 3 |
| **Liabilities arising from investment contracts with no discretionary participating features** | **380** | **720** |
| Future policy benefit reserves | 29,951 | 29,673 |
| Claim reserves [(b)] | 6 | 33 |
| Other reserves | - | - |
| **Liabilities arising from investment contracts where the financial risk is borne by policyholders** | **29,957** | **29,706** |
| Reinsurers' share in future policy benefit reserves | 14 | 15 |
| Reinsurers' share in unearned premiums reserves | - | - |
| Reinsurers' share in claim reserves [(b)] | - | - |
| Reinsurers' share in other reserves | - | - |
| **Reinsurers' share in liabilities arising from investment contracts with discretionary participating features** | **14** | **15** |
| *Of which measured at current assumptions* [(c)] | - | - |
| Reinsurers' share in future policy benefit reserves | - | - |
| Reinsurers' share in claim reserves [(b)] | - | - |
| 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 | 5 | 256 |
| Reinsurers' share in claim reserves [(b)] | - | - |
| Reinsurers' share in other reserves | - | - |
| **Reinsurers share in liabilities arising from investment contracts where the financial risk is borne by policyholders** | **5** | **256** |
| **TOTAL LIABILITIES ARISING FROM INVESTMENT CONTRACTS – NET OF REINSURANCE CEDED** | **68,176** | **67,389** |

*NB: Liabilities relating to unearned revenues and fees (see Note 7.3), to policyholders' participation (see Note 14.8), and derivative instruments (see Note 20.4), are excluded from the table above.*
*Reinsurance's share in investments contracts liabilities relating to policyholders' participation (none in 2011 and 2010), as well as derivatives instruments (none in 2011 and 2010) are excluded from the table above.*

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized*
*as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Includes reserves for claim handling expenses.*

*(c) See Note 1.13.2. – Reserves measured according to the option opened by IFRS 4.24 for selective re-measurement of reserves at current market assumptions.*

## 14.3. CHANGE IN CLAIM RESERVES FOR PROPERTY & CASUALTY AND INTERNATIONAL INSURANCE (INSURANCE CONTRACTS)

### 14.3.1. Change in gross of reinsurance claim reserves

| | 2011 | | | 2010 [(a)] | | |
|---|---|---|---|---|---|---|
| *(in Euro million)* | Property & Casualty | International Insurance | Total | Property & Casualty | International Insurance | Total |
| Claim reserves as of January 1 | 35,176 | 8,833 | 44,009 | 33,678 | 8,776 | 42,454 |
| Claim handling cost reserves as of January 1 | 1,232 | 234 | 1,466 | 1,239 | 241 | 1,479 |
| **Gross claims reserve as at January 1 [(b)]** | **36,408** | **9,067** | **45,476** | **34,916** | **9,017** | **43,933** |
| Current year charge | 17,257 | 1,791 | 19,049 | 17,320 | 1,655 | 18,975 |
| Loss reserves development (prior years) | (563) | (168) | (731) | (1,772) | (138) | (1,911) |
| **Total claim expenses [(c)]** | **16,695** | **1,623** | **18,317** | **15,548** | **1,517** | **17,065** |
| Claim payments (current year) | (8,794) | (980) | (9,773) | (8,903) | (688) | (9,592) |
| Claim payments (prior years) | (7,605) | (1,290) | (8,895) | (7,410) | (1,250) | (8,660) |
| **Claim payments [(c)]** | **(16,399)** | **(2,269)** | **(18,668)** | **(16,313)** | **(1,938)** | **(18,252)** |
| **Change in scope of consolidation and change in accounting method** | **(1,289)** | **(48)** | **(1,337)** | **940** | **9** | **949** |
| **Impact of foreign currency fluctuation** | **164** | **15** | **179** | **1,318** | **463** | **1,780** |
| Claim reserves as of December 31 | 34,423 | 8,138 | 42,561 | 35,176 | 8,833 | 44,009 |
| Claim handling cost reserves as of December 31 | 1,155 | 250 | 1,405 | 1,232 | 234 | 1,466 |
| **Gross claim reserves as of December 31 [(b)]** | **35,579** | **8,388** | **43,967** | **36,408** | **9,067** | **45,476** |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*
*(b) Excluding "other policy benefits liabilities" (mainly mathematical annuity reserves), which totaled €4.4 billion in 2010 and €4.3 billion in 2011.*
*(c) Excluding claim handling expense reserves.*

In 2011, changes in the scope of consolidation totaled €-1,337 million, mainly due to the disposal of Canadian operations (€-1,581 million)

### 14.3.2. Change in reinsurers' share in claim reserves

| | 2011 | | | 2010 [(a)] | | |
|---|---|---|---|---|---|---|
| *(in Euro million)* | Property & Casualty | International Insurance | Total | Property & Casualty | International Insurance | Total |
| **Reinsurers' share in claim reserves as of January 1** | **1,725** | **2,839** | **4,564** | **1,935** | **2,854** | **4,789** |
| Reinsurers' share in total claim expenses | 474 | 500 | 974 | 443 | 390 | 832 |
| Reinsurers' share in claim payments | (512) | (882) | (1,394) | (746) | (629) | (1,375) |
| Change in scope of consolidation, portfolio transfers, change in accounting principles and other changes | (47) | (50) | (97) | 36 | (19) | 17 |
| Impact of foreign currency fluctuation | (16) | (5) | (21) | 58 | 243 | 301 |
| **Reinsurers' share in claim reserves as of December 31** | **1,625** | **2,401** | **4,027** | **1,725** | **2,839** | **4,564** |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

## 14.4. CHANGE IN LIABILITIES ARISING FROM INSURANCE AND INVESTMENT CONTRACTS – LIFE & SAVINGS

### 14.4.1. Change in liabilities arising from insurance and investment contracts – gross of reinsurance

The table below includes liabilities 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), except unearned revenue and unearned fees reserves, liabilities arising from policyholders' participation and derivative instruments relating to insurance and investment contracts.

| | December 31, 2011 | | | December 31, 2010 [(a)] [(b)] | | |
|---|---|---|---|---|---|---|
| *(in Euro million)* | Insurance contracts | Investment contracts | Total | Insurance contracts | Investment contracts | Total |
| **Opening technical reserves [(c)]** | **390,745** | **67,659** | **458,404** | **375,187** | **93,083** | **468,270** |
| Collected premiums net of loadings on premiums (+) | 41,754 | 8,665 | 50,419 | 42,516 | 13,164 | 55,679 |
| Surrenders, maturities and other claims and benefits paid net of charges and penalties (-) | (42,511) | (9,644) | (52,155) | (42,293) | (9,985) | (52,278) |
| Unit-Linked technical reserves value adjustment (+/-) | (4,639) | (19) | (4,658) | 10,414 | 2,616 | 13,029 |
| Change in reserves relating to technical and actuarial items (+/-) [(d)] | 11,506 | 542 | 12,048 | 8,216 | 3,351 | 11,568 |
| Transfers following technical reserves/contract reclassification | (788) | 788 | - | 1,409 | (1,409) | - |
| Change in scope of consolidation, portfolio transfers and change in accounting principles | (761) | 111 | (650) | (26,602) | (36,441) | (63,043) |
| Impact of foreign currency fluctuation | 9,001 | 92 | 9,093 | 21,899 | 3,279 | 25,178 |
| **Closing technical reserves [(c)]** | **404,308** | **68,195** | **472,503** | **390,745** | **67,659** | **458,404** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

*(c) Includes: future policy benefits reserves (including shadow accounting reserves), unearned premiums reserves, unexpired risk reserves, claims reserves, claims expense reserves, other policy benefits reserves. Excludes: unearned revenues and unearned fees reserves, liabilities from policyholders' participation.*

*(d) Notably includes "interests credited and policyholders' participation credited to reserves", "fees on account balance and investment management fees" and "change in reserves relating to other technical and actuarial items".*

In 2011, changes in the scope of consolidation totaled €-650 million, mainly due to the disposal of Canadian operations (€-691 million).

In 2010, changes in the scope of consolidation totaled €-63,043 million, mainly due to the partial sale of UK Life and Savings operations (€-52,976 million) and the classification of some UK Life & Savings portfolios (€-8,559 million) as held for sale.

### 14.4.2. Change in reinsurers' share in liabilities arising from insurance and investment contracts

| (in Euro million) | December 31, 2011 | | | December 31, 2010 [(a)] [(b)] | | |
|---|---|---|---|---|---|---|
| | Insurance contracts | Investment contracts | Total | Insurance contracts | Investment contracts | Total |
| **Opening reinsurers' share in technical reserves [(c)]** | **5,675** | **270** | **5,945** | **5,992** | **20** | **6,012** |
| Reinsurers' share in collected premiums net of loadings on premiums (+) | 1,065 | - | 1,065 | 1,296 | - | 1,296 |
| Reinsurers' share in surrenders, maturities and other claims and benefits paid net of charges and penalties (-) | (451) | (1) | (452) | (1,014) | (2) | (1,015) |
| Reinsurers' share in change in reserves relating to technical and actuarial items (+/-) [(d)] | (196) | (1) | (197) | 35 | (9) | 26 |
| Change in scope of consolidation and change in accounting principles | (195) | (247) | (442) | (923) | 259 | (664) |
| Impact of foreign currency fluctuation | 151 | (3) | 148 | 288 | 1 | 290 |
| **Reinsurers' share in closing technical reserves [(c)]** | **6,050** | **19** | **6,068** | **5,675** | **270** | **5,945** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

*(c) Includes: future policy benefits reserves (including shadow accounting reserves), unearned premiums reserves, unexpired risk reserves, claims reserves, claims expense reserves, other policy benefits reserves.*
*Excludes: unearned revenues and unearned fees reserves, liabilities from policyholders participation.*

*(d) Notably includes interests credited and policyholders' participation credited to reserves, fees on account balance and investment management fees and change in reserves relating to other technical and actuarial items.*

## 14.5. LIABILITIES ARISING FROM INVESTMENT CONTRACTS BY ACCOUNTING METHOD

| | Carrying value | |
|---|---|---|
| *(in Euro million)* | December 31, 2011 | December 31, 2010 [(a)] |
| **(Non Unit-Linked) – Liabilities arising from:** | | |
| Investment contracts with Discretionary Participation Features (DPF) measured according to existing accounting policies [(b) (e)] | 37,858 | 37,233 |
| Investment contracts with Discretionary Participation Features (DPF) measured with current assumptions [(c)] | - | - |
| Investment contracts with no Discretionary Participation Features (DPF) measured according to existing accounting policies | 380 | 720 |
| **(Unit-Linked) – Liabilities arising from contracts where financial risk is borne by policyholders:** | | |
| Investment contracts with Discretionary Participation Features (DPF) measured according to existing accounting policies [(b) (d)] | 3,621 | 4,700 |
| Investment contracts with no Discretionary Participation Features (DPF) measured at current unit value [(e)] | 26,336 | 25,006 |
| **TOTAL LIABILITIES ARISING FROM INVESTMENT CONTRACTS** | **68,195** | **67,659** |

*N.B.: This information is presented net of the impact of derivatives, which is described in Note 20.4.1.*

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) In accordance with IFRS 4 standard which allows, under certain conditions, to continue to use a previous accounting policy to liabilities arising from contracts with discretionary participating features.*

*(c) See Note 1.13.2. – Reserves measured according to IFRS 4.24 option which allows to evaluate certain portfolios with current assumptions.*

*(d) & (e) As unit-linked contracts, such contracts 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 (d), an asset representing the deferred acquisition costs is recognized in continuity with previous accounting policies;*

*- for unit-linked contracts with no discretionary participating feature (e), an asset representing the rights to future management fees is recognized in accordance with IAS 18 (Rights to future management fees also known as Deferred Origination Costs "DOC") – see Section 1.6.4 and Note 7.*

The recognition of investment contracts with discretionary participating features is subject to IFRS 4, which allows, under certain conditions, the use of accounting principles applied prior to the adoption of IFRS. However, these contracts must be treated in accordance with IFRS 7 with regards to the disclosures to be provided in the notes to the financial statements. IFRS 7 requires the disclosure of fair value or value ranges for these contracts, unless the Group cannot reliably measure the participating features.

In Phase I, the IAS Board acknowledged the difficulties involved in the recognition and the measurement of discretionary participating features included in insurance or investment contracts. The IAS Board has numerous projects underway that could influence the definition of fair value of discretionary participating features including, but not limited to the Insurance Contracts Phase II project.

Outstanding questions on these issues are highly complex and are not yet sufficiently advanced. Phase II discussions regarding insurance and certain investment contracts, even if re-activated at the IASB level soon after the issuance of IFRS 4, are still insufficiently developed. A Phase II Discussion Paper was published in May 2007 and an Exposure Draft in July 2010 with still many open issues regarding among other:

- the standard under which investment contracts with a discretionary participating feature should fall into: impacts of unbundling and extent to which such contracts or components of contracts will have to be measured under IAS 39/IFRS 9, and
- measurement principles, notably related to discount rates to be used and where to set the boundaries of contracts (level of future premiums to be included in projections).

As a result of these ongoing debates, there are too many remaining uncertainties and AXA cannot reliably disclose fair value or value ranges for investment contracts with a discretionary participating features.

## 14.6. LOSS RESERVE DEVELOPMENT TABLE

The loss reserves development table shows movements in loss reserves between 2001 and 2011, based on previously applied accounting standards, in accordance with IFRS 4. All contracts concerned are insurance contracts as defined by IFRS.

The first line 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 amount of €31,168 million appearing in the first line 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 as of December 31, 2005.

The second line entitled "Gross reserves for unpaid claims and claim expenses developed in 2011 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 reflects 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.

With effect from the development of loss reserves at end of 2006, however, AXA 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 lines are mainly due to exchange rate impacts and only marginally to changes in scope of consolidation.

Also with effect from year end 2006, IBNR reserves related to construction insurance in France (so called "PSNEM") and the annuity reserves for the Property & Casualty segment have been included in the loss reserve development table for Property & Casualty and the International Insurance (excluding Colisée RE (ex AXA RE)).

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 as of 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 year on year 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 in the second line (gross reserves for unpaid claims and claims expenses developed in 2011 adjusted for changes in exchange rates and scope of consolidation) and the amount shown in the final diagonal under "Reserve re-estimated".

### A) LOSS RESERVES DEVELOPMENT TABLE: PROPERTY & CASUALTY AND INTERNATIONAL INSURANCE (EXCLUDING COLISÉE RE (EX AXA RE))

| *(in Euro million)* | 2001 | 2002 | 2003 | 2004 [(b)] | 2005 | 2006 [(c)] | 2007 | 2008 [(d)] | 2009 | 2010 | 2011 [(e)] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross reserves for unpaid claims and claims expenses developed initially at the booking date [(b)]** | **28,636** | **28,465** | **27,825** | **29,128** | **31,168** | **41,301** | **44,020** | **44,046** | **44,470** | **46,367** | **45,946** |
| **Gross reserves for unpaid claims and claims expenses developed in 2011 adjusted for changes in exchange rates and scope of consolidation [(b)]** | **24,759** | **25,300** | **26,083** | **26,921** | **28,188** | **42,740** | **44,460** | **44,737** | **44,948** | **45,726** | **45,946** |
| **Cumulative payments at:** | | | | | | | | | | | |
| One year later | 6,715 | 6,371 | 6,075 | 6,180 | 6,084 | 7,652 | 8,312 | 9,145 | 9,483 | 8,953 | |
| Two years later | 9,900 | 9,554 | 9,233 | 8,871 | 8,700 | 11,243 | 12,395 | 13,358 | 13,360 | | |
| Three years later | 12,440 | 11,846 | 11,332 | 10,580 | 10,314 | 14,036 | 15,418 | 15,549 | | | |
| Four years later | 14,140 | 13,411 | 12,518 | 11,590 | 12,239 | 16,451 | 17,143 | | | | |
| Five years later | 15,410 | 14,159 | 13,131 | 13,133 | 13,460 | 17,782 | | | | | |
| Six years later | 15,816 | 14,414 | 14,383 | 14,106 | 13,637 | | | | | | |
| Seven years later | 15,831 | 15,450 | 15,152 | 14,440 | | | | | | | |
| Eight years later | 16,756 | 16,088 | 15,378 | | | | | | | | |
| Nine years later | 17,248 | 16,174 | | | | | | | | | |
| Ten years later | 17,331 | | | | | | | | | | |
| **Reserve re-estimated at:** | | | | | | | | | | | |
| One year later | 27,425 | 26,856 | 27,527 | 29,179 | 29,878 | 40,966 | 41,371 | 42,610 | 44,814 | 44,518 | |
| Two years later | 25,718 | 26,219 | 26,791 | 27,833 | 27,084 | 38,406 | 39,471 | 42,501 | 41,973 | | |
| Three years later | 25,610 | 25,835 | 26,920 | 25,572 | 24,595 | 37,019 | 39,818 | 39,889 | | | |
| Four years later | 25,542 | 25,783 | 24,994 | 23,455 | 24,048 | 37,590 | 38,094 | | | | |
| Five years later | 25,756 | 24,076 | 23,153 | 23,050 | 24,008 | 35,992 | | | | | |
| Six years later | 24,112 | 22,458 | 22,822 | 23,212 | 23,434 | | | | | | |
| Seven years later | 22,577 | 22,196 | 23,082 | 22,877 | | | | | | | |
| Eight years later | 22,582 | 22,525 | 22,808 | | | | | | | | |
| Nine years later | 22,937 | 22,095 | | | | | | | | | |
| Ten years later | 22,502 | | | | | | | | | | |
| **Cumulative redundancy (deficiency) from the initial gross reserves in excess of re-estimated gross reserves: [(a)]** | | | | | | | | | | | |
| Amount | 2,257 | 3,205 | 3,275 | 4,044 | 4,754 | 6,748 | 6,366 | 4,849 | 2,975 | 1,208 | |
| Percentages | 9.1% | 12.6% | 12.5% | 15.0% | 16.8% | 15.8% | 14.3% | 10.8% | 6.6% | 2.6% | |

*(a) It is not appropriate to extrapolate future redundancies or future deficiencies based on the loss reserves 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. Redundancy/deficiency disclosed includes forex impact between one year and the next.*

*This line also includes the impact of the unwind of discount rate on annuities (which are developed from 2006 on) for an amount of €116 million for 2010.*

*(b) In 2004, AXA Corporate Solutions Assurance US, Mosaic Insurance Company (ex AXA RE P&C Insurance Company) and AXA RE P&C Reinsurance were transferred from Colisée RE (ex AXA RE) to "other international activities". The reserves of AXA Corporate Solutions Assurance US were presented on an occurrence year basis and included in the Property & Casualty loss reserves development table. The reserves of Mosaic Insurance Company (ex AXA RE P&C Insurance Company) and Coliseum RE (ex AXA CS Reinsurance Company) were presented on an underwriting year basis and included in the Colisée RE (ex AXA RE) loss reserves development table.*

*(c) In 2006, Winterthur's operations were integrated within AXA. Total loss reserves developed amounted to €41.3 billion including €8.7 billion in respect of Winterthur (final figure after PGAAP re-opening).*

*(d) In accordance with IFRS 3, i.e. within 12 months following the acquisition date, the Group adjusted certain items impacting the allocation of Seguros ING (Mexico) purchase price, resulting in a €33 million increase in the goodwill to €512 million. Most of this increase in goodwill was due to adjustments to provisions for liabilities and claims reserves.*

*(e) Following the disposal of Canadian operations, amounts in its respect were reported for the current year while previously disclosed amounts were unchanged.*

### B) LOSS RESERVES DEVELOPMENT TABLE: COLISÉE RE (EX AXA RE)

On December 21, 2006, the 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 set 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. Paris Ré has been acquired by PartnerRe and terms of the agreements mentioned above remains in-force.

| *(in Euro million)* | 2001 (c) | 2002 | 2003 | 2004 (d) | 2005 |
|---|---|---|---|---|---|
| **Gross reserves for unpaid claims and claims expenses developed initially at the booking date (a)** | **5,868** | **4,778** | **4,200** | **3,314** | **4,523** |
| **Gross reserves for unpaid claims and claims expenses developed in 2011 (d)** | **5,868** | **4,778** | **3,742** | **3,314** | **4,253** |
| Initial retroceded reserves | (1,652) | (1,020) | (853) | (410) | (1,048) |
| Retroceded reserves in 2011 (d) | (1,652) | (1,020) | (461) | (502) | (1,048) |
| Initial net claims reserves | 4,216 | 3,758 | 3,281 | 2,812 | 3,205 |
| **Cumulative payments at:** | - | - | - | - | - |
| One year later | 1,987 | 1,441 | 950 | 1,127 | 1,191 |
| Two years later | 3,198 | 2,113 | 1,543 | 1,574 | 1,688 |
| Three years later | 3,603 | 2,570 | 1,784 | 1,812 | 2,123 |
| Four years later | 3,978 | 2,768 | 1,953 | 2,289 | 2,298 |
| Five years later | 4,140 | 2,899 | 2,352 | 2,225 | 2,421 |
| Six years later | 4,242 | 3,239 | 2,313 | 2,347 | 2,571 |
| Seven years later | 4,538 | 3,205 | 2,465 | 2,469 | - |
| Eight years later | 4,538 | 3,363 | 2,576 | - | - |
| Nine years later | 4,699 | 3,464 | - | - | - |
| Ten years later | 4,797 | - | - | - | - |
| **Reserve re-estimated at:** | - | - | - | - | - |
| One year later | 5,922 | 5,012 | 3,438 | 3,797 | 4,061 |
| Two years later | 6,183 | 4,163 | 3,642 | 3,621 | 3,745 |
| Three years later | 5,314 | 4,374 | 3,514 | 3,399 | 3,884 |
| Four years later | 5,536 | 4,281 | 3,332 | 3,664 | 3,629 |
| Five years later | 5,466 | 4,107 | 3,553 | 3,282 | 3,654 |
| Six years later | 5,308 | 4,326 | 3,248 | 3,340 | 3,495 |
| Seven years later | 5,451 | 4,050 | 3,369 | 3,217 | - |
| Eight years later | 5,302 | 4,195 | 3,257 | - | - |
| Nine years later | 5,477 | 4,100 | - | - | - |
| Ten years later | 5,394 | - | - | - | - |
| **Cumulative redundancy (deficiency) from the initial gross claims reserves in excess of (less than) re-estimated gross claim reserves** | **474** | **678** | **485** | **97** | **758** |
| Re-estimated retroceded reserves | 1,211 | 801 | 426 | 636 | 1,090 |
| Premiums adjustment (b) | (1,387) | (1,289) | (580) | (374) | (403) |
| Re-estimated net claims reserves | - | - | - | - | - |
| **Initial net claims reserves in excess of (less than) re-estimated net claims reserves as of December 31, 2011** | - | - | - | - | - |
| Amount (a) | 1,420 | 1,748 | 1,030 | 605 | 1,203 |
| Percentage of original net reserve (a) | 33.7% | 46.5% | 31.4% | 21.5% | 37.5% |

*(a) The loss reserves development table is presented on an underwriting year basis for Colisée RE (ex 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 reserves 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 premiums earned subsequent to the accounting year end and premiums reinstatements/experience-rated premiums received and accrued from the ceding insurers as assumed losses were incurred.*

*(c) In 2001, Colisée RE's (ex AXA RE) claims reserves were adversely affected by the September 11 attacks.*

*(d) In 2004, AXA Corporate Solutions Assurance US, Mosaic Insurance Company (ex AXA RE P&C Insurance Company) and AXA RE P&C Reinsurance were transferred from Colisée RE (ex AXA RE) to the "other international activities". The reserves of AXA Corporate Solutions Assurance US were presented on an occurrence year basis and included in the Property & Casualty loss reserves development table. The reserves of Mosaic Insurance Company (ex AXA RE P&C Insurance Company) and Coliseum RE (ex AXA CS Reinsurance Company) were presented on an underwriting year basis and included in the Colisée RE (ex AXA RE) loss reserves development table.*

C) RECONCILIATION BETWEEN DEVELOPED RESERVES AND TOTAL RECOGNIZED CLAIM RESERVES

| *(in Euro million)* | December 31, 2011<br>Carrying value | December 31, 2010<br>Carrying value |
|---|---|---|
| **Gross claims and other reserves developed** | | |
| Property & Casualty and International Insurance (excluding Colisée RE (ex AXA RE)) [(a)] | 45,946 | 46,367 |
| ■ *of which future policy benefit annuity reserves* | *3,968* | *3,842* |
| ■ *of which construction reserves (PSNEM)* | *1,802* | *1,745* |
| **Total gross claims and other reserves developed** | **45,946** | **46,367** |
| **Other reserves non developed [(b)]** | **2,353** | **3,550** |
| **TOTAL GROSS CLAIM RESERVES AND OTHER RESERVES FOR PROPERTY & CASUALTY AND INTERNATIONAL INSURANCE** | **48,298** | **49,917** |

*(a) Total gross claims and other reserves developed are presented on the basis of the loss reserves development table. The reserves of AXA Corporate Solutions Insurance US were included in Property & Casualty and International Insurance loss reserves. The reserves of Mosaic Insurance Company (ex AXA RE P&C Insurance Company) and Coliseum RE (ex AXA CS Reinsurance Company) (€92 million in 2011, €118 million in 2010) were included in Colisée RE's (ex AXA RE) loss reserves development table.*

*(b) Includes reserves inward reinsurance (€854 million in 2011, €762 million in 2010).*

## 14.7. ASBESTOS

AXA continues to receive claims from policies written in prior years asserting damages from asbestos-related exposures. These asbestos claims relate primarily to bodily injuries suffered by those who came in contact with asbestos.

AXA's exposure to asbestos 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 asbestos 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 asbestos 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 asbestos claims. Most of the Group's asbestos 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 asbestos claims are thus managed by dedicated teams of experts who use a variety of claims payment 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 asbestos 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. Asbestos 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 asbestos are undiscounted.

Due to the uncertainty surrounding asbestos 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 asbestos claim 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 2011, key data relating to asbestos claims were as follows:

KEY RESERVES DATA FOR ASBESTOS

| | 2011 | | 2010 | |
|---|---|---|---|---|
| *Data in Euro million, unless otherwise stated* | Gross | Net | Gross | Net |
| **EVOLUTION OF RESERVES** | | | | |
| Claims reserves at beginning of year [(a)] | 1,087 | 1,050 | 1,064 | 1,027 |
| Change in scope and other [(b)] | (8) | (52) | - | - |
| Impact of change in exchange rates | 19 | 18 | 48 | 45 |
| Claims incurred [(a)] | 12 | 5 | 5 | 4 |
| Claims paid [(a)] | (39) | (37) | (31) | (26) |
| **Claims reserves at end of year** | **1,071** | **984** | **1,087** | **1,050** |
| *of which Reported claims* | 199 | 174 | 214 | 191 |
| *of which IBNR claims* | 873 | 810 | 873 | 859 |
| **RESERVES ADEQUACY RATIOS** | | | | |
| 3-Year survival ratio excluding commutations [(c)] | 37 years | 37 years | 39 years | 41 years |
| IBNR/Case Reserves | 440% | 464% | 409% | 449% |
| Cumulative Payments to date/Projected Ultimate Cost | 38% | 39% | 37% | 34% |

*(a) includes claims expense reserves.*
*(b) Mainly reflecting new reinsurance cover of part of UK asbestos exposure.*
*(c) Reserves at the end of the year/Average yearly payments over the last 3 years (excluding in respect of commutations).*

In 2011, AXA paid a net amount of €37 million in respect of asbestos (versus €26 million in 2010). This year AXA underwrote a new reinsurance cover related to part of its UK asbestos exposure (reinsurance premium of €52 million). This cover allows AXA to reduce its net UK asbestos exposure.

During the year, AXA incurred losses and loss expenses of €5 million net of reinsurance which is in line with 2010 (€4 million).

As a result of those various changes and after allowing for movements in exchange rates, AXA held total reserves for asbestos exposure (net of reinsurance) of €984 million at year-end 2011 (versus €1,050 million in 2010).

The decrease of the asbestos survival ratio on the net basis was mainly driven by the new reinsurance cover on UK asbestos exposure.

## 14.8. LIABILITIES AND ASSETS ARISING FROM POLICYHOLDERS' PARTICIPATION

The following table shows liabilities and assets arising from policyholders' participation as of December 31 2011.

| *(in Euro million)* | December 31, 2011 | December 31, 2010 [(a)] |
|---|---|---|
| Policyholders' participation reserves | 10,023 | 10,035 |
| Policyholders' deferred participation liabilities | 7,915 | 5,862 |
| **TOTAL LIABILITIES ARISING FROM POLICYHOLDERS' PARTICIPATION** | **17,938** | **15,897** |
| **TOTAL ASSETS ARISING FROM POLICYHOLDERS' PARTICIPATION** | **1,247** | **636** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

The deferred policyholders' participation liability and asset include the impact of shadow accounting (see definition in 1.13.2) mainly in relation to unrealized gains and losses on invested financial assets available for sale as described in 13.2.1, but also with regard to other temporary differences not necessarily linked to financial assets. Note 13.2.1 also contains a focus on jurisdictions with significant portions of participating business and where required minimum local policyholders' share in the entities' results are significant. This note discloses for such jurisdictions unrealized gains and losses related to available for sale investments and related shadow accounting adjustments. Increase in deferred policyholders' participation assets mainly relates to unrealized losses on assets available for sale in AXA MPS.

## 14.9. PAYMENT AND SURRENDER PROJECTIONS AND INSURANCE AND INVESTMENT CONTRACT LIABILITIES DISCOUNT RATES

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 the 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 mainly 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 insurance and investment contracts (excluding contracts where the financial risk is borne by policyholders) of Life & Savings, Property & Casualty and International insurance. Actual maturities may differ significantly from the estimates set out below, mainly because 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.

The figures shown in the first line of the table below represent estimated undiscounted cash outflows in connection to 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.

| | 2011 | | | | 2010 (a) | | | |
|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | 12 months or less | More than 1 year up to 5 years | More than 5 years | Total | 12 months or less | More than 1 year up to 5 years | More than 5 years | Total |
| Liabilities arising from insurance and investment contracts | 25,357 | 76,335 | 445,218 | 546,909 | 25,020 | 73,333 | 438,248 | 536,600 |
| *of which Life & Savings liabilities relating to contracts including a surrender option with some surrender benefit before maturity* | *13,846* | *58,369* | *329,367* | *401,582* | *12,893* | *55,117* | *324,284* | *392,294* |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

The surrender value of contracts including a surrender option as of December 31, 2011 amounted to approximately €243 billion, the main difference between expected cash flows shown above and such value reflecting the impact of discount and surrender penalties.

### 14.9.2. Insurance and investment contract liabilities – discount rates

The table hereafter and related comments exclude contracts where the financial risk is borne by policyholders (unit-linked contracts).

The general principles for establishing insurance liabilities are set out in Note 1 of the consolidated financial statements. 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, as of December 31, 2011: 89% of Life & Savings reserves (excluding unit-linked contracts) were discounted, of which 11% were subject to a revision of the discount rate and 78% retained the rate set at inception, 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 reserves for guarantees (Guaranteed Minimum Death Benefits, etc.).

In the Property & Casualty and International Insurance business, most reserves (91% at December 31, 2011) are not discounted, with the exception of disability annuities and worker's compensation liabilities that are deemed structured settlements and where the discount rate is revised regularly. Undiscounted reserves are not sensitive to interest rate risks in financial statements.

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.

| | December 31, 2011 | | December 31, 2010 [(a)] | |
|---|---|---|---|---|
| *(in Euro million)* | Carrying value | Average discount rate % | Carrying value | Average discount rate % |
| Life & Savings – locked-in discount rate [(b)] | 263,614 | 2.48% | 255,344 | 2.48% |
| Life & Savings – unlocked discount rate | 36,760 | 3.18% | 29,195 | 3.40% |
| Life & Savings – undiscounted reserves | 37,529 | - | 35,572 | |
| **Sub-total Life & Savings** | **337,903** | **-** | **320,111** | |
| Non Life – locked-in discount rate [(b)] | 4,182 | 3.87% | 4,112 | 3.91% |
| Non Life – unlocked discount rate | 984 | 2.53% | 852 | 1.97% |
| Non Life – undiscounted reserves | 53,314 | - | 55,437 | |
| **Sub-total – Non Life and International Insurance** | **58,481** | **-** | **60,401** | |
| **TOTAL INSURANCE AND INVESTMENT CONTRACTS** | **396,384** | **-** | **380,512** | |

*Amounts are presented excluding the impact of derivatives on insurance and investment contracts (presented in Section 20.4) and excluding liabilities related to unearned revenues and fees, and to policyholders' participations. Liabilities relating to contracts where the financial risk is borne by policyholders are also excluded.*

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Subject to liability adequacy tests (not systematic but reviewed on a regular basis).*

In accordance with IFRS 7, the Group discloses, in Note 4 of its consolidated financial statements, quantitative sensitivities of the Group "Embedded Value" (as defined in the "market risks" section) to interest risk and equity price risk.

The estimated impact of the unlocking of discount rates relating to Life & Savings reserves was €2,635 million for 2011 (compared to €-568 million for 2010) gross of policyholders' participation and tax impacts and was included in the income statement of the period.

### 14.9.3. Major business areas

The tables in Note 21 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 (IFRS 4).

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 main 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 be 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 Liabilities arising from banking activities

## 15.1. BREAKDOWN OF THE LIABILITIES ARISING FROM BANKING ACTIVITIES

| *(in Euro million)* | December 31, 2011 Carrying value | December 31, 2011 Fair value | December 31, 2010 [(a)] Carrying value | December 31, 2010 [(a)] Fair value |
|---|---|---|---|---|
| Customers Retail | 17,972 | 17,985 | 17,336 | 17,354 |
| Customers Corporate | 1,581 | 1,585 | 2,361 | 2,371 |
| Interbanking refinancing | 12,452 | 12,453 | 6,927 | 6,929 |
| Refinancing with central banks | 791 | 791 | - | - |
| Other liabilities arising from banking activities | 1,131 | 1,145 | 599 | 599 |
| Macro hedge derivatives and other derivatives relating to liabilities arising from banking activities | 96 | 96 | 309 | 309 |
| **TOTAL LIABILITIES ARISING FROM BANKING ACTIVITIES** | **34,023** | **34,056** | **27,532** | **27,562** |

*(a) In order to improve the consolidated statement of financial position presentation consistency, balances disclosed so far as "Other debt instruments issued and bank overdrafts" of AXA Bank Europe have been reclassified to "Liabilities arising from banking activities" aggregate in 2010.*

The fair value option is used to measure certain debts from banking activities designated as at fair value through profit or loss (€378 million in 2011 and €68 million in 2010). Such fair values are based on a majority of observable data (see Note 9.9 for a description of observable data) and are therefore considered as Level 2 instruments.

Given the short maturities of the main liabilities arising from banking activities (see below), the total fair value of amounts displayed above is close to disclosed carrying amounts.

## 15.2. BREAKDOWN BY MATURITY

| | December 31, 2011 | | | | December 31, 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying value by contractuel maturity | | | | Carrying value by contractuel maturity | | | |
| *(in Euro million)* | 12 months or less | More than 1 year up to 5 years | More than 5 years | Total carrying value | 12 months or less | More than 1 year up to 5 years | More than 5 years | Total carrying value |
| Customers Retail | 15,771 | 2,067 | 135 | 17,972 | 15,927 | 1,369 | 40 | 17,336 |
| Customers Corporate | 1,475 | 104 | 3 | 1,581 | 2,248 | 105 | 8 | 2,361 |
| Interbanking refinancing | 12,263 | 27 | 162 | 12,452 | 6,333 | 9 | 584 | 6,927 |
| Refinancing with central banks | 791 | - | - | 791 | - | - | - | - |
| Other liabilities arising from banking activities | 18 | 1,113 | - | 1,131 | - | - | 599 | 599 |
| Macro hedge derivatives and other derivatives related to liabilities arising from banking activities | 94 | 27 | (25) | 96 | 275 | - | 34 | 309 |
| **TOTAL LIABILITIES ARISING FROM BANKING ACTIVITIES** | **30,411** | **3,338** | **275** | **34,023** | **24,783** | **1,483** | **1,266** | **27,532** |

# Note 16 Provisions for risks and charges

## 16.1. BREAKDOWN OF PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges included the following items:

| *(in Euro million)* | December 31, 2011 | December 31, 2010 (a) |
|---|---|---|
| Employee benefits | 8,822 | 8,615 |
| Share-based compensation | 64 | 90 |
| Restructuring provisions | 189 | 245 |
| Lawsuits contingency provisions | 351 | 379 |
| Liability warranty provisions | 9 | 18 |
| Other provisions for risks and charges | 1,324 | 1,148 |
| **TOTAL PROVISIONS FOR RISKS AND CHARGES** | **10,760** | **10,495** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

Comments on provisions relating to employee benefits can be found in Note 26 "Employees".

As of December 31, 2011, the "Other provisions for risks and charges" were composed of the following elements:

- provision for tax liability of €481 million mainly in United States (€424 million);
- other provisions for risks and charges for €844 million.

## 16.2. CHANGE IN PROVISIONS FOR RISKS AND CHARGES (EXCLUDING EMPLOYEE BENEFITS AND SHARE-BASED COMPENSATION)

Changes in provisions for risks and charges (excluding employee benefits and share-based compensation) are set out below:

| | 2011 | | | | |
|---|---|---|---|---|---|
| *(in Euro million)* | Restructuring provisions | Lawsuits contingency provisions | Liability warranty provisions | Other provisions for risks and charges | Total |
| **Carrying value - January, 1** | **245** | **379** | **18** | **1,148** | **1,791** |
| Financial cost related to unwind | - | 3 | - | - | 4 |
| Impact of change in scope of consolidation and changes in accounting method | (9) | (5) | 28 | (77) | (63) |
| Increase in provisions | 75 | 32 | - | 594 | 701 |
| Write back after use | (77) | (31) | (35) | (342) | (484) |
| Write back after final cost review | (48) | (20) | (2) | (20) | (91) |
| Impact of foreign exchance fluctuations | 3 | (6) | - | 20 | 17 |
| **Carrying value - December, 31** | **189** | **351** | **9** | **1,324** | **1,873** |

| | 2010 [(a)] | | | | | |
|---|---|---|---|---|---|---|
| *(in Euro million)* | 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** | **133** | **269** | **14** | **10** | **913** | **1,339** |
| Financial cost related to unwind | (2) | - | - | - | - | (2) |
| Impact of change in scope of consolidation and changes in accounting method | - | (7) | 1 | - | (2) | (7) |
| Increase in provisions | 181 | 154 | 2 | - | 556 | 894 |
| Write back after use | (40) | (32) | - | (10) | (328) | (409) |
| Write back after final cost review | (33) | (14) | (1) | - | (40) | (88) |
| Impact of foreign exchance fluctuations | 5 | 9 | 1 | - | 49 | 64 |
| **Carrying value - December, 31** | **245** | **379** | **18** | **-** | **1,148** | **1,791** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

# Note 17 Financing debt

## 17.1. FINANCING DEBT BY ISSUANCE

| | Carrying value | |
|---|---|---|
| *(in Euro million)* | December 31, 2011 | December 31, 2010 |
| **AXA** | **6,452** | **6,401** |
| Debt component of subordinated notes, 2.5% due 2014 (€) | 1,970 | 1,901 |
| Debt component of subordinated convertible notes, 3.75% due 2017 (€) | 1,419 | 1,360 |
| Subordinated convertible notes, due 2020 (€) | - | 50 |
| Subordinated notes, 5.25% due 2040 (€) | 1,300 | 1,300 |
| U.S. registered redeemable subordinated debt, 8.60% 2030 (US$) | 923 | 890 |
| U.S. registered redeemable subordinated debt, 7.125% 2020 (£) | 389 | 378 |
| Derivatives relating to subordinated debts [a] | 451 | 522 |
| **AXA Financial** | **155** | **150** |
| Surplus notes, 7,70%, due 2015 | 154 | 149 |
| MONY Life 11,25% Surplus notes due 2024 | 1 | 1 |
| **AXA Bank Europe** | **364** | **366** |
| Subordinated debt maturity below 10 years fixed rate | 143 | 148 |
| Undated Subordinated debt fixed rate | 221 | 218 |
| **AXA-MPS Vita and Danni** | **108** | **108** |
| Subordinated notes, euribor 6 months + 81bp | 108 | 108 |
| **Other subordinated debt (under €100 million)** | **28** | **41** |
| Subordinated debt | 7,108 | 7,066 |
| **AXA** | **1,866** | **1,892** |
| Euro Medium term notes, 6.0% due through 2013, and BMTN | 866 | 892 |
| Euro Medium term notes, due through 2015 | 1,000 | 1,000 |
| **AXA Financial** | **268** | **260** |
| Senior notes, 7%, due 2028 | 268 | 260 |
| **AXA UK Holdings** | **183** | **178** |
| GRE: Loan notes, 6.625%, due 2023 | 183 | 178 |
| **Other financing debt instruments issued (less than €100 million)** | **189** | **170** |
| Other financing debts instruments issued under euro 100 million | 137 | 135 |
| Derivatives relating to other financing debts instruments issued [a] | 52 | 35 |
| Financing debt instruments issued | 2,506 | 2,500 |
| **AXA** | **806** | **785** |
| **Morocco** | **-** | **68** |
| **Other financing debts owed to credit institutions (under €100 million)** | **2** | **34** |
| Financing debt owned to credit institutions | 807 | 887 |
| **TOTAL FINANCING DEBT** | **10,421** | **10,454** |

*(a) Hedging instruments according to IAS 39 and economic hedge derivatives which are not acting as hedge under IAS 39.*

Derivative instruments hedging financing debts are commented in Note 20.

Please refer to page 210 of the "Interest rates & Equity risk related to the operating activities of group subsidiaries" related to sensitivity to movements in interest rates.

## 17.2. FAIR VALUE MEASUREMENT OF FINANCING DEBT

| (in Euro million) | December 31, 2011 Carrying value | December 31, 2011 Fair value | December 31, 2010 Carrying value | December 31, 2010 Fair value |
|---|---|---|---|---|
| Subordinated debt at cost | 6,657 | 6,406 | 6,545 | 7,256 |
| Derivatives on subordinated debt [(a)] | 451 | 451 | 522 | 522 |
| **Subordinated debt** | **7,108** | **6,857** | **7,066** | **7,778** |
| Financing debt instruments issued at cost | 2,454 | 2,606 | 2,465 | 2,666 |
| Derivatives on financing debt instruments issued [(a)] | 52 | 52 | 35 | 35 |
| **Financing debt instruments issued** | **2,506** | **2,658** | **2,500** | **2,701** |
| Financing debt owed to credits institutions at cost | 807 | 617 | 887 | 796 |
| **Financing debt owed to credit institutions** | **807** | **617** | **887** | **796** |
| **Financing debt** | **10,421** | **10,133** | **10,454** | **11,275** |

*(a) Hedging instruments according to IAS 39 and economic hedge derivatives which are not acting as hedge under IAS 39.*

The Group does not hold any financing debt designated as at fair value through profit or loss (fair value option or trading instruments).

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. On the one hand, these estimates are based on closing date parameters such as interest rates and spreads, which fluctuate over time, and resulting in instantaneous values, and on the other hand because there are multiple possible methods to derive these estimates.

Data used when calculating the fair value of financing debt are period-end market data that reflect (i) interest rates by currency, (ii) AXA's average spread by maturity and currency, distinguishing subordinated and senior debt and (iii) options included in issued 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 as of December 31, 2011, excluding accrued interests, was €10,133 million, including related hedging derivative instruments. The fair value decreased by €1,142 million compared to December 31, 2010 mainly due to the increase in credit spreads in the period.

## 17.3. EXPOSURE TO INTEREST RATE RISK AND CONTRACTUAL MATURITIES

The table below sets out the contractual maturities of financing debt (excluding the impact of derivatives, detailed in section 20.4). Effective maturities may differ from those presented, mainly because some instruments include clauses allowing early redemption, with or without penalty.

| (in Euro million) | Carrying value of financing debt by contractual maturity as of December 31: 12 months or less | More than 1 year up to 5 years | More than 5 years | Total carrying value |
|---|---|---|---|---|
| 2011 | 40 | 5,175 | 4,703 | 9,918 |
| 2010 | 86 | 4,988 | 4,823 | 9,897 |

# Note 18 Payables

## 18.1. BREAKDOWN OF PAYABLES

| *(in Euro million)* | Carrying value December 31, 2011 | Carrying value December 31, 2010 [(a) (b) (c)] |
|---|---|---|
| Minority interests of controlled investment funds and other puttable instruments held by minority interest holders | 3,896 | 4,855 |
| Other debt instrument issued and bank overdraft [(d)] | 6,272 | 6,504 |
| Payables arising from direct insurance and inward reinsurance operations | 7,212 | 7,472 |
| Payables arising from direct outward reinsurance operations | 5,179 | 5,916 |
| Payable - current tax position | 1,194 | 1,348 |
| Debts relating to investments under lending agreements and equivalent | 27,509 | 23,399 |
| Other payables | 18,130 | 18,562 |
| **PAYABLES** | **69,392** | **68,058** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) In order to improve the consolidated statement of financial position presentation consistency, balances disclosed so far as «Other debt instruments issued and bank overdrafts» of AXA Bank Europe have been reclassified to «Liabilities arising from banking activities» aggregate in 2010 (€323 million)*

*(d) Other activities than banking operations.*

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 investment 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 in goodwill.

Minority interests in funds under this caption, totaled €3,896 million as of December 31, 2011 (€4,855 million as of December 31, 2010).

Other puttable instruments held by minority interest holders have been totally exercised in 2011 (€8 million as of December 31, 2010). They represented the put option held by the minority interests of AXA Winterthur subsidiaries in Central and Eastern Europe.

**"Debts relating to investments under lending agreements and equivalent"** totaled €27,509 million as of December 31, 2011, an increase of €4,110 million, or €3,205 million at constant exchange rate, mainly due to increase of repurchase agreements activity in Japan and Switzerland.

## 18.2. OTHER DEBT INSTRUMENTS ISSUED, NOTES AND BANK OVERDRAFTS (OTHER THAN FINANCING DEBT) BY ISSUANCE

| *(in Euro million)* | Carrying value | |
|---|---|---|
| | December 31, 2011 | December 31, 2010 [(a) (b) (c)] |
| **AXA SA** | **2,530** | **2,573** |
| Commercial paper | 2,530 | 2,573 |
| **AXA Financial** | **250** | **424** |
| Commercial paper | 250 | 424 |
| **AllianceBernstein** | **343** | **168** |
| Short term commercial paper, 4.3% | 343 | 168 |
| *CDO (Collateralized Debt Obligations) and Real Estate Vehicles* | **-** | **189** |
| Aria P-2G7 | - | 156 |
| Concerto 2 | - | 4 |
| Derivatives on other debt instruments issued (other than financing debt) - CDO (Collateralized Debt Obligations) | - | 29 |
| **Other** | **285** | **266** |
| **OTHER DEBT INSTRUMENTS ISSUED (OTHER THAN FINANCING DEBT)** | **3,407** | **3,620** |
| **France** | **200** | **200** |
| Arche Finance - convertible loans due 2014 | 200 | 200 |
| **Real estate investment funds** | **1,635** | **1,686** |
| ERIV: amortizing loan - Euribor 3M + 145 bps, due 2012 | 180 | 186 |
| ERIV: mortgage loan based on Euribor 3M + 85bps, due 2013 + 2x1 year | 88 | 100 |
| ERIV2: Euribor3M + 85 bps, due 2014 | 92 | 92 |
| Vendome Commerce: mortgage loan based on Euribor 3M + 145bps, due 2012 | 180 | 186 |
| REOF2: mortgage loan based on Euribor 3M + 65bps, due 2012 | 113 | 116 |
| APIV+EHV: mortgage loan based on Euribor 3M + 120bps, due 2015 | 96 | 93 |
| APIV+EHV: mortgage loan based on Libor CHF 3M + 120bps, due 2015 | 74 | 68 |
| APIV+EHV: amortizing loan based on Euribor 3M + 160bps, due 2015 | 40 | 41 |
| Other debts | 772 | 804 |
| **OTHER DEBT (OTHER THAN FINANCING DEBT) - OWED TO CREDIT INSTITUTIONS** | **1,835** | **1,886** |
| **Bank overdrafts** | **1,029** | **998** |
| **OTHER DEBT INSTRUMENTS ISSUED, NOTES (OTHER THAN FINANCING DEBT) AND BANK OVERDRAFTS** | **6,272** | **6,504** |

(a) *In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

(b) *Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

(c) *In order to improve the consolidated statement of financial position presentation consistency, balances disclosed so far as « Other debt instruments issued and bank overdrafts » of AXA Bank Europe have been reclassified to « liabilities arising from banking activities » aggregate in 2010 (€323 million).*

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As of December 31, 2011, other debt instruments issued (other than financing debt) and bank overdrafts totaled €6,272 million, a decrease of €232 million compared to December 31, 2010, mainly due to unwind of CDOs during the year (€189 million of other debt instruments issued (other than financing debt).

## 18.3. 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) was €6,289 million as of December 31, 2011. Among the elements included in the preceding table, fair value is only calculated for other debt instruments issued.

### 18.3.1. Other debt instruments issued and bank overdrafts (other than financing debt) by accounting method

| | Carrying value | |
|---|---|---|
| *(in Euro million)* | December 31, 2011 | December 31, 2010 [(a) (b) (c)] |
| Other debt instruments issued at cost | 3,407 | 3,432 |
| Other debt instruments issued held as trading | - | - |
| Other debt instruments issued designated as at fair value through profit or loss | - | 189 |
| **Other debt instruments issued** | **3,407** | **3,621** |
| Other debt owed to credit institutions held at cost | 1,835 | 1,886 |
| Other debt owed to credit institutions held as trading | - | - |
| Other debt owed to credit institutions designated as at fair value through profit or loss | - | - |
| **Other debt owed to credit institutions** | **1,835** | **1,886** |
| **Bank overdrafts** | **1,029** | **998** |
| **OTHER DEBT INSTRUMENTS ISSUED AND BANK OVERDRAFTS (OTHER THAN FINANCING DEBT) [(d)]** | **6,272** | **6,504** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) In order to improve the consolidated statement of financial position presentation consistency, balances disclosed so far as «Other debt instruments issued and bank overdrafts» of AXA Bank Europe have been reclassified to «Liabilities arising from banking activities» aggregate in 2010 (€323 million).*

*(d) Excludes the impact of derivatives.*

### 18.3.2. Other debt instruments issued, notes and bank overdrafts measured at fair value

At December 31, 2011, the Group does not hold any debt other than financing debt designated as at fair value through profit or loss whereas there was €189 million at December 31, 2010.

Such fair values are based on a majority of observable data (see note 9.9 for a description of observable data) and are therefore classified as level 2 instruments.

## 18.4. PAYABLES ARISING FROM DIRECT INSURANCE, INWARD REINSURANCE OPERATIONS AND DIRECT OUTWARD REINSURANCE OPERATIONS

| | December 31, 2011 | | December 31, 2010 [a] [b] | |
|---|---|---|---|---|
| *(in Euro million)* | Carrying value | Fair value | Carrying value | Fair value |
| Deposits and guarantees | 1,169 | 1,169 | 1,143 | 1,143 |
| Current accounts payables to other insurance companies | 231 | 231 | 610 | 610 |
| Payables to policyholders, brokers and general agents | 5,812 | 5,812 | 5,720 | 5,720 |
| **Payables arising from direct insurance and inward reinsurance operations** | **7,212** | **7,212** | **7,472** | **7,472** |
| Deposits and guarantees | 1,360 | 1,360 | 1,276 | 1,276 |
| Current accounts payable to other companies [c] | 3,812 | 3,812 | 4,543 | 4,543 |
| Other payables | 7 | 7 | 97 | 97 |
| **Payables arising from direct outward reinsurance operations** | **5,179** | **5,179** | **5,916** | **5,916** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) Includes a quota share reinsurance treaty between Colisée RE (ex AXA RE) and Partner Re (€1,069 million in 2011 and €1,970 million in 2010) as part of the Group's sale of AXA RE's business in 2006.*

As of December 31, 2011, payables arising from direct insurance and inward reinsurance operations totaled €7,212 million, a decrease of €260 million compared to December 31, 2010.

As of December 31, 2011, payables arising from direct outward reinsurance operations totaled €5,179 million, a decrease of €737 million compared to December 31, 2010 mainly in Colisée RE.

## 18.5. EXPOSURE TO INTEREST RATE RISK AND CONTRACTUAL MATURITIES

The table below sets out the contractual maturities of other debt instruments issued, notes and bank overdrafts (excluding the impact of derivatives – detailed in note 20.4). Effective maturities may differ from those presented, mainly because some instruments include clauses allowing early redemption, with or without penalty.

| | Carrying value of other debt instrument issued, notes and bank overdrafts by contractual maturity | | | |
|---|---|---|---|---|
| *(in Euro million)* | 12 months or less | More than 1 year up to 5 years | More than 5 years | Total carrying value |
| 2011 | 4,756 | 1,009 | 507 | 6,272 |
| 2010 [a] [b] [c] | 4,433 | 1,714 | 357 | 6,504 |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) In order to improve the consolidated statement of financial position presentation consistency, balances disclosed so far as «Other debt instruments issued and bank overdrafts» of AXA Bank Europe have been reclassified to «Liabilities arising from banking activities» aggregate in 2010 (€323 million).*

# Note 19 Tax

## 19.1. TAX EXPENSE

### 19.1.1. Breakdown of tax expense between current and deferred tax

The income tax charge was split as follows:

| *(in Euro million)* | December 31, 2011 [(a)] | December 31, 2010 [(a)] |
|---|---|---|
| **Income tax - France** | **139** | **22** |
| Current | (596) | (34) |
| Deferred | 735 | 56 |
| **Income tax - Foreign countries** | **935** | **873** |
| Current | 265 | 524 |
| Deferred | 670 | 349 |
| **TOTAL INCOME TAX FROM CONTINUED OPERATIONS** | **1,074** | **895** |
| Income tax from discontinued operations (current) | 85 | 64 |
| Income tax from discontinued operations (deferred) | (6) | 1 |
| **INCOME TAX FROM DISCONTINUED OPERATIONS** | **79** | **65** |
| **TOTAL INCOME TAX** | **1,153** | **960** |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

The current tax amount due on foreign income amounted to €265 million in 2011 (versus €524 million in 2010), including €33 million related to policyholders' tax (versus €127 million in 2010).

A deferred tax expense of €670 million in 2011 (versus €349 million in 2010), corresponding to tax due on foreign income is disclosed in the table above, including €-12 million related to policyholders' tax (versus €-51 million in 2010).

Policyholders' tax is a specific tax on the life business of the United Kingdom and Australian insurance companies charged to policyholders.

### 19.1.2. 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, 2011 [(a)] | December 31, 2010 [(a)] |
|---|---|---|
| Income from operating activities, gross of tax expenses (excluding discontinued activities and result from investments consolidated using equity method) | 4,527 | 3,741 |
| Notional tax rate | 36.10% | 34.43% |
| **Notional tax charge** | **1,634** | **1,288** |
| Impact of rates difference on notional tax charges | (352) | (167) |
| Impact of change in tax rates | 28 | 1 |
| Impact of differences in tax rate and impact of taxes not linked to pre-tax income (c) | (68) | (2) |
| **Impact of differences in tax rates and tax bases** | **(392)** | **(167)** |
| Tax losses of prior years used in the current year without DTA recognized previously | (23) | (34) |
| Deferred tax assets recognized on tax losses of prior years | (4) | (20) |
| Deferred tax assets not recognized on tax losses of the year | 52 | 29 |
| Derocognition of deferred tax assets on tax losses of prior years [(b)] | 20 | 10 |
| **Tax losses impact** | **45** | **(15)** |
| **Impact of permanent differences** | **92** | **103** |
| Corrections and adjustments of tax relating to prior years | (335) | (337) |
| Derecognition/Recognition of DTA on temporary differences of prior years (other than tax losses) [(b)] | (2) | (12) |
| Other | 33 | 35 |
| **Impact of adjustments, decrease in value and other items** | **(304)** | **(314)** |
| **EFFECTIVE TAX CHARGE** | **1,074** | **895** |
| **EFFECTIVE TAX RATE (%)** | **23.74%** | **23.93%** |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

*(b) Derecognition of DTA (Deferred Tax Assets) arising on tax losses is shown in «Tax losses impact».*

*(c) Including the effect of policyholders' tax (€17 million in 2011 vs. €50 million in 2010)*

Excluding policyholders' tax, the effective tax rate would have been 23% as of December, 31 2011 (versus 22% in 2010).

The impact of rate differences on notional tax charge represents the difference between the expected tax calculated at each entity level with the applicable standard rate and the tax calculated using the 36.1% French tax rate applicable to the Company. The blended standard rate was 28% as of December 31, 2011 and 30% as of December 31, 2010.

As of December 31, 2011, corrections and adjustments of tax relating to prior years (€-335 million) mainly included positive tax benefits following tax audit settlements in the US, AllianceBernstein and Germany.

As of December 31, 2010, corrections and adjustments of tax relating to prior years (€-337 million) mainly included €-174 million following new regulation on "Réserve de Capitalisation" in France (€245 million reversal of deferred tax liability, partly offset by €71m exit tax).

Permanent differences mainly represented the impact in some countries of non-deductible financial impairments and realized capital losses on equity instruments, or non taxable dividends and realized capital gains on equity instruments.

In 2011, impact of the goodwill reduction of the US activities which is not tax deductible was partly offset by the reduced taxation of capital gains in respect of the stake in Taikang Life and Australian and New Zealand operations disposals.

## 19.2. DEFERRED TAX

Net deferred tax balances broke down as follows:

| | December 31, 2011 | | | December 31, 2010 [a] |
|---|---|---|---|---|
| *(in Euro million)* | Deferred tax assets | Deferred tax liabilities | Net deferred tax position | Net deferred tax position |
| Deferred tax Assets/ (liabilities) concerning: | | | | |
| ■ Profit or loss | 10,835 | 11,339 | (505) | 1,072 |
| ■ Reserves relating to the fair value adjustment of available for sale assets | 3,271 | 5,378 | (2,107) | (1,979) |
| ■ Reserves relating to hedge accounting and other items | 77 | 89 | (12) | (24) |
| ■ Reserves relating to gains and losses on defined benefits pension plans | 1,153 | 2 | 1,150 | 927 |
| ■ Reserves relating to stock options | - | - | - | 3 |
| **Net deferred tax excluding policyholders' tax** | **15,335** | **16,809** | **(1,474)** | **(1)** |
| **Policyholder tax - Net deferred tax assets / (liabilities)** | **-** | **-** | **-** | **-** |
| **TOTAL NET DEFERRED TAX** | **15,335** | **16,809** | **(1,474)** | **(1)** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations, and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see note 5.3).*

In the table above, the net deferred tax position corresponds to the difference between deferred tax assets (DTA) and deferred tax liabilities (DTL) carried on the Group's consolidated statement of financial position. Note that the breakdown of DTA/DTL disclosed in these tables corresponds to the deferred tax before the netting that occurs for balance sheet presentation purpose.

The change from a nil position in 2010 to a net liability position in 2011 mainly came from a utilization of tax losses carried forward in the Company, and additional unrealized capital gains on fixed income assets.

| | December 31, 2011 | | | | | |
|---|---|---|---|---|---|---|
| *(in Euro million)* | Opening | Movements through profit or loss | Movements through shareholders' equity | Forex impact | Change in scope and other variations | Closing |
| Deferred tax through profit or loss | 1,072 | (1,416) | - | (80) | (80) | (505) |
| Deferred tax through reserves relating to the fair value adjustment of available for sale assets | (1,979) | - | (106) | (63) | 41 | (2,107) |
| Deferred tax through reserves relating to hedge accounting and other items | (24) | (1) | 12 | 1 | 1 | (12) |
| Deferred tax through reserves relating to gains and losses on defined benefits pension plans | 927 | - | 206 | 31 | (14) | 1,150 |
| Deferred tax through reserves relating to stock options | 3 | - | (2) | - | (1) | - |
| **Net deferred tax excluding policyholders' tax** | **(1)** | **(1,417)** | **110** | **(111)** | **(53)** | **(1,474)** |
| Policyholders' tax - Deferred tax through profit or loss | - | 12 | - | - | (12) | - |
| Policyholders' tax - Deferred tax through reserves relating to the fair value adjustment of available for sale assets | - | - | 5 | - | (5) | - |
| Policyholders' tax - Deferred tax through reserves relating to hedge accounting and other items | - | - | - | - | - | - |
| **Policyholders' tax - Net deferred tax** | **-** | **12** | **5** | **-** | **(17)** | **-** |
| **TOTAL NET DEFERRED TAX** | **(1)** | **(1,405)** | **114** | **(111)** | **(71)** | **(1,474)** |

The change in scope and other variations mainly corresponded to (1) the disposal of Canadian operations as well as, Australian and New Zealand operations, and (2) the impact of minority interests buyout of AXA APH Asian activities.

| | 2010 [(a) (b)] | | | | | |
|---|---|---|---|---|---|---|
| *(in Euro million)* | Opening | Movements through profit or loss | Movements through shareholders' equity | Forex impact | Change in scope and other variations | Closing |
| Deferred tax through profit or loss | (210) | 1,191 | - | 94 | (2) | 1,072 |
| Deferred tax through reserves relating to the fair value adjustment of available for sale assets | (1,399) | - | (475) | (122) | 17 | (1,979) |
| Deferred tax through reserves relating to hedge accounting and other items [(c)] | (32) | (1,647) | 1,655 | - | - | (24) |
| Deferred tax through reserves relating to gains and losses on defined benefits pension plans | 684 | - | 201 | 45 | (4) | 927 |
| Deferred tax through reserves relating to stock options | 10 | - | (7) | 1 | (1) | 3 |
| **Net deferred tax assets / (liabilities) excluding policyholder' tax** | **(947)** | **(456)** | **1,374** | **17** | **11** | **(1)** |
| Policyholder tax - Deferred tax through profit or loss | (282) | 51 | - | (9) | 240 | - |
| Policyholder tax - Deferred tax through reserves relating to the fair value adjustment of available for sale assets | 4 | - | (2) | - | (2) | - |
| Policyholder tax - Deferred tax through reserves relating to the fair value adjustment of cash flow hedge derivatives | - | - | - | - | - | - |
| **Policyholder tax - Net deferred tax assets/ (liabilities)** | **(279)** | **51** | **(2)** | **(8)** | **237** | **-** |
| **TOTAL NET DEFERRED TAX ASSETS/ (LIABILITIES)** | **(1,226)** | **(405)** | **1,372** | **9** | **248** | **(1)** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see note 5.3).*

*(b) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

*(c) The movements through shareholders' equity mainly concern net investment hedge in the Company*

The change in scope mainly corresponded to the classification as held for sale of Australian and New Zealand and some UK Life & Savings operations.

## Recognized Deferred Tax Assets (DTA) by maturity and expiration date

The tables below break down: (i) in the first part the maturity by which the Group expects to use the Deferred Tax Assets (DTA) accounted at year end, (ii) in the second part, the "expiration date" of the DTA, i.e. the latest date at which the Group could use them.

| | 2011 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | DTA maturity date 1 year | DTA maturity date 2 years | DTA maturity date 3 years | 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 |
| **Expected date of use** | | | | | | | | | | |
| DTA recognised on tax losses carried forward | 836 | 215 | 296 | 355 | 203 | 42 | 50 | 537 | - | 2,535 |
| Other recognized deferred tax assets | 2,152 | 475 | 495 | 344 | 2,561 | 249 | 2,824 | 3,701 | - | 12,800 |
| **TOTAL RECOGNIZED DTA BY EXPECTED DATE OF USE** | **2,988** | **691** | **791** | **698** | **2,764** | **291** | **2,874** | **4,238** | **-** | **15,335** |
| Corresponding carry forward losses | 2,461 | 708 | 954 | 1,123 | 629 | 135 | 171 | 1,717 | - | 7,898 |
| **Latest date of possible use** | | | | | | | | | | |
| DTA recognised on tax losses carried forward | 18 | 13 | 20 | 61 | 33 | 101 | 13 | 537 | 1,739 | 2,535 |
| Other recognized deferred tax assets | 89 | 19 | 16 | 13 | 85 | 18 | 375 | 4,995 | 7,191 | 12,800 |
| **TOTAL RECOGNIZED DTA BY LATEST DATE OF POSSIBLE USE** | **107** | **31** | **35** | **74** | **118** | **120** | **388** | **5,532** | **8,930** | **15,335** |
| Corresponding carry forward losses | 63 | 54 | 69 | 193 | 110 | 290 | 56 | 1,555 | 5,509 | 7,898 |

The decrease of tax losses carried forward in 2011 mainly concerns the Company following their utilization.

| | 2010 [(a)] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | DTA maturity date 1 year | DTA maturity date 2 years | DTA maturity date 3 years | 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 |
| **Expected date of use** | | | | | | | | | | |
| DTA recognized on tax loss carry forward | 1,961 | 276 | 411 | 343 | 181 | 22 | 18 | 16 | - | 3,229 |
| Other recognized deferred tax assets | 2,089 | 435 | 458 | 255 | 2,902 | 262 | 1,259 | 3,844 | - | 11,504 |
| **TOTAL RECOGNIZED DTA BY EXPECTED DATE OF USE** | **4,050** | **711** | **870** | **598** | **3,084** | **284** | **1,277** | **3,860** | **-** | **14,733** |
| Corresponding carry forward losses | 5,742 | 887 | 1,363 | 1,016 | 517 | 63 | 57 | 52 | - | 9,698 |
| **Latest date of possible use** | | | | | | | | | | |
| DTA recognized on tax loss carry forward | 37 | 11 | 13 | 43 | 17 | 67 | 182 | 705 | 2,155 | 3,229 |
| Other recognized deferred tax assets | 534 | 30 | 62 | 20 | 94 | 39 | 682 | 4,577 | 5,466 | 11,504 |
| **TOTAL RECOGNIZED DTA BY LATEST DATE OF POSSIBLE USE** | **571** | **41** | **76** | **63** | **111** | **107** | **863** | **5,282** | **7,620** | **14,733** |
| Corresponding carry forward losses | 127 | 32 | 51 | 153 | 63 | 193 | 509 | 2,021 | 6,548 | 9,698 |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations, and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see note 5.3).*

## Unrecognized Deferred Tax Assets (DTA) by expiration date

The tables below break down the potential Deferred Tax Assets (DTA) which have not been recorded in the accounts at the year end as considered unrecoverable and the "expiry date", i.e the latest date the Group could use them.

| | 2011 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | DTA maturity date 1 year | DTA maturity date 2 years | DTA maturity date 3 years | 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 |
| Unrecognized DTA on tax losses carried forward | 12 | 1 | 3 | 2 | 2 | 1 | 5 | 12 | 310 | 348 |
| Other unrecognized deferred tax | - | - | 4 | 14 | 14 | 12 | 103 | - | 30 | 178 |
| **UNRECOGNIZED DTA** | **12** | **1** | **7** | **17** | **16** | **13** | **108** | **12** | **339** | **525** |
| Corresponding carry forward losses | 34 | 12 | 22 | 19 | 21 | 2 | 14 | 38 | 1,259 | 1,422 |

| | 2010 [(a)] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | DTA maturity date 1 year | DTA maturity date 2 years | DTA maturity date 3 years | 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 |
| Unrecognized DTA on tax losses carried forward | 39 | 9 | 3 | 1 | 6 | 4 | 15 | 68 | 115 | 259 |
| Other unrecognized deferred tax | 17 | - | - | - | - | 1 | 1 | - | 3 | 22 |
| **UNRECOGNIZED DTA** | **56** | **9** | **3** | **1** | **6** | **4** | **16** | **68** | **118** | **281** |
| Corresponding carry forward losses | 110 | 24 | 9 | 5 | 27 | 16 | 54 | 253 | 441 | 939 |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations, and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see note 5.3).*

## 19.3. ROLLFORWARD OF NET CURRENT TAX

Changes in net current tax were as follow:

| *(in Euro million)* | 2011 | 2010 [(a) (b)] |
|---|---|---|
| **Net current tax liability (+) / asset (-) as of January 1** | **(498)** | **(471)** |
| Cash paid (-) / received (+) in the period | 163 | (652) |
| Movements through profit or loss | (373) | 594 |
| Movements through shareholders' equity [(c)] | (473) | (22) |
| Forex impact | (23) | 56 |
| Changes in scope and other | (10) | (3) |
| **NET CURRENT TAX LIABILITY (+) / ASSET (-) AS OF DECEMBER 31** | **(1,215)** | **(498)** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations, and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see note 5.3).*
*(b) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*
*(c) Mainly concern tax impact of net investment hedge transactions, financial expense on undated subordinated debt and AXA share transactions in the Company.*

The table above includes current liabilities net of current receivables towards the tax administrations. It also includes some receivables and liabilities with non-consolidated entities members of a tax group which are classified in "other receivables" and "other payables" on the face of the statement of financial position.

# Note 20 Derivative instruments

This note includes all types of derivatives excluding 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.

## 20.1. DERIVATIVE INSTRUMENTS: MATURITIES, NOTIONAL VALUES AND FAIR VALUES

| | Maturity of notional amount as of December 31, 2011 [(a)] | | | | | |
|---|---|---|---|---|---|---|
| *(in Euro million)* | < 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | > 5 years |
| Equity swaps | 1,322 | 28 | 87 | - | 163 | 80 |
| Calls bought | 6,442 | 233 | 19 | 54 | 376 | 1,913 |
| Calls sold | 284 | 200 | - | - | - | - |
| Puts bought | 1,256 | 661 | 2 | 1 | - | - |
| Puts sold | 182 | 132 | - | - | - | - |
| Futures/Forwards bought | 951 | - | - | - | - | - |
| Futures/Forwards sold | 10,577 | - | - | - | - | - |
| Other derivatives | 1,321 | 282 | 184 | 111 | 176 | 51 |
| **Sub-total equity derivatives** | **22,334** | **1,535** | **291** | **166** | **714** | **2,044** |
| Interest rate payer swaps | 21,077 | 7,569 | 5,722 | 6,091 | 6,582 | 46,994 |
| Interest rate receiver swaps | 3,797 | 3,227 | 6,219 | 4,925 | 3,804 | 32,913 |
| Interest rate basis swaps | - | 83 | 160 | 20 | - | 3,574 |
| Caps bought | 3,602 | 3,661 | 4,470 | 10,585 | 1,533 | 4,368 |
| Floors bought | - | - | - | - | - | 2,316 |
| Collars | 218 | - | - | - | - | - |
| Swaptions bought | 4,413 | 2,839 | 2,881 | 1,245 | 1,151 | 6,575 |
| Swaptions sold | - | - | - | 104 | - | 800 |
| Futures/Forwards bought | 16,770 | 660 | 523 | 453 | 350 | 1,025 |
| Futures/Forwards sold | 5,019 | - | - | - | - | - |
| Other derivatives | - | 56 | - | 158 | 165 | 1,547 |
| **Sub-total interest rates derivatives** | **54,897** | **18,095** | **19,975** | **23,582** | **13,585** | **100,113** |
| Credit derivatives bought | 559 | 1,312 | 2,072 | 1,393 | 1,069 | 3,086 |
| Credit derivatives sold | 1,788 | 3,854 | 2,128 | 1,901 | 2,828 | 1,221 |
| **Sub-total credit derivatives** | **2,346** | **5,166** | **4,199** | **3,294** | **3,896** | **4,306** |
| Currency swaps | 18,927 | 2,502 | 3,286 | 3,368 | 5,436 | 5,807 |
| Calls bought | 7,312 | - | - | - | - | - |
| Calls sold | 11,895 | 6,379 | - | - | - | - |
| Puts bought | 18,717 | 7,525 | 500 | 200 | - | - |
| Puts sold | 10,654 | 10,571 | - | - | - | - |
| Futures/Forwards bought | 4,516 | 3,046 | 229 | 119 | 25 | 340 |
| Futures/Forwards sold | 22,374 | 17,631 | 4,975 | 87 | - | 148 |
| Other derivatives | - | - | - | - | - | - |
| **Sub-total currencies derivatives** | **94,395** | **47,656** | **8,990** | **3,775** | **5,461** | **6,295** |
| Total return swaps | 7,366 | 17 | 3 | 3 | 13 | 2,267 |
| Other derivatives | 1,132 | 1,193 | 302 | 492 | 431 | 3,542 |
| **Sub-total other derivatives** | **8,498** | **1,210** | **306** | **495** | **444** | **5,809** |
| **TOTAL** | **182,471** | **73,662** | **33,761** | **31,312** | **24,100** | **118,568** |

*NB: This table includes all derivatives (assets and liabilities), i.e. hedge, macrohedge and other, asset or liability positions.*

*(a) By convention, notional amounts are displayed in absolute value, and exclude potential netting out.*

*(b) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(c) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

| Notional amount | | Positive fair value | | Negative fair value | | Net fair value | | Change in fair value |
|---|---|---|---|---|---|---|---|---|
| December 31, 2011 | December 31, 2010 (b) (c) | December 31, 2011 | December 31, 2010 (b) (c) | December 31, 2011 | December 31, 2010 (b) (c) | December 31, 2011 | December 31, 2010 (b) (c) | 2011/2010 |
| 1,679 | 1,546 | 871 | 341 | 870 | 225 | 2 | 115 | (114) |
| 9,036 | 8,555 | 114 | 270 | 31 | - | 82 | 270 | (188) |
| 484 | 1,248 | - | - | 40 | 21 | (40) | (21) | (19) |
| 1,919 | 5,056 | 158 | 270 | - | - | 158 | 270 | (112) |
| 314 | 1,588 | - | - | 49 | 88 | (49) | (88) | 39 |
| 951 | 622 | 3 | 6 | 2 | - | 1 | 6 | (5) |
| 10,577 | 6,979 | 10 | 2 | 28 | 9 | (17) | (7) | (10) |
| 2,125 | 464 | 113 | 51 | 68 | 3 | 45 | 48 | (2) |
| **27,085** | **26,058** | **1,269** | **940** | **1,087** | **347** | **182** | **593** | **(411)** |
| 94,036 | 71,318 | 826 | 1,847 | 8,497 | 5,410 | (7,671) | (3,564) | (4,108) |
| 54,885 | 56,477 | 7,280 | 4,791 | 190 | 1,644 | 7,090 | 3,147 | 3,943 |
| 3,837 | 3,637 | 270 | 182 | 99 | 117 | 171 | 65 | 106 |
| 28,220 | 27,480 | 83 | 91 | 165 | 94 | (83) | (4) | (79) |
| 2,316 | 6,713 | 253 | 243 | - | - | 253 | 243 | 10 |
| 218 | 476 | - | 2 | - | 5 | - | (3) | 3 |
| 19,105 | 19,245 | 2,224 | 677 | 49 | - | 2,175 | 677 | 1,498 |
| 904 | 1,968 | 10 | - | 23 | 51 | (13) | (51) | 38 |
| 19,782 | 14,752 | 81 | - | 115 | 260 | (34) | (260) | 226 |
| 5,019 | 1,008 | 4 | - | 8 | 11 | (3) | (11) | 8 |
| 1,926 | 1,918 | 15 | 12 | 139 | 90 | (124) | (78) | (45) |
| **230,248** | **204,993** | **11,045** | **7,845** | **9,285** | **7,684** | **1,760** | **161** | **1,599** |
| 9,490 | 8,740 | 318 | 186 | 226 | 282 | 91 | (96) | 188 |
| 13,718 | 14,279 | 29 | 71 | 889 | 405 | (861) | (333) | (527) |
| **23,208** | **23,019** | **346** | **257** | **1,116** | **687** | **(769)** | **(430)** | **(340)** |
| 39,327 | 42,971 | 1,572 | 1,306 | 4,667 | 4,039 | (3,095) | (2,733) | (363) |
| 7,312 | 2,217 | 6 | 35 | - | - | 6 | 35 | (28) |
| 18,275 | 2,481 | - | - | 84 | 39 | (84) | (39) | (45) |
| 26,942 | 9,340 | 827 | 437 | - | - | 827 | 437 | 390 |
| 21,226 | 6,863 | - | - | 266 | 70 | (266) | (70) | (196) |
| 8,276 | 8,463 | 126 | 109 | 62 | 351 | 64 | (242) | 306 |
| 45,215 | 46,712 | 625 | 3,464 | 1,054 | 269 | (429) | 3,195 | (3,624) |
| - | - | - | - | - | - | - | - | - |
| **166,572** | **119,046** | **3,156** | **5,350** | **6,133** | **4,767** | **(2,977)** | **583** | **(3,560)** |
| 9,669 | 8,287 | 296 | 108 | 293 | 474 | 3 | (366) | 369 |
| 7,093 | 3,912 | 80 | 6 | 377 | 111 | (297) | (105) | (191) |
| **16,763** | **12,199** | **376** | **114** | **670** | **585** | **(294)** | **(471)** | **178** |
| **463,876** | **385,315** | **16,192** | **14,506** | **18,290** | **14,070** | **(2,098)** | **437** | **(2,534)** |

## 20.2. HEDGE ACCOUNTING DERIVATIVES

Hedging derivative instruments broke down as follows:

| **Derivative instruments subject to hedge accounting and other derivatives** *(in Euro million)* | Derivative instruments used in fair value hedging relationship | | Derivative instruments used in cash flow hedging relationship | |
|---|---|---|---|---|
| | Notional amount | Fair value | Notional amount | Fair value |
| Equity swaps | 948 | 61 | - | - |
| Calls bought | - | - | - | - |
| Calls sold | - | - | - | - |
| Puts bought | - | - | - | - |
| Puts sold | - | - | - | - |
| Futures/Forwards bought | - | - | - | - |
| Futures/Forwards sold | - | - | - | - |
| Other derivatives | - | - | - | - |
| **Sub-total equity derivatives** | **948** | **61** | **-** | **-** |
| Interest rate payer swaps | 21,062 | (1,354) | 200 | (44) |
| Interest rate receiver swaps | 590 | 67 | 774 | 223 |
| Interest rate basis swaps | - | - | - | - |
| Caps bought | 620 | 16 | - | - |
| Floors bought | - | - | - | - |
| Collars | 218 | - | - | - |
| Swaptions bought | - | - | - | - |
| Swaptions sold | - | - | - | - |
| Futures/Forwards bought | 50 | 3 | 1,702 | 37 |
| Futures/Forwards sold | - | - | - | - |
| Other derivatives | 150 | (17) | 201 | 4 |
| **Sub-total interest rates derivatives** | **22,690** | **(1,284)** | **2,877** | **220** |
| Credit derivatives bought | 6,409 | (44) | 50 | 4 |
| Credit derivatives sold | - | - | - | - |
| **Sub-total credit derivatives** | **6,409** | **(44)** | **50** | **4** |
| Currency swaps | - | (1) | 617 | 32 |
| Calls bought | - | - | - | - |
| Calls sold | - | - | - | - |
| Puts bought | - | - | - | - |
| Puts sold | - | - | - | - |
| Futures/Forwards bought | 709 | 23 | - | - |
| Futures/Forwards sold | 3,937 | (199) | - | - |
| Other derivatives | - | - | - | - |
| **Sub-total currencies derivatives** | **4,645** | **(177)** | **617** | **32** |
| Total return swaps | - | - | 159 | (23) |
| Other derivatives | - | - | 1,900 | (322) |
| **Sub-total other derivatives** | **-** | **-** | **2,059** | **(345)** |
| **TOTAL** | **34,693** | **(1,445)** | **5,603** | **(89)** |

*NB: This table includes all derivatives (assets and liabilities), i.e. hedging, macrohedging and other, in an asset or liability position.*

| December 31, 2011 | | | | | |
|---|---|---|---|---|---|
| Derivative instruments used in hedge of net investment in a foreign operation | | Macro-hedges and other derivative instruments not qualifying under IAS39 but generally used as economic hedges | | Total | |
| Notional amount | Fair value | Notional amount | Fair value | Notional amount | Fair value |
| - | - | 732 | (60) | 1,679 | 2 |
| - | - | 9,036 | 82 | 9,036 | 82 |
| - | - | 484 | (40) | 484 | (40) |
| - | - | 1,919 | 158 | 1,919 | 158 |
| - | - | 314 | (49) | 314 | (49) |
| - | - | 951 | 1 | 951 | 1 |
| - | - | 10,577 | (17) | 10,577 | (17) |
| - | - | 2,125 | 45 | 2,125 | 45 |
| **-** | **-** | **26,137** | **121** | **27,085** | **182** |
| - | - | 72,774 | (6,274) | 94,036 | (7,671) |
| 13 | - | 53,508 | 6,800 | 54,885 | 7,090 |
| - | - | 3,837 | 171 | 3,837 | 171 |
| - | - | 27,599 | (99) | 28,220 | (83) |
| - | - | 2,316 | 253 | 2,316 | 253 |
| - | - | - | - | 218 | - |
| - | - | 19,105 | 2,175 | 19,105 | 2,175 |
| - | - | 904 | (13) | 904 | (13) |
| - | - | 18,030 | (74) | 19,782 | (34) |
| - | - | 5,019 | (3) | 5,019 | (3) |
| - | - | 1,575 | (111) | 1,926 | (124) |
| **13** | **-** | **204,668** | **2,825** | **230,248** | **1,760** |
| 272 | 9 | 2,758 | 106 | 9,490 | 75 |
| - | - | 13,718 | (844) | 13,718 | (844) |
| **272** | **9** | **16,477** | **(738)** | **23,208** | **(769)** |
| 15,372 | (2,955) | 23,338 | (162) | 39,327 | (3,085) |
| 108 | 4 | 7,204 | 2 | 7,312 | 6 |
| 11,254 | (84) | 7,020 | - | 18,275 | (84) |
| 15,366 | 536 | 11,577 | 291 | 26,942 | 827 |
| 108 | (2) | 21,117 | (263) | 21,226 | (265) |
| 709 | 6 | 6,858 | 24 | 8,276 | 53 |
| - | - | 41,278 | (230) | 45,215 | (429) |
| - | - | - | - | - | - |
| **42,918** | **(2,496)** | **118,392** | **(337)** | **166,573** | **(2,977)** |
| - | - | 9,511 | 26 | 9,669 | 3 |
| - | - | 5,193 | 25 | 7,093 | (297) |
| **-** | **-** | **14,704** | **51** | **16,763** | **(294)** |
| **43,202** | **(2,486)** | **380,378** | **1,922** | **463,876** | **(2,098)** |

| Derivative instruments subject to hedge accounting and other derivatives *(in Euro million)* | Derivative instruments used in fair value hedging relationship | | Derivative instruments used in cash flow hedging relationship | |
|---|---|---|---|---|
| | Notional amount | Fair value | Notional amount | Fair value |
| Equity swaps | 1,096 | 86 | - | - |
| Calls bought | - | - | - | - |
| Calls sold | - | - | - | - |
| Puts bought | 519 | 103 | - | - |
| Puts sold | 410 | (47) | - | - |
| Futures/Forwards bought | - | - | - | - |
| Futures/Forwards sold | - | - | - | - |
| Other derivatives | 76 | (1) | - | - |
| **Sub-total equity derivatives** | **2,100** | **142** | **-** | **-** |
| Interest rate payer swaps | 12,812 | (862) | 200 | (34) |
| Interest rate receiver swaps | 750 | (30) | 825 | 120 |
| Interest rate basis swaps | - | - | - | - |
| Caps bought | 620 | 31 | - | - |
| Floors bought | - | - | - | - |
| Collars | 425 | (5) | - | - |
| Swaptions bought | - | - | - | - |
| Swaptions sold | - | - | - | - |
| Futures/Forwards bought | - | - | 1,846 | (78) |
| Futures/Forwards sold | - | - | - | - |
| Other derivatives | - | - | - | - |
| **Sub-total interest rates derivatives** | **14,607** | **(865)** | **2,871** | **7** |
| Credit derivatives bought | 6,067 | (103) | - | - |
| Credit derivatives sold | - | - | - | - |
| **Sub-total credit derivatives** | **6,067** | **(103)** | **-** | **-** |
| Currency swaps | 1,035 | 106 | 395 | 35 |
| Calls bought | - | - | - | - |
| Calls sold | - | - | - | - |
| Puts bought | - | - | - | - |
| Puts sold | - | - | - | - |
| Futures/Forwards bought | 697 | (60) | - | - |
| Futures/Forwards sold | 5,427 | 587 | - | - |
| Other derivatives | - | - | - | - |
| **Sub-total currencies derivatives** | **7,158** | **633** | **395** | **35** |
| Total return swaps | - | - | 334 | (8) |
| Other derivatives | - | - | 679 | (88) |
| **Sub-total other derivatives** | **-** | **-** | **1,013** | **(96)** |
| **TOTAL** | **29,933** | **(193)** | **4,280** | **(54)** |

*NB: This table includes all derivatives (assets and liabilities), i.e. hedging, macrohedging and other, in an asset or liability position.*

*(a In 2010, assets and liabilities related to the Australian and New Zealand operations and some UK Life & Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

December 31, 2010 (a) (b)

| Derivative instruments used in hedge of net investment in a foreign operation | | Macro-hedges and other derivative instruments not qualifying under IAS39 but generally used as economic hedges | | Total | |
|---|---|---|---|---|---|
| Notional amount | Fair value | Notional amount | Fair value | Notional amount | Fair value |
| - | - | 450 | 29 | 1,546 | 115 |
| - | - | 8,555 | 270 | 8,555 | 270 |
| - | - | 1,248 | (21) | 1,248 | (21) |
| - | - | 4,537 | 167 | 5,056 | 270 |
| - | - | 1,179 | (41) | 1,588 | (88) |
| - | - | 622 | 6 | 622 | 6 |
| - | - | 6,979 | (7) | 6,979 | (7) |
| - | - | 387 | 48 | 464 | 48 |
| **-** | **-** | **23,957** | **451** | **26,058** | **593** |
| - | - | 58,307 | (2,667) | 71,318 | (3,564) |
| 13 | 1 | 54,889 | 3,057 | 56,477 | 3,148 |
| - | - | 3,637 | 65 | 3,637 | 65 |
| - | - | 26,860 | (35) | 27,480 | (4) |
| - | - | 6,713 | 243 | 6,713 | 243 |
| - | - | 50 | 2 | 476 | (3) |
| - | - | 19,245 | 677 | 19,245 | 677 |
| - | - | 1,968 | (51) | 1,968 | (51) |
| - | - | 12,906 | (182) | 14,752 | (260) |
| - | - | 1,008 | (11) | 1,008 | (11) |
| - | - | 1,918 | (78) | 1,918 | (78) |
| **13** | **1** | **187,501** | **1,019** | **204,993** | **162** |
| - | - | 2,674 | 7 | 8,740 | (96) |
| - | - | 14,279 | (334) | 14,279 | (334) |
| **-** | **-** | **16,952** | **(327)** | **23,019** | **(430)** |
| 18,448 | (3,054) | 23,092 | 180 | 42,971 | (2,733) |
| 769 | 15 | 1,447 | 20 | 2,217 | 35 |
| 2,467 | (38) | 14 | (1) | 2,481 | (39) |
| 2,913 | 2 | 6,427 | 435 | 9,340 | 437 |
| 774 | (37) | 6,089 | (33) | 6,863 | (70) |
| 209 | 15 | 7,558 | (197) | 8,463 | (242) |
| - | - | 41,285 | 2,607 | 46,712 | 3,194 |
| - | - | - | - | - | - |
| **25,581** | **(3,097)** | **85,912** | **3,012** | **119,046** | **583** |
| - | - | 7,954 | (358) | 8,287 | (366) |
| - | - | 3,233 | (17) | 3,912 | (105) |
| **-** | **-** | **11,186** | **(375)** | **12,199** | **(471)** |
| **25,594** | **(3,096)** | **325,509** | **3,780** | **385,315** | **437** |

Note 4 to the consolidated financial statements refers to Risk Management within the Group, and describes its main principles and guidelines. In general, derivatives are used by various entities and by the Company for economic hedging purposes. 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 notably of certain credit derivatives. They also include "macro-hedging" derivatives as defined by the IASB in its amendment to IAS 39.

AXA uses derivative instruments to hedge some equity and real estate exposures and to manage various types of risks, including interest rate risk, exchange rate risk and credit risk. Details of the impact of derivative instruments on financial investments and liabilities are provided in section 20.3 and 20.4.

As of December 31, 2011, the notional amount of all derivative instruments totaled €464 billion (€385 billion at the end of 2010). Their net fair value as of December 31, 2011 totaled €-2,098 million (€437 million at the end of 2010).

Derivative hedging strategies are defined and managed by AXA's local operations. 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, (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, and (iv) limiting credit risk with regard to certain investments in corporate debt instruments.

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, as it does not represent the amounts actually exchanged by the parties and thus is not a measure of the Group's exposure to derivative instruments. The 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 Group actively manages counterparty risk generated by OTC (over-the-counter) derivatives through a specific Group-wide policy. This policy includes a limit framework and an exposure monitoring process. Limits are set specifically for each authorized counterparty, based on an internal scoring system. This policy also includes daily to weekly collateralization for the majority of the Group's exposure.

As of December 31, 2011 and based on notional amounts, (i) 44% of the derivative instruments used consisted in swap contracts (48% at the end of 2010), (ii) 32% were options, mainly caps, floors and swaptions (26% at the end of December 2010), (iii) 19% were futures and forwards (20% at the end of 2010) and (iv) 5% were credit derivatives (6% at the end of 2010). Credit derivatives are mainly used as an alternative to corporate bonds portfolios, when coupled with government debt instruments, but also as a protection on single names or specific portfolios. In 2011, the Group held €6.7 billion Credit Default Swaps (CDS) protections used for negative basis trades (€6.1 billion at the end of 2010). This strategy consisted in purchasing (i) corporate debt instruments and (ii) CDS with the same name, maturity and seniority so as to lock associated liquidity premiums.

As of December 31, 2011, the notional amount of hedging derivative instruments as defined by IAS 39 (fair value, cash flow and net investment hedges) of the Group totaled €83,498 million (€59,806 million at the end of 2010). Their net fair value was €-4,020 million (€-3,343 million at the end of 2010), mainly driven by foreign exchange movements impacting net investment hedge strategies.

### 20.2.1. Equity derivatives instruments

The equity derivative portfolio mainly consists in puts and calls. **Equity puts and calls** are options agreements that give the seller (puts) or the buyer (calls) the right to exercise the option and to sell or buy shares or indices at the strike price. These puts and calls are predominantly used by the Company and represented a total notional value of €11,753 million at the end of 2011 (€16,447 million at the end of 2010). The Company notably held in 2011 call options on an equity index maturing in June 2012 for €5,000 million notional amount.

Equity **futures and forwards** constitute another part of AXA's hedging strategies to manage its equity exposure and represented a total notional value of €11,528 million at the end of 2011 (€7,601 million at the end of 2010). These instruments are mainly used by United States Life & Savings to hedge Variable Annuities (notional amount of €9,222 million compared with €6,191 million at the end of 2010).

### 20.2.2. Interest rate derivative instruments

#### A) INTEREST RATE SWAPS

**Swap contracts** are agreements between two parties to exchange one set of cash flows for another set of cash flows. Payments are made on the basis of the swap's notional value. AXA primarily uses interest rate swap contracts to manage cash flows arising from interest received or paid, and cross-currency swap contracts to manage foreign-currency denominated cash flows or investments (see note 20.2.4).

On a consolidated basis, the notional amount of interest rate swaps at December 31, 2011 was €152,758 million (€131,433 million at the end of 2010). Their market value was €-411million (€-351 million at the end of 2010).

At December 31, 2011, interest rate swaps accounted for 74% of all swaps used by the Group (versus 70% at the end of 2010). They are used mainly by:

**(i)** the Company to limit the variability of its future net interest expenses resulting from its interest rate exposure on debt issued or amounts borrowed (notional amount of €53,055 million compared to €56,371 million at the end of 2010);

**(ii)** AXA Bank Europe 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 €27,286 million versus €20,162 million at the end of 2010);

**(iii)** Japan Life & Savings (notional amount of €22,522 million versus €15,882 million at the end of 2010) to manage interest rates on its fixed income assets and to hedge guaranteed minimum benefits features included in Variable Annuity products. The increase in notional value in 2011 was mainly driven by new sales of Variable Annuity products and by exchange rate movements;

**(iv)** Germany Life & Savings (notional amount of €21,715 million versus €17,536 million at the end of 2010) mainly due to the active financial risk management program associated with the guaranteed minimum benefits on Variable Annuity products following the decrease in interest rates;

**(v)** United States Life & Savings (notional amount of €9,595 million versus €4,638 million at the end of 2010) related to the active financial risk management program associated with the guaranteed minimum benefits on Variable Annuity products. The increase is mainly due to dynamic interest rate hedging program on Variable Annuities following the decrease in interest rates;

**(vi)** France Life & Savings (notional amount of €4,650 million versus €4,918 million at the end of 2010) mainly to adjust the duration of its fixed income portfolio (notional amount of €2,047 million versus €2,287 million at the end of 2010), as well as to get long term variable interest rate bonds (notional amount of €1,799 million versus € 1,847 million at the end of 2010).

At December 31, 2011, 85% of the total notional amount of interest rate swaps was not subject to hedge accounting under IAS 39 (89% at the end of 2010), and notably included €53,055 million for the Company (€56,371 million at the end of 2010), €21,508 million for AXA Germany Life & Savings (€17,285 million at the end of 2010), and €19,088 million for AXA Bank Europe (€15,697 million at the end of 2010).

The notional amounts of interest rate swaps used in fair value hedge relationships totaled €21,652 million as of December 31, 2011 (€13,562 million at the end of 2010), including €10,218 million at AXA Japan (€7,052 million at the end of 2010), and €7,998 million at AXA Bank Europe (€4,265 million at the end of 2010) to hedge interest rate risk of a portfolio composed of mortgages loans and individuals bonds investments.

The notional amounts of interest rate swaps used in cash flow hedge relationships totaled €974 million (€1,025 million at the end of 2010), including €501 million in Belgium Life & Savings, €207 million in Germany Life & Savings and €200 million in AXA Bank Europe.



#### B) OPTIONS

The option portfolio hedging interest rates consists mainly in caps and floors. **Interest rate caps and floors** are options 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 reference interest rate cap or floor. These products are used to hedge against interest rate increases (caps) or decreases (floor). Caps and floors are used predominantly by Life & Savings operations in France, the United States and Italy to protect our ability to serve policyholder participation and credited rate mainly for general account products with guaranteed minimum rates of return.

The notional amount of interest rate caps and floors at December 31, 2011 was €30,535 million or 60% of the total notional amount of all interest rate options (€34,609 million or 62% at the end of 2010). The net fair value of caps and floors was €171million at December 31, 2011 (€236 million at the end of 2010).

**Swaptions** represented 40% (€20,009 million notional at December 31, 2011) of the total notional amount of all interest rate options as of December 31, 2011, mainly (i) in United States Life & Savings (€8,627 million in 2011 versus €8,311 million in 2010) notably to hedge interest rate volatility risk associated with Variable Annuity guarantees (€6,007 million versus €6,813 million at the end of 2010) and to manage duration gap between assets and liabilities on general account (notional amount of €2,620 million versus €1,498 million at the end of 2010), (ii) in Germany Life & Savings (€6,935 million versus €6,690 million at the end of 2010) to manage interest rate risk on the fixed income portfolio and Variable Annuity guarantees,

(iii) in Switzerland Life & Savings for €1,923 million (€2,831 million at the end of 2010) including €1,819 million (€1,662 million at the end of 2010) used to protect the reinvestment risk in the Individual Life & Savings business, (iv) in Belgium Life & Savings for €1,370 million (€1,219 million at the end of 2010) to protect life funds against large movements in interest rates, and (v) €883 million in Japan Life & Savings (€1,224 million at the end of 2010) mainly to hedge convexity risk associated with Variable Annuity guarantees.

#### C) FUTURES AND FORWARDS

**Futures** are contracts that require settlement at a specified price and on a specified future date and can be traded in same markets. **Forwards** are customized contracts between two entities where settlement takes place on a specific date in the future at today's pre-agreed price.

On a consolidated basis, the notional amount of interest rates futures and forwards at December 31, 2011 was €24,801 million (€15,760 million at the end of 2010). These instruments are predominantly used in United States Life & Savings to hedge Variable Annuities for a total notional amount of €18,579 million (versus €11,075 million in 2010) consisting in US Treasury futures.

As of December 31, 2011, 93% of the notional value of futures and forwards at the end of 2011 did not qualify for hedge accounting under IAS 39 (88% at the end of 2010).

### 20.2.3. Credit derivative instruments

The Group, as part of its investment and credit risk management activities, uses strategies that involve credit derivatives (mainly CDSs), which are mainly used as an alternative to fixed income portfolios, but also as a protection on single corporate names or specific portfolios.

At December 31, 2011, the notional amount of credit derivatives carried by the Group was €25,417 million (adding protection sold and bought), of which:

- €2,209 million relating to exposures held within investment funds of the "satellite investment portfolio" (see Note 1.7.2). Such credit default swaps were used mainly in AXA Switzerland (€1,322 million), AXA France (€441 million), Mediterranean and Latin American Region (€229 million) and AXA Belgium (€212 million);
- €23,208 million held directly or within "core investment portfolio" or CDOs.

Such credit derivatives were mainly used in AXA Japan (notional amount of €7,059 million compared to €6,692 million at the end of 2010), in Germany Life and Savings (notional amount of €2,771 million compared to €2,369 million at the end of 2010) and in France Life & Savings (notional amount of €1,690 million compared to €3,245 million at the end of 2010) on debt instruments to enhance the return on their government bonds portfolios.

In addition, Japan Life & Savings, Switzerland entities and France Life & Savings also used credit derivatives to form negative basis trades, for a notional amount of €3,957 million, €1,764million and €688 million respectively. This strategy consisted in purchasing (i) corporate debt instruments and (ii) CDS with the same name, maturity and seniority so as to lock associated liquidity premium.

Please refer to Note 4 for further details.

### 20.2.4. Currency derivative instruments

Currency future and forward contracts accounted for 31% of currency derivative instruments (based on notional amounts at December 31, 2011), compared to 46% at the end of 2010. Swiss entities use such contracts for a total notional amount of €25,580 million (€29,574 million at the end of 2010) mainly to hedge exchange-rate risk arising from their investments in equities and debt instruments denominated in foreign currency (mainly € and US$). Japan Life & Savings also uses future and forward foreign currency contracts for a total notional amount of €18,173 million (€17,080 million at the end of 2010) to hedge exchange-rate risk arising from its investments in fixed-maturity debt instruments denominated in foreign currencies. In accordance with IAS 21 and IAS 39, the translation difference relating to these debt instruments 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 practice, therefore, the hedge impact of such contracts is recognized through profit or loss with no qualified hedge accounting prescribed by IAS 39.

Currency swaps and currency options constitute another part of AXA's hedging strategies to manage foreign currency exposures, and are primarily used by the company (€104,421 million versus €56,376 million at the end of 2010) and AXA Bank Europe (€2,135 million versus €2,809 million at the end of 2010) to manage financing operations.

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## 20.3. EFFECT OF HEDGING ON FINANCIAL INVESTMENTS

The impact of derivative instruments is presented in the consolidated statement of financial position within their related underlying financial assets (and liabilities see section 20.4). The table below sets out the impact of derivative instruments on the related underlying assets.

| | Insurance | | | |
|---|---|---|---|---|
| *(in Euro million)* | Net book value excluding effect of derivatives (a) | Impact of derivative instruments subject to hedge accounting (b) | Impact of other derivative instruments (c) | Net book value including effect of derivatives (d) |
| Investments in real estate properties at amortized cost | 14,818 | - | - | 14,818 |
| Investments in real estate properties designated as at fair value through profit or loss | 1,243 | - | - | 1,243 |
| Macro hedge and other derivatives | - | - | - | - |
| **Investment in real estate properties** | **16,061** | **-** | **-** | **16,061** |
| Debt instruments held to maturity | - | - | - | - |
| Debt instruments available for sale | 326,306 | (918) | 122 | 325,510 |
| Debt instruments designated as at fair value through profit or loss | 26,656 | - | (881) | 25,775 |
| Debt instruments held for trading | 197 | - | (9) | 188 |
| Debt instruments (at cost) that are not quoted in an active market | 6,791 | - | (2) | 6,789 |
| **Debt instruments** | **359,950** | **(918)** | **(769)** | **358,262** |
| Equity securities available for sale | 11,735 | 28 | (113) | 11,649 |
| Equity securities designated as at fair value through profit or loss | 5,391 | - | - | 5,391 |
| Equity securities held for trading | 38 | - | (3) | 35 |
| **Equity securities** | **17,164** | **28** | **(116)** | **17,075** |
| Non controlled investment available for sale | 6,820 | (148) | - | 6,672 |
| Non controlled investment funds designated at fair value through profit or loss | 5,019 | - | (10) | 5,010 |
| Non controlled investment funds held for trading | - | - | - | - |
| **Non controlled investment funds** | **11,839** | **(148)** | **(10)** | **11,682** |
| **Other investments (e)** | **5,386** | **-** | **27** | **5,413** |
| **Macro hedge and other derivatives** | **(169)** | **-** | **1,452** | **1,283** |
| **TOTAL FINANCIAL INVESTMENTS** | **394,169** | **(1,038)** | **583** | **393,715** |
| Loans held to maturity | - | - | - | - |
| Loans available for sale | - | - | - | - |
| Loans designated as at fair value through profit or loss | - | - | - | - |
| Loans held for trading | - | - | - | - |
| Loans at cost | 25,085 | - | (35) | 25,050 |
| Macro hedge and other derivatives | - | - | - | - |
| **Loans** | **25,085** | **-** | **(35)** | **25,050** |
| **Assets backing contracts where the financial risk is borne by policyholders** | **134,227** | **-** | **4** | **134,230** |
| **TOTAL INVESTMENTS** | **569,542** | **(1,038)** | **552** | **569,056** |

*(a) Carrying value, i.e net of impairment, discount premiums and related amortization, including accrued interest, but excluding any impact of derivatives.*
*(b) Excluding macro hedge and other derivatives.*
*(c) Macro hedge and other derivatives.*
*(d) Carrying 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) Other investments held through consolidated investment funds designated as at fair value through profit or loss.*

| December 31, 2011 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Banking and other activities | | | | Total | | | |
| Net book value excluding effect of derivatives (a) | Impact of derivative instruments subject to hedge accounting (b) | Impact of other derivative instruments (c) | Net book value including effect of derivatives (d) | Net book value excluding effect of derivatives (a) | Impact of derivative instruments subject to hedge accounting (b) | Impact of other derivative instruments (c) | Net book value including effect of derivatives (d) |
| 2,574 | - | - | 2,574 | 17,392 | - | - | 17,392 |
| - | - | - | - | 1,243 | - | - | 1,243 |
| - | - | - | - | - | - | - | - |
| **2,574** | **-** | **-** | **2,574** | **18,635** | **-** | **-** | **18,635** |
| - | - | - | - | - | - | - | - |
| 8,184 | (147) | 7 | 8,045 | 334,490 | (1,065) | 130 | 333,554 |
| 74 | - | (2) | 72 | 26,730 | - | (883) | 25,847 |
| 29 | - | - | 29 | 226 | - | (9) | 217 |
| 4,364 | - | - | 4,364 | 11,155 | - | (2) | 11,153 |
| **12,651** | **(147)** | **5** | **12,510** | **372,601** | **(1,065)** | **(764)** | **370,772** |
| 1,901 | - | 2 | 1,903 | 13,636 | 28 | (111) | 13,552 |
| 425 | - | - | 425 | 5,816 | - | - | 5,816 |
| - | - | - | - | 38 | - | (3) | 35 |
| **2,326** | **-** | **2** | **2,328** | **19,490** | **28** | **(114)** | **19,404** |
| 180 | - | - | 179 | 7,000 | (148) | - | 6,851 |
| 166 | - | - | 166 | 5,185 | - | (10) | 5,176 |
| 374 | - | - | 374 | 374 | - | - | 374 |
| **719** | **-** | **-** | **719** | **12,559** | **(148)** | **(10)** | **12,401** |
| **1** | **-** | **-** | **1** | **5,386** | **-** | **27** | **5,413** |
| **-** | **-** | **(2,500)** | **(2,500)** | **(169)** | **-** | **(1,049)** | **(1,218)** |
| **15,698** | **(147)** | **(2,493)** | **13,057** | **409,867** | **(1,186)** | **(1,910)** | **406,772** |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 19,998 | (377) | - | 19,621 | 45,083 | (377) | (35) | 44,672 |
| - | - | 12 | 12 | - | - | 12 | 12 |
| **19,998** | **(377)** | **12** | **19,634** | **45,083** | **(377)** | **(23)** | **44,684** |
| **-** | **-** | **-** | **-** | **134,227** | **-** | **4** | **134,230** |
| **38,270** | **(524)** | **(2,481)** | **35,264** | **607,812** | **(1,563)** | **(1,929)** | **604,321** |

| | Insurance | | | |
|---|---|---|---|---|
| *(in Euro million)* | Net book value excluding effect of derivatives (c) | Impact of derivative instruments subject to hedge accounting (d) | Impact of other derivative instruments (e) | Net book value including effect of derivatives (f) |
| Investments in real estate properties at amortized cost | 14,628 | - | - | 14,628 |
| Investments in real estate properties designated as at fair value through profit or loss | 1,122 | - | - | 1,122 |
| Macro hedge and other derivatives | - | - | - | - |
| **Investment in real estate properties** | **15,751** | **-** | **-** | **15,751** |
| Debt instruments held to maturity | - | - | - | - |
| Debt instruments available for sale | 306,408 | (709) | 2,248 | 307,946 |
| Debt instruments designated as at fair value through profit or loss | 29,465 | - | 10 | 29,474 |
| Debt instruments held for trading | 310 | - | (327) | (17) |
| Debt instruments (at cost) that are not quoted in an active market | 8,227 | - | (32) | 8,194 |
| **Debt instruments** | **344,410** | **(709)** | **1,898** | **345,598** |
| Equity securities available for sale | 16,565 | 226 | (44) | 16,746 |
| Equity securities designated as at fair value through profit or loss | 5,755 | - | - | 5,755 |
| Equity securities held for trading | 32 | - | (1) | 32 |
| **Equity securities** | **22,352** | **226** | **(45)** | **22,533** |
| Non controlled investment available for sale | 6,621 | 376 | 1 | 6,998 |
| Non controlled investment funds designated at fair value through profit or loss | 4,907 | - | 83 | 4,990 |
| Non controlled investment funds held for trading | - | - | - | - |
| **Non controlled investment funds** | **11,528** | **376** | **83** | **11,988** |
| **Other investments (g)** | **5,208** | **-** | **15** | **5,223** |
| **Macro hedge and other derivatives** | **(263)** | **-** | **833** | **570** |
| **TOTAL FINANCIAL INVESTMENTS** | **383,234** | **(107)** | **2,785** | **385,912** |
| Loans held to maturity | - | - | - | - |
| Loans available for sale | - | - | - | - |
| Loans designated as at fair value through profit or loss | - | - | - | - |
| Loans held for trading | - | - | - | - |
| Loans at cost | 23,636 | - | 82 | 23,718 |
| Macro hedge and other derivatives | - | - | - | - |
| **Loans** | **23,636** | **-** | **82** | **23,718** |
| **Assets backing contracts where the financial risk is borne by policyholders** | **137,757** | **-** | **(1)** | **137,757** |
| **TOTAL INVESTMENTS** | **560,378** | **(107)** | **2,866** | **563,137** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) Carrying value, i.e net of impairment, discount premiums and related amortization, including accrued interest, but excluding any impact of derivatives.*

*(d) Excluding macro hedge and other derivatives.*

*(e) Macro hedge and other derivatives.*

*(f) Carrying value (see (c)), but including effect of hedging instruments (IAS 39), economic hedging instruments not acting as hedging under IAS 39, macrohedge and other derivatives.*

*(g) Other investments held through consolidated investment funds designated as at fair value through profit or loss.*

**December 31, 2010 (a) (b)**

| Banking and other activities | | | | Total | | | |
|---|---|---|---|---|---|---|---|
| Net book value excluding effect of derivatives (c) | Impact of derivative instruments subject to hedge accounting (d) | Impact of other derivative instruments (e) | Net book value including effect of derivatives (f) | Net book value excluding effect of derivatives (c) | Impact of derivative instruments subject to hedge accounting (d) | Impact of other derivative instruments (e) | Net book value including effect of derivatives (f) |
| 2,435 | - | - | 2,435 | 17,063 | - | - | 17,063 |
| - | - | - | - | 1,122 | - | - | 1,122 |
| - | - | - | - | - | - | - | - |
| **2,435** | **-** | **-** | **2,435** | **18,185** | **-** | **-** | **18,185** |
| - | - | - | - | - | - | - | - |
| 6,099 | (84) | 6 | 6,020 | 312,507 | (794) | 2,253 | 313,966 |
| 451 | - | (3) | 448 | 29,916 | - | 7 | 29,923 |
| 265 | - | (23) | 242 | 574 | - | (350) | 225 |
| 2,235 | - | 1 | 2,237 | 10,462 | - | (31) | 10,431 |
| **9,050** | **(84)** | **(19)** | **8,947** | **353,460** | **(794)** | **1,879** | **354,545** |
| 2,195 | - | 9 | 2,204 | 18,760 | 226 | (35) | 18,951 |
| 350 | - | - | 350 | 6,105 | - | - | 6,105 |
| - | - | - | - | 32 | - | (1) | 32 |
| **2,545** | **-** | **9** | **2,554** | **24,897** | **226** | **(36)** | **25,088** |
| 237 | - | - | 237 | 6,858 | 376 | 1 | 7,235 |
| 106 | - | - | 106 | 5,013 | - | 83 | 5,096 |
| 347 | - | - | 347 | 347 | - | - | 347 |
| **690** | **-** | **-** | **690** | **12,218** | **376** | **83** | **12,678** |
| **1** | **-** | **-** | **1** | **5,209** | **-** | **15** | **5,224** |
| **-** | **-** | **(1,957)** | **(1,957)** | **(263)** | **-** | **(1,124)** | **(1,387)** |
| **12,286** | **(84)** | **(1,967)** | **10,235** | **395,520** | **(191)** | **818** | **396,147** |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 1 | 2 | - | - | 1 | 2 |
| - | - | - | - | - | - | - | - |
| 18,881 | (162) | - | 18,719 | 42,518 | (162) | 82 | 42,438 |
| - | - | 25 | 25 | - | - | 25 | 25 |
| **18,882** | **(162)** | **27** | **18,746** | **42,518** | **(162)** | **109** | **42,464** |
| **-** | **-** | **-** | **-** | **137,757** | **-** | **(1)** | **137,757** |
| **33,603** | **(246)** | **(1,940)** | **31,416** | **593,981** | **(354)** | **926** | **594,554** |

## 20.4. 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 20.3). The tables below set out the impact of derivative instruments on the related underlying liabilities.

### 20.4.1. Liabilities arising from insurance and investment contracts

| | December 31, 2011 | | | | December 31, 2010 [(a)] [(b)] | | | |
|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | Carrying value excluding effect of hedging value | Impact of derivative instruments subject to hedge accounting | Impact of other derivative instruments | Carrying value including effects of derivatives | Carrying value excluding effect of hedging value | Impact of derivative instruments subject to hedge accounting | Impact of other derivative instruments | Carrying value including effects of derivatives |
| Liabilities arising from insurance contracts | 358,146 | - | (612) | 357,534 | 342,559 | - | (203) | 342,356 |
| Liabilities arising from insurance contracts where the financial risk is borne by policyholders | 104,642 | - | (167) | 104,475 | 108,587 | - | (139) | 108,448 |
| **Total liabilities arising from insurance contract** | **462,788** | **-** | **(779)** | **462,009** | **451,146** | **-** | **(342)** | **450,804** |
| liabilities arising from investment contracts with discretionary participating features | 37,858 | - | - | 37,858 | 37,233 | - | - | 37,233 |
| liabilities arising from investment contracts with no discretionary participating features | 380 | - | - | 380 | 720 | - | - | 720 |
| Liabilities arising from investment contracts where the financial risk is borne by policyholders | 29,957 | - | (36) | 29,921 | 29,706 | - | (4) | 29,702 |
| **Total liabilities arising from investment contracts** | **68,195** | **-** | **(36)** | **68,158** | **67,659** | **-** | **(4)** | **67,655** |
| **Macro hedge and other derivative instruments on insurance and investment contracts (liabilities)** | **-** | **-** | **(1,241)** | **(1,241)** | **-** | **-** | **(395)** | **(395)** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

### 20.4.2. Liabilities (and assets) arising from banking activities

As of December 31, 2011, the fair value of derivatives related to macro hedges shown in Note 15 are used to hedge interest rate risk exposures in the context of ordinary banking activities, in order to achieve an appropriate interest rate spread between its interest earning assets and interest bearing liabilities. Related hedged assets are disclosed in Note 9.4.2 and liabilities in Note 15.

### 20.4.3. Other financial liabilities

| | December 31, 2011 | | | | December 31, 2010 [a] [b] | | | |
|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | Carrying value excluding effect of derivative instruments | Impact of derivative instruments subject to hedge accounting | Impact of other derivative instruments | Carrying value including effects of derivative instruments | Carrying value excluding effect of derivative instruments | Impact of derivative instruments subject to hedge accounting | Impact of other derivative instruments | Carrying value including effects of derivative instruments |
| Subordinated debt | 6,657 | - | 451 | 7,108 | 6,544 | - | 522 | 7,066 |
| Financing debt instruments issued | 2,454 | - | 52 | 2,506 | 2,465 | - | 35 | 2,500 |
| Financing debt owed to credit institutions | 807 | - | - | 807 | 887 | - | - | 887 |
| **Financing debts [c]** | **9,918** | **-** | **503** | **10,421** | **9,897** | **-** | **557** | **10,454** |
| **Liabilities arising from banking activities** | **33,927** | **(31)** | **128** | **34,023** | **27,223** | **34** | **275** | **27,532** |
| Other debt instruments issued, notes and bank overdraft | 6,272 | - | - | 6,272 | 6,504 | - | - | 6,504 |
| Minority interests of controlled investment funds and other puttable instruments held by minority interest holders | 3,896 | - | - | 3,896 | 4,855 | - | - | 4,855 |
| Payables arising from direct insurance and inward reinsurance operations | 7,212 | - | - | 7,212 | 7,472 | - | - | 7,472 |
| Payables arising from direct outward reinsurance operations | 5,179 | - | - | 5,179 | 5,916 | - | - | 5,916 |
| Payable - current tax position | 1,194 | - | - | 1,194 | 1,348 | - | - | 1,348 |
| Other payables | 45,576 | - | 64 | 45,640 | 41,950 | - | 12 | 41,962 |
| **Payables** | **69,328** | **-** | **64** | **69,392** | **68,046** | **-** | **12** | **68,058** |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) Financing debt are disclosed in the balance sheet net of the impact of derivatives. As a result, the amount showing in the column «value including effect of derivatives» is their carrying value.*

## 20.5. BREAKDOWN OF DERIVATIVE INSTRUMENTS BY VALUATION METHOD

| | December 31, 2011 | | |
|---|---|---|---|
| | Instruments quoted in an active market | Instruments not quoted in an active market - No active market | |
| *(in Euro million)* | Fair value determined directly by reference to an active market level 1 | Fair value based on observable market data level 2 | Fair value not based on observable market data level 3 |
| Derivative instruments on investments (hedge accounting) | (239) | (1,323) | - |
| Other derivative instruments on investments [(c)] | (273) | (618) | - |
| Macro hedge on investments | (58) | (981) | 1 |
| **Total net value of derivative instruments - assets (1)** | **(570)** | **(2,922)** | **1** |
| Derivatives on insurance & investment contracts (hedge accounting) | - | - | - |
| Other derivatives on insurance & investment contracts [(c)] | 7 | (823) | - |
| Macro hedge derivatives on insurance and investment contracts | 13 | (1,256) | 3 |
| **Total derivative instruments relating to insurance and investment contracts** | **20** | **(2,078)** | **3** |
| **Derivative instruments relating to financing debt, operating debt and other financial liabilities** | **-** | **503** | **-** |
| Macro hedge banking activities and other derivatives | 75 | 85 | - |
| **Total net value of derivative instruments - liabilities (2)** | **95** | **(1,491)** | **3** |
| **NET FAIR VALUE (1)-(2)** | | | |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(b) Following the refinement of the IFRS chart of accounts in 2011 some aggregates of December 31, 2010 statement of financial position have been reclassified in order to present a comparable basis (see Note 1.20).*

*(c) Other derivatives instruments that do not qualify for hedge accounting according to IAS 39.*

| | | December 31, 2010 [a] [b] | | | |
|---|---|---|---|---|---|
| | | Instruments quoted in an active market | Instruments not quoted in an active market - No active market | | |
| | Total | Fair value determined directly by reference to an active market level 1 | Fair value based on observable market data level 2 | Fair value not based on observable market data level 3 | Total |
| | (1,563) | (461) | (809) | - | (349) |
| | (892) | 2,528 | (508) | - | 2,020 |
| | (1,037) | (20) | (1,082) | 3 | (1,099) |
| | **(3,491)** | **2,969** | **(2,399)** | **3** | **573** |
| | - | - | - | - | - |
| | (816) | 13 | (358) | - | (345) |
| | (1,241) | 5 | (401) | - | (396) |
| | **(2,056)** | **18** | **(759)** | **-** | **(742)** |
| | **503** | **2** | **555** | **-** | **557** |
| | 160 | 43 | 278 | - | 321 |
| | **(1,393)** | **62** | **74** | **-** | **136** |
| | **(2,098)** | | | | **437** |

Principles applied by the Group in order to proceed with the classification of financial instruments into the IAS 39 fair value hierarchy categories and the fair value hierarchy applicable to such instruments are described in note 9.9. Same principles apply as far as derivatives instruments are concerned.

### Assets for which fair value is not based on observable market data (unobservable inputs) – Level 3

Among amounts presented as Level 3, fair values determined in whole or in part using a valuation technique based on assumptions that are not supported by a majority of prices from observable current market transactions in the same instrument or a majority of available observable market data represented as of December 31, 2011 net fair values of €-1 million of derivatives held by the Group (including an estimation of the extent to which external quotes on inactive markets are based on observable data), in comparison with net fair values of €+3 million as of December 31, 2010. There was no significant transfer in or out of the level 3 category and all changes relate to changes in fair value through income or expirations.

The identification of such derivatives among assets held at fair value representing instruments not quoted in an active market involves a significant level of judgment. Are considered as observable: inputs provided by external pricing services, information observable on data providers screens, rating agencies, external surveys. The extent to which such data are external to the Group and not assessed by internal valuation teams is one of the main criteria applied in assessing whether data are observable or not. Should those data be significantly adjusted or would they be outdated because of the lack of new available factors, such inputs would be deemed unobservable. Another area of judgment is the assessment of the significance of an input against the fair value measurement in its entirety. As a result, a different cut between observable and unobservable data and variances in the weighting of the significance of each input against the fair value measurement in its entirety could produce a different categorization

# Note 21 Segmental information

For more information about the Group's segments identification, please refer to page 263 to 267 of Note 3 Statement of income by segment.

The Canadian operations sold are accounted for as discontinued operations. As a consequence, they are stated on a separate line of the income statement as of December 31, 2010 and 2011. Assets and liabilities related to these operations are not presented in separate asset and liability items in the statement of financial position as of December 31, 2010.

## 21.1. CHIFFRE 21.1. TOTAL REVENUES

| *Total revenues [(a)] (in Euro million)* | December 31, 2011 | December 31, 2010 Restated [(d)] |
|---|---|---|
| **LIFE & SAVINGS** | **52,431** | **56,792** |
| *of which direct premiums* | *48,027* | *51,097* |
| *of which reinsurance assumed* | *2,898* | *2,799* |
| *of which fees and charges on investment contracts with no participation features* | *350* | *518* |
| *of which revenues from other activities* | *1,163* | *1,440* |
| France | 13,644 | 14,624 |
| United States | 9,656 | 9,458 |
| United Kingdom | 651 | 2,040 |
| Japan | 5,747 | 5,560 |
| Germany | 6,985 | 6,867 |
| Switzerland | 6,151 | 5,082 |
| Belgium | 2,142 | 2,504 |
| Mediterranean and Latin American Region | 4,789 | 6,944 |
| Other countries [(b)] | 2,666 | 3,712 |

| *Total revenues [a] (in Euro million)* | December 31, 2011 | December 31, 2010 Restated [d] |
|---|---|---|
| **PROPERTY & CASUALTY** | **27,046** | **25,986** |
| *of which direct premiums* | *26,724* | *25,605* |
| *of which reinsurance assumed* | *414* | *303* |
| *of which revenues from other activities* | *74* | *78* |
| France | 5,553 | 5,485 |
| Germany | 3,607 | 3,458 |
| United Kingdom and Ireland | 3,670 | 3,605 |
| Switzerland | 2,637 | 2,327 |
| Belgium | 2,080 | 2,031 |
| Mediterranean and Latin American Region | 6,816 | 6,621 |
| Direct [c] | 2,102 | 1,928 |
| Other countries [b] | 581 | 532 |
| **INTERNATIONAL INSURANCE** | **2,876** | **2,847** |
| *of which direct premiums* | *1,963* | *1,978* |
| *of which reinsurance assumed* | *1,958* | *671* |
| *of which revenues from other activities* | *197* | *199* |
| AXA Corporate Solutions Assurance | 1,986 | 1,931 |
| AXA Global Life & AXA Global P&C | 71 | 50 |
| AXA Assistance | 750 | 772 |
| Other | 69 | 95 |
| **ASSET MANAGEMENT** | **3,269** | **3,328** |
| AllianceBernstein | 1,963 | 2,109 |
| AXA Investment Managers | 1,306 | 1,219 |
| **BANKING** | **485** | **459** |
| AXA Banque | 118 | 103 |
| AXA Bank Europe | 264 | 266 |
| German bank | 25 | 13 |
| Other Banks | 79 | 77 |
| **Holdings** | - | - |
| **TOTAL** | **86,107** | **89,412** |

*(a) Net of intercompany eliminations.*
*(b) The contribution of discontinued Canadian operations is reclassified on a separate line of the income statement.*
*(c) In order to improve visibility on Direct operations in P&C, this activity is now reported as a separate reporting unit and no longer included within countries or regions. Reported full year 2010 figures by country were modified accordingly with this new presentation.*
*(d) Restated of discontinued canadian operations.*

Geographical information regarding revenues and assets of International Insurance, Asset Management is not available in the reporting tool and the cost to develop it would be excessive. A relevant split by entity is anyway provided above for these segments.

Given the Group's scale and diversity, none of its clients' accounts for more than 10% of its business.

## 21.2. TOTAL ASSETS

| *Total assets (a) (b) (in Euro million)* | December 31, 2011 | December 31, 2010 |
|---|---|---|
| **LIFE & SAVINGS** | **562,045** | **565,045** |
| France | 142,080 | 143,293 |
| United States | 133,335 | 124,891 |
| United Kingdom | 19,110 | 27,192 |
| Japan | 59,691 | 51,343 |
| Germany | 63,457 | 60,685 |
| Switzerland | 62,413 | 59,605 |
| Belgium | 30,857 | 30,309 |
| Mediterranean and Latin American Region | 38,533 | 40,559 |
| Other countries | 12,570 | 27,169 |
| **PROPERTY & CASUALTY** | **65,175** | **69,137** |
| France | 17,540 | 17,180 |
| Germany | 8,868 | 8,680 |
| United Kingdom and Ireland | 6,432 | 7,563 |
| Switzerland | 7,491 | 8,627 |
| Belgium | 8,565 | 8,427 |
| Mediterranean and Latin American Region | 12,025 | 12,594 |
| Direct (c) | 3,273 | 1,785 |
| Other countries | 981 | 4,281 |
| **INTERNATIONAL INSURANCE** | **14,211** | **15,626** |
| AXA Corporate Solutions Assurance | 8,757 | 8,720 |
| AXA Global Life & AXA Global P&C | 457 | 227 |
| AXA Assistance | 788 | 760 |
| Other | 4,209 | 5,919 |
| **ASSET MANAGEMENT** | **7,039** | **6,943** |
| AllianceBernstein | 4,813 | 4,567 |
| AXA Investment Managers | 2,226 | 2,377 |
| **BANKS** | **35,285** | **29,242** |
| AXA Banque | 3,262 | 3,009 |
| AXA Bank Europe | 30,290 | 23,254 |
| German bank | 441 | 1,308 |
| Other Banks | 1,293 | 1,670 |
| **Holdings** | **46,330** | **45,397** |
| **TOTAL** | **730,085** | **731,390** |

*(a) Net of intercompany eliminations.*
*(b) Including assets held for sale.*
*(c) In order to improve visibility on Direct operations in P&C, this activity is now reported as a separate reporting unit and no longer included within countries or regions. Reported full year 2010 figures by country were modified accordingly with this new presentation.*

As of December 31, 2010, assets and liabilities related to the Canadian operations included in the table above amounted to €4,130 million.

## 21.3. SEGMENT INFORMATION

### 21.3.1. Life & Savings

| *(in Euro million)* | December 31, 2011 | | | December 31, 2010 [(a)] | | |
|---|---|---|---|---|---|---|
| | 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) | 19,178 | 187,434 | 34,349 | 22,883 | 178,631 | 35,527 |
| Retirement/annuity/investment contracts (group) | 2,279 | 30,826 | 5,589 | 2,620 | 29,731 | 5,410 |
| Life contracts (including endowment contracts) | 20,097 | 154,952 | 1,508 | 20,276 | 153,821 | 996 |
| Health contracts | 7,304 | 21,080 | 23 | 6,944 | 19,039 | - |
| Other | 2,062 | 10,016 | 9 | 2,111 | 9,523 | - |
| **SUB-TOTAL** | **50,918** | **404,308** | **41,479** | **54,834** | **390,745** | **41,933** |
| Fees and charges relating to investment contracts with no participating features [(c)] | 350 | | 26,716 | 518 | - | 25,726 |
| Fees, commissions and other revenues | 1,163 | | | 1,440 | - | - |
| **TOTAL** | **52,431** | **404,308** | **68,195** | **56,792** | **390,745** | **67,659** |
| Contracts with financial risk borne by policyholders (unit-linked) | 12,051 | 104,642 | 29,957 | 12,285 | 108,587 | 29,706 |
| *UK with-profit business* | - | - | - | *443* | - | - |

*(a) In 2010, assets and liabilities related to Australian and New Zealand operations, and some UK Life and Savings portfolios for which the disposal process was not finalized as of December 31, 2010 were classified as held for sale (see Note 5.3).*

*(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 features and investment contracts without discretionary participation features where the financial risk is borne by policyholders.*

As of December 31, 2010, liabilities arising from insurance contracts and investment contracts classified as held for sale represented respectively €2.3 billion and €7.8 billion for Australian and New Zealand operations, and €2.3 billion and €6.3 billion respectively for United Kingdom.

### 21.3.2. Property & Casualty

| *(in Euro million)* | Gross written premiums | | Liabilities arising from insurance contracts | |
|---|---|---|---|---|
| | December 31, 2011 | December 31, 2010 [(a)] | December 31, 2011 | December 31, 2010 |
| **Personal lines** | **16,104** | **15,919** | **23,365** | **25,888** |
| Motor | 9,793 | 9,299 | 15,762 | 16,450 |
| Property damage | 3,754 | 3,831 | 3,469 | 3,754 |
| Health | 1,204 | 1,264 | 1,172 | 1,222 |
| Other | 1,353 | 1,525 | 2,962 | 4,462 |
| **Commercial lines** | **10,472** | **9,634** | **24,565** | **23,582** |
| Motor | 2,178 | 2,085 | 3,180 | 3,297 |
| Property damage | 2,727 | 2,392 | 2,770 | 2,873 |
| Liability | 1,583 | 1,377 | 7,565 | 6,752 |
| Health | 2,176 | 1,894 | 3,929 | 3,729 |
| Other | 1,808 | 1,886 | 7,120 | 6,931 |
| **Other** | **396** | **355** | **948** | **791** |
| **Sub-total** | **26,972** | **25,908** | **48,879** | **50,261** |
| Fees, commissions and other revenues | 74 | 78 | | |
| **TOTAL** | **27,046** | **25,986** | **48,879** | **50,261** |

*(a) Restated of discontinued Canada operations.*

As of December 31, 2010, liabilities arising from insurance contracts related to the Canadian operations included in the table above amounted to €2,352 million.

### 21.3.3. International Insurance

| (in Euro million) | Gross written premiums December 31, 2011 | Gross written premiums December 31, 2010 | Liabilities arising from insurance contracts December 31, 2011 | Liabilities arising from insurance contracts December 31, 2010 |
|---|---|---|---|---|
| Property damage | 598 | 557 | 1,601 | 1,352 |
| Motor, Marine, Aviation | 883 | 759 | 2,365 | 2,747 |
| Liability | 498 | 444 | 4,058 | 3,759 |
| Other | 700 | 889 | 1,578 | 2,282 |
| **Sub-total** | **2,679** | **2,649** | **9,601** | **10,140** |
| Fees, commissions and other revenues | 197 | 199 | | |
| **TOTAL** | **2,876** | **2,847** | **9,601** | **10,140** |

### 21.3.4. Liabilities arising from insurance contracts in the Property & Casualty and International Insurance segments

| | December 31, 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in Euro million) | Claims reserves | IBNR | Claim expense reserves | Claim expense reserve on IBNR | Total Claims reserves including IBNR and expenses | Unearned premiums reserves & others | Total Technical Liabilities |
| Personal lines | | | | | | | |
| Motor | 9,408 | 2,140 | 365 | 26 | 11,939 | 3,823 | 15,762 |
| Property damage | 1,208 | 446 | 82 | 6 | 1,742 | 1,727 | 3,469 |
| Other | 1,535 | 676 | 69 | 17 | 2,297 | 1,837 | 4,134 |
| **Sub-total Personal lines** | **12,151** | **3,261** | **516** | **49** | **15,978** | **7,387** | **23,365** |
| Commercial lines | | | | | | | |
| Motor | 1,822 | 411 | 85 | 3 | 2,321 | 860 | 3,180 |
| Property damage | 1,556 | 248 | 43 | 2 | 1,848 | 922 | 2,770 |
| Liability | 5,453 | 1,542 | 150 | 36 | 7,181 | 384 | 7,565 |
| Other | 6,063 | 1,108 | 222 | 28 | 7,421 | 3,628 | 11,049 |
| **Sub-total Commercial lines** | **14,893** | **3,310** | **500** | **68** | **18,771** | **5,794** | **24,565** |
| Other | 579 | 229 | 17 | 5 | 830 | 118 | 948 |
| **TOTAL - PROPERTY & CASUALTY EXCLUDING INTERNATIONAL INSURANCE** | **27,623** | **6,800** | **1,032** | **123** | **35,579** | **13,300** | **48,879** |
| Property damage | 988 | 417 | 35 | 2 | 1,442 | 159 | 1,601 |
| Motor, Marine, Aviation | 1,688 | 533 | 77 | 5 | 2,302 | 63 | 2,365 |
| Liability | 2,246 | 1,574 | 74 | 16 | 3,909 | 149 | 4,058 |
| Other | 440 | 253 | 42 | - | 735 | 843 | 1,578 |
| **TOTAL - INTERNATIONAL INSURANCE** | **5,362** | **2,776** | **227** | **23** | **8,388** | **1,214** | **9,601** |
| **TOTAL - PROPERTY & CASUALTY INCLUDING INTERNATIONAL INSURANCE** | **32,985** | **9,576** | **1,259** | **146** | **43,967** | **14,514** | **58,480** |

| | December 31, 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in Euro million)* | Claims reserves | IBNR | Claim expense reserves | Claim expense reserve on IBNR | Total Claims reserves including IBNR and expenses | Unearned premiums reserves & others | Total Technical Liabilities |
| Personal lines | | | | | | | |
| Motor | 9,783 | 2,091 | 403 | 35 | 12,312 | 4,139 | 16,450 |
| Property damage | 1,380 | 556 | 80 | 11 | 2,027 | 1,726 | 3,754 |
| Other | 2,722 | 850 | 90 | 6 | 3,668 | 2,015 | 5,683 |
| **Sub-total Personal lines** | **13,885** | **3,497** | **574** | **52** | **18,007** | **7,881** | **25,888** |
| Commercial lines | | | | | | | |
| Motor | 1,896 | 425 | 82 | 8 | 2,410 | 887 | 3,297 |
| Property damage | 1,637 | 264 | 42 | 5 | 1,949 | 924 | 2,873 |
| Liability | 4,576 | 1,554 | 138 | 68 | 6,337 | 416 | 6,752 |
| Other | 5,781 | 1,047 | 210 | 31 | 7,068 | 3,592 | 10,660 |
| **Sub-total Commercial lines** | **13,890** | **3,290** | **472** | **112** | **17,763** | **5,819** | **23,582** |
| Other | 482 | 134 | 17 | 6 | 638 | 153 | 791 |
| **TOTAL - PROPERTY & CASUALTY EXCLUDING INTERNATIONAL INSURANCE** | **28,256** | **6,920** | **1,063** | **169** | **36,408** | **13,853** | **50,261** |
| Property damage | 787 | 430 | 13 | 17 | 1,247 | 105 | 1,352 |
| Motor, Marine, Aviation | 1,653 | 973 | 23 | 40 | 2,689 | 58 | 2,747 |
| Liability | 1,761 | 1,759 | 29 | 64 | 3,612 | 147 | 3,759 |
| Other | 933 | 538 | 12 | 37 | 1,520 | 762 | 2,282 |
| **TOTAL - INTERNATIONAL INSURANCE** | **5,134** | **3,699** | **77** | **157** | **9,067** | **1,073** | **10,140** |
| **TOTAL - PROPERTY & CASUALTY INCLUDING INTERNATIONAL INSURANCE** | **33,390** | **10,619** | **1,140** | **326** | **45,476** | **14,925** | **60,401** |

As of December 31, 2010, liabilities arising from insurance contracts related to the Canadian operations included in the table above amounted to €2,352 million in Property & Casualty.

## 21.4. NET REVENUES FROM BANKING ACTIVITIES

| *(in Euro million)* | December 31, 2011 | December 31, 2010 |
|---|---|---|
| Net interests revenues | 410 | 394 |
| Net commissions | 69 | 53 |
| Net other banking operating income | - | 5 |
| **Net revenues from banking activities** | **479** | **452** |

## Note 22 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:

| | December 31, 2011 [(a)] | | | | |
|---|---|---|---|---|---|
| *(in Euro million)* | Net investment income | Net realized gains and losses relating to investments at cost and at fair value through shareholders'equity | Net realized gains and losses and change in fair value of other investments at fair value through profit or loss | Change in investments impairment | Net investment result |
| Investment in real estate properties at amortized cost | 735 | 455 | - | (43) | 1,147 |
| Investment in real estate properties as at fair value through profit or loss | 63 | - | 35 | - | 98 |
| **Investment in real estate properties** | **798** | **455** | **35** | **(43)** | **1,245** |
| Debt instruments held to maturity | - | - | - | - | - |
| Debt instruments available for sale | 12,476 | 293 | 124 | (1,127) | 11,766 |
| Debt instruments designated as at fair value through profit or loss [(b)] | 1,010 | - | (60) | - | 950 |
| Debt instruments held for trading | 18 | - | 4 | - | 22 |
| Non quoted debt instruments (amortized cost) | 110 | - | - | - | 110 |
| **Debt instruments** | **13,614** | **293** | **68** | **(1,127)** | **12,848** |
| Equity instruments available for sale [(c)] | 544 | 1,648 | (304) | (776) | 1,112 |
| Equity instruments designated as at fair value through profit or loss [(d)] | 198 | - | (16) | - | 182 |
| Equity instruments held for trading | (1) | - | (1) | - | (2) |
| **Equity instruments** | **741** | **1,648** | **(321)** | **(776)** | **1,292** |
| Non controlled investment funds available for sale | 231 | 96 | 50 | (79) | 298 |
| Non controlled investment funds designated as at fair value through profit or loss | 211 | - | 79 | - | 291 |
| Non controlled investment funds held for trading | 3 | - | (31) | - | (27) |
| **Non controlled investment funds** | **445** | **96** | **98** | **(79)** | **561** |
| **Other assets held by controlled investment funds designated as at fair value through profit or loss** | **84** | **-** | **(86)** | | **(2)** |
| Loans held to maturity | - | - | - | - | - |
| Loans available for sale | 22 | - | - | 15 | 37 |
| Loans designated as at fair value through profit or loss | 1 | - | - | - | 1 |
| Loans held for trading | - | - | - | - | - |
| loans at cost | 1,059 | (72) | - | (8) | 978 |
| **Loans** | **1,082** | **(72)** | **-** | **7** | **1,016** |
| **Assets backing contracts where the financial risk is borne by policyholders** | **-** | | **(4,977)** | | **(4,977)** |
| **Derivative instruments** | **2,441** | **-** | **1,585** | **-** | **4,026** |
| **Investment management expenses** | **(516)** | | | | **(516)** |
| **Other** | **(219)** | **732** | **191** | **2** | **706** |
| **NET INVESTMENT RESULT** | **18,469** | **3,153** | **(3,406)** | **(2,016)** | **16,199** |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement.*
*(b) Includes debt instruments held by consolidated investment funds, designated as at fair value through profit or loss.*
*(c) Includes net realized gains and losses relating to investments at cost and at fair value through shareholders' equity on Taikang Life (€830 million gross or €798 million net).*
*(d) Includes equity instruments held by consolidated investment funds, designated as at fair value through profit or loss.*

| *(in Euro million)* | December 31, 2010 [(a)] Net investment income | Net realized gains and losses relating to investments at cost and at fair value through shareholders'equity | Net realized gains and losses and change in fair value of other investments at fair value through profit or loss | Change in investments impairment | Net investment result |
|---|---|---|---|---|---|
| Investment in real estate properties at amortized cost | 690 | 266 | - | (14) | 942 |
| Investment in real estate properties as at fair value through profit or loss | 138 | - | 152 | - | 290 |
| **Investment in real estate properties** | **828** | **266** | **152** | **(14)** | **1,232** |
| Debt instruments held to maturity | - | - | - | - | - |
| Debt instruments available for sale | 12,062 | 150 | - | (299) | 11,912 |
| Debt instruments designated as at fair value through profit or loss [(b)] | 1,726 | - | 1,326 | - | 3,052 |
| Debt instruments held for trading | 7 | - | (84) | - | (76) |
| Non quoted debt instruments (amortized cost) | 27 | - | - | - | 27 |
| **Debt instruments** | **13,822** | **150** | **1,242** | **(299)** | **14,915** |
| Equity instruments available for sale | 514 | 1,334 | (288) | (484) | 1,077 |
| Equity instruments designated as at fair value through profit or loss [(c)] | 241 | - | 13 | - | 255 |
| Equity instruments held for trading | (2) | - | 1 | - | (1) |
| **Equity instruments** | **754** | **1,334** | **(273)** | **(484)** | **1,331** |
| Non controlled investment funds available for sale | 141 | 140 | - | (90) | 191 |
| Non controlled investment funds designated as at fair value through profit or loss | 49 | - | 78 | - | 126 |
| Non controlled investment funds held for trading | 13 | - | 18 | - | 31 |
| **Non controlled investment funds** | **202** | **140** | **95** | **(90)** | **348** |
| **Other assets held by controlled investment funds designated as at fair value through profit or loss** | **211** | **-** | **378** | | **589** |
| Loans held to maturity | - | - | - | - | - |
| Loans available for sale | 30 | 8 | - | (17) | 22 |
| Loans designated as at fair value through profit or loss | 4 | - | 9 | - | 13 |
| Loans held for trading | - | - | 1 | - | 1 |
| Loans at cost | 1,142 | (5) | - | (30) | 1,107 |
| **Loans** | **1,177** | **3** | **10** | **(47)** | **1,142** |
| **Assets backing contracts where the financial risk is borne by policyholders** | **-** | | **13,788** | | **13,788** |
| **Derivative instruments** | **(1,210)** | **-** | **3,116** | **-** | **1,906** |
| **Investment management expenses** | **(613)** | | | | **(613)** |
| **Other** | **328** | **-** | **(3,081)** | **-** | **(2,752)** |
| **NET INVESTMENT RESULT** | **15,499** | **1,894** | **15,427** | **(934)** | **31,886** |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

*(b) Includes debt instruments held by consolidated investment funds, designated as at fair value through profit or loss.*

*(c) Includes equity instruments held by consolidated investment funds, designated as at fair value through profit or loss.*

**Net investment income** is presented net of impairment charges on directly-owned investment properties, and net of amortization of debt instruments premiums/discounts. All investment management fees are also included in the aggregate figure.

**Net realized gains and losses relating to investment at cost and at fair value through shareholders' equity** include write back of impairment following investment sales.

**Net realized gains and losses and change in fair value of investments designated as at fair value through profit or loss** consists mainly of:

- adjustments relating to investments backing contracts where the financial risk is borne by policyholders which are offset by an adjustment of related policyholders reserves, as there is a full pass through of the performance of held assets to the individual contract holder;
- changes in the fair value of investments designated as at fair value through profit or loss held by funds of the "Satellite Investment Portfolios" as defined in Note 1.7.2;
- changes in fair value of underlying hedged items in fair value hedges (as designated by IAS 39) or "natural hedges" (i.e. underlying assets designated as at fair value through profit or loss part of an economic hedge not eligible for hedge accounting as defined by IAS 39).

**The changes in investments impairment for OCI Assets** include impairment charges on investments, and releases of impairment only following revaluation of the recoverable amount. Write back of impairment following investment sales are included in the net realized capital gains or losses on investments aggregate.

# Note 23 Net result of reinsurance ceded

Net result of reinsurance ceded was as follows:

| | December 31, 2011 [(a)] | | | | |
|---|---|---|---|---|---|
| *(in Euro million)* | Life & Savings | Property & Casualty | International Insurance | Inter-segment eliminations | Total |
| Premiums ceded and unearned premiums ceded | (1,203) | (1,598) | (979) | 356 | (3,423) |
| Claims ceded (including change in claims reserves) | 1,291 | 525 | 625 | (150) | 2,292 |
| Commissions received from reinsurers | 93 | 167 | 136 | 3 | 398 |
| **NET RESULT OF REINSURANCE CEDED** | **181** | **(905)** | **(217)** | **208** | **(733)** |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement.*

| | December 31, 2010 [(a)] | | | | |
|---|---|---|---|---|---|
| *(in Euro million)* | Life & Savings | Property & Casualty | International Insurance | Inter-segment eliminations | Total |
| Premiums ceded and unearned premiums ceded | (1,392) | (1,452) | (984) | 395 | (3,434) |
| Claims ceded (including change in claims reserves) | 1,437 | 482 | 554 | (221) | 2,253 |
| Commissions received from reinsurers | 140 | 130 | 148 | (25) | 394 |
| **NET RESULT OF REINSURANCE CEDED** | **185** | **(839)** | **(282)** | **149** | **(787)** |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

# Note 24 Financing debt expenses

Financing debt expenses amounted to €360 million in 2011 or €329 million including foreign exchange rate impacts that are balanced by an equivalent amount in net investment income. Financing debt expenses include income and expenses relating to hedging derivative instruments on financing debt mainly in the Company (€264 million).

Financing debt expenses amounted to €488 million in 2010 and included income and expenses relating to hedging derivative instruments on financing debt, mainly in the Company (€238 million).

# Note 25 Expenses by type

## 25.1. ACQUISITION EXPENSES

| *(in Euro million)* | Life & Savings | Property & Casualty | International Insurance | Total Insurance |
|---|---|---|---|---|
| Acquisition expenses – gross [(b)] | 4,820 | 4,796 | 354 | 9,970 |
| Change in deferred acquisition expenses and equivalents [(c)] | (1,731) | (48) | 5 | (1,774) |
| **NET ACQUISITION EXPENSES** | **3,089** | **4,748** | **359** | **8,196** |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

*(b) Includes all acquisition expenses relating to insurance and investment contracts before capitalization/amortization of deferred acquisition expenses and equivalents.*

*(c) Change (capitalization and amortization) in deferred acquisition expenses 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.*

## 25.2. EXPENSES BY TYPE

| *(in Euro million)* | Life & Savings | Property & Casualty | International Insurance | Total Insurance |
|---|---|---|---|---|
| Acquisition expenses – gross | 4,820 | 4,796 | 354 | 9,970 |
| Claims handling expenses | 460 | 1,285 | 421 | 2,167 |
| Investment management expenses | 340 | 70 | 17 | 426 |
| Administrative expenses | 3,356 | 2,604 | 242 | 6,202 |
| Banking expenses | - | - | - | - |
| Increase/(write back) of tangible assets amortization | (4) | - | - | (4) |
| Other income/expenses | 20 | (24) | (9) | (14) |
| **TOTAL EXPENSES BY DESTINATION** | **8,991** | **8,731** | **1,024** | **18,747** |
| **Breakdown of expenses by type** | | | | |
| Staff expenses | 2,468 | 2,594 | 421 | 5,483 |
| Outsourcing and professional services | 391 | 282 | 37 | 710 |
| IT expenses | 538 | 555 | 67 | 1,159 |
| Charges relating to owner occupied properties | 254 | 240 | 44 | 538 |
| Commissions paid | 3,844 | 4,158 | 336 | 8,339 |
| Other expenses | 1,497 | 903 | 119 | 2,519 |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*

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| December 31, 2011 [(a)] | | | | | December 31, 2010 [(a)] |
|---|---|---|---|---|---|
| Asset Management | Banking | Holdings | Inter-segment eliminations | Total | Total |
| - | - | - | (12) | 9,957 | 9,903 |
| - | - | - | - | (1,774) | (1,423) |
| **-** | **-** | **-** | **(12)** | **8,184** | **8,481** |

| December 31, 2011 [(a)] | | | | | December 31, 2010 [(a)] |
|---|---|---|---|---|---|
| Asset Management | Banking | Holdings | Inter-segment eliminations | Total | Total |
| - | - | - | (12) | 9,957 | 9,903 |
| - | - | - | 1 | 2,167 | 2,207 |
| 5 | 2 | (3) | (155) | 276 | 286 |
| 3,102 | 435 | 622 | (323) | 10,038 | 10,713 |
| - | 70 | 17 | - | 87 | 96 |
| - | - | (25) | - | (29) | 13 |
| 215 | (26) | 202 | 140 | 518 | 26 |
| **3,323** | **482** | **813** | **(349)** | **23,016** | **23,244** |
| | | | | | |
| 1,810 | 194 | 199 | (1) | 7,685 | 7,684 |
| 146 | 43 | 70 | (94) | 874 | 965 |
| 177 | 48 | 95 | 26 | 1,505 | 1,328 |
| 210 | 13 | 14 | (2) | 773 | 910 |
| 635 | 11 | - | (219) | 8,766 | 8,889 |
| 344 | 173 | 436 | (58) | 3,414 | 3,469 |

Expenses decreased by €228 million compared to December 31, 2010 following:

- a positive impact of disposals in Australia and New Zealand as well as the partial sale of UK Life & Savings;
- productivity programs leading to flat administrative expenses evolution in mature insurance markets;

partly offset by:

- higher commissions both in Life & Savings and Property & Casualty;
- higher expenses both in High Growth and Direct markets;
- as well as higher restructuring costs notably €340 million deferred compensation accelerated vesting charge in AllianceBernstein and restructuring of participation in India.

# Note 26 Employees

## 26.1. BREAKDOWN OF STAFF EXPENSES

| *(in Euro million)* | December 31, 2011 | December 31, 2010 |
|---|---|---|
| Wages and benefits | 5,591 | 5,679 |
| Social contributions | 779 | 806 |
| Employee benefits expenses | 507 | 620 |
| Share based compensation | 461 | 224 |
| Other staff expenses and employees' profit sharing (a) | 347 | 356 |
| **TOTAL STAFF EXPENSES** | **7,685** | **7,684** |

*(a) Including redundancies and early retirement expenses (triggering event = set up of the plan), and employees' profit sharing in France.*

## 26.2. EMPLOYEE BENEFITS

### 26.2.1. Defined contribution plans

The cost of the contributions paid was recognized as an expense in the income statement, and amounted to €103 million as of December 31, 2011 (€96 million in 2010, €89 million in 2009, €82 million in 2008 and €75 million in 2007).

### 26.2.2. Defined benefit plans

The assumptions for each of the liabilities are consistent with the economic features of the corresponding countries' plans. The weighted-average assumptions used by AXA for pension plans in the principal regions in which AXA operates were as follows:

DECEMBER 2011 ASSUMPTIONS

| | Europe | North America | Japan | Other |
|---|---|---|---|---|
| **Pension benefit obligation - assumptions at end 2011** | | | | |
| Discount rate | 3.9% | 4.3% | 1.5% | 5.9% |
| Salary increase for future years | 2.4% | 6.0% | 0.0% | 6.4% |
| Inflation rate | 2.0% | 2.5% | 0.0% | 3.7% |
| **Pension benefit expense - assumptions at beginning of 2011** | | | | |
| Discount rate | 4.3% | 5.3% | 1.4% | 6.2% |
| Expected return on plan assets and separate assets | 5.2% | 6.8% | 1.3% | 4.0% |
| Salary increase for future years | 2.8% | 5.7% | 0.0% | 3.7% |

DECEMBER 2010 ASSUMPTIONS

| | Europe | North America | Japan | Other |
|---|---|---|---|---|
| **Pension benefit obligation - assumptions at end 2010** | | | | |
| Discount rate | 4.3% | 5.3% | 1.4% | 6.2% |
| Salary increase for future years | 2.8% | 5.7% | 0.0% | 3.7% |
| Inflation rate | 2.3% | 2.5% | 0.0% | 2.7% |
| **Pension benefit expense - assumptions at beginning of 2010** | | | | |
| Discount rate | 4.6% | 6.0% | 1.9% | 6.6% |
| Expected return on plan assets and separate assets | 5.6% | 6.8% | 1.3% | 7.3% |
| Salary increase for future years | 2.8% | 5.8% | 0.0% | 3.8% |



DECEMBER 2009 ASSUMPTIONS

| | Europe | North America | Japan | Other |
|---|---|---|---|---|
| **Pension benefit obligation - assumptions at end 2009** | | | | |
| Discount rate | 4.6% | 6.0% | 1.9% | 6.6% |
| Salary increase for future years | 2.8% | 5.8% | 0.0% | 3.8% |
| Inflation rate | 2.4% | 2.5% | 0.0% | 2.7% |
| **Pension benefit expense - assumptions at beginning of 2009** | | | | |
| Discount rate | 5.5% | 6.6% | 2.0% | 6.6% |
| Expected return on plan assets and separate assets | 6.1% | 6.8% | 1.3% | 7.3% |
| Salary increase for future years | 3.1% | 5.8% | 0.0% | 3.7% |

DECEMBER 2008 ASSUMPTIONS

| | Europe | North America | Japan | Other |
|---|---|---|---|---|
| **Pension benefit obligation - assumptions at end 2008** | | | | |
| Discount rate | 5.5% | 6.6% | 2.0% | 6.6% |
| Salary increase for future years | 3.1% | 5.8% | 0.0% | 3.7% |
| Inflation rate | 2.1% | 2.5% | 0.0% | 2.8% |
| **Pension benefit expense - assumptions at beginning of 2008** | | | | |
| Discount rate | 5.2% | 6.2% | 2.1% | 6.7% |
| Expected return on plan assets and separate assets | 6.3% | 8.3% | 1.3% | 7.5% |
| Salary increase for future years | 3.7% | 5.7% | 0.0% | 4.5% |

DECEMBER 2007 ASSUMPTIONS

| | Europe | North America | Japan | Other |
|---|---|---|---|---|
| **Pension benefit obligation - assumptions at end 2007** | | | | |
| Discount rate | 5.2% | 6.2% | 2.1% | 6.7% |
| Salary increase for future years | 3.7% | 5.7% | 0.0% | 4.5% |
| Inflation rate | 2.4% | 2.5% | 0.0% | 2.5% |
| **Pension benefit expense - assumptions at beginning of 2007** | | | | |
| Discount rate | 4.3% | 5.7% | 2.0% | 6.3% |
| Expected return on plan assets and separate assets | 6.6% | 8.5% | 1.1% | 7.6% |
| Salary increase for future years | 3.8% | 5.8% | 0.0% | 4.5% |

For any given plan, the discount rate is determined at the statement of financial position date by reference to market yields for the corresponding currency on high quality corporate bonds (based on a risk free rate and AA spread) depending on the plan's duration and characteristics.

Some plans do not have benefits linked to salary increase or to inflation.

The expected return on assets is the weighted average between the asset allocation and the expected return for each asset category, which is established by an AXA Group assumptions committee and is consistent with long-term assumptions used in other Group indicators.

### 26.2.3. Annual change in pension and other benefit obligation

The annual change in the Defined Benefit Obligation (DBO) is calculated on the basis of:

- service cost for the period (representing the increase in the DBO attributable to one year of additional service);
- interest cost (cost of one year less discounting);
- employee contributions;
- change in plans (amendments, curtailments, settlements, business combinations, etc.);
- actuarial gains and losses (due to assumptions and experience);
- benefits paid by employer, plan assets and separate assets.

### 26.2.4. Statement of financial position information

The statement of financial position information for employee benefits captures the difference between the DBO, the fair value of the corresponding invested plan assets, and any unrecognized past service cost. When this difference is positive, a contingency and loss reserve is recognized in the statement of financial position as a liability. When it is negative, a prepaid asset is recognized in the statement of financial position.

In addition, in accordance with IAS 19, a category of assets referred to as "separate assets" is also recorded in the statement of financial position. As defined by IFRS, separate assets are assets that may not be used to offset the DBO. Within AXA, separate assets are insurance contracts issued by some subsidiaries to back their 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. In general, these funds are backing insurance contracts and are only available to general creditors in case of bankruptcy, so their economic nature is not different from plan assets on a going concern basis. However, as the separate account assets are available to the pension plan through an insurance contract, IFRS requires their classification as separate assets despite their economic nature.

AXA Group has adopted the Statement of Comprehensive Income (SoCI) option available under IAS 19. Under the SoCI 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 SoCI 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 actually occurred) and changes in actuarial assumptions. They also include differences between the expected and actual returns on plan assets and separate assets.

Unrecognized past 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 remaining 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 of December 31, 2011.

In 2011, the main change in the scope was the sale of Canadian, Australian and New Zealanders activities.

In 2010, the partial sale of the UK Life & Savings operations has not led to a significant decrease in the liabilities of the UK pension scheme as these have been retained by AXA UK holding company, with preserved rights at the date of the sale and a related compensation implicitely included in the sale price.

As of January 1, 2009, in Switzerland, a part of AXA Winterthur general account assets was reclassified as plan assets and the plan for the active employees is now an autonomous foundation with its own assets.

During the year 2008, the main change in the scope was the acquisition of Seguros ING, now AXA Mexico, which was completed on July 22, 2008.

During the year 2007, AXA reviewed the treatment of separate assets and insurance contracts backing the pension obligation in the United States and in Switzerland in light of prevailing practice that has developed in the industry. In the United States, the insurance contract was amended to add a transferability clause, and so it is now treated as plan assets rather than separate assets as shown in prior years. In Switzerland, where the issue arose after the acquisition of Winterthur, AXA amended its practice to eliminate the insurance contract rather than treat it as a plan asset as was originally presented.

| | Pension benefits | | | | | Other benefits | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | **2011** | **2010** | **2009** | **2008** | **2007** | **2011** | **2010** | **2009** | **2008** | **2007** |
| **Change in benefit obligation** | | | | | | | | | | |
| Benefit obligation at the beginning of the year | 15,732 | 13,661 | 11,729 | 12,955 | 14,734 | 606 | 534 | 511 | 506 | 604 |
| Service cost | 257 | 248 | 211 | 213 | 241 | 9 | 9 | 7 | 7 | 7 |
| Interest cost | 648 | 675 | 656 | 656 | 649 | 28 | 31 | 32 | 30 | 31 |
| Employee contributions | 50 | 46 | 46 | 54 | 54 | - | - | - | - | - |
| Amendments (including acquisitions and disposals) [(a)] | (574) | 110 | (75) | (150) | (261) | (56) | 4 | (2) | 12 | 18 |
| Actuarial (gains) and losses | 672 | 712 | 1,636 | (803) | (1,055) | 60 | 29 | 35 | (20) | (56) |
| Benefits paid by plan assets and by separate assets | (486) | (464) | (474) | (434) | (443) | - | - | - | - | (0) |
| Benefits directly paid by the employer | (310) | (275) | (310) | (270) | (227) | (40) | (37) | (39) | (44) | (45) |
| Impact of foreign currency fluctuations | 365 | 1,018 | 241 | (493) | (737) | 18 | 36 | (9) | 19 | (54) |
| **Benefit obligation at the end of the year (A)** | **16,353** | **15,732** | **13,661** | **11,729** | **12,955** | **624** | **606** | **534** | **511** | **506** |
| **Change in plan assets** | | | | | | | | | | |
| Fair value of plan assets at the beginning of year | 7,834 | 6,181 | 4,662 | 7,057 | 8,216 | 5 | 4 | 3 | 3 | 9 |
| Actual return on plan assets | 322 | 544 | 516 | (1,498) | 477 | (1) | - | (0) | (1) | (3) |
| Employer contributions [(d)] | 805 | 897 | 220 | 192 | 62 | 1 | 1 | 1 | 1 | 0 |
| Employee contributions | 37 | 35 | 36 | 44 | 42 | - | - | - | - | - |
| Net transfer In/(Out) (including acquisitions and disposals) [(a) (b) (c)] | (519) | 40 | 924 | (27) | (811) | - | - | - | - | (3) |
| Benefits paid by plan assets | (396) | (393) | (407) | (370) | (383) | - | - | - | - | (0) |
| Impact of foreign currency fluctuations | 228 | 528 | 230 | (735) | (546) | - | - | - | - | - |
| **Fair value of plan assets at the end of the year (B)** | **8,311** | **7,834** | **6,181** | **4,662** | **7,057** | **4** | **5** | **4** | **3** | **3** |
| **Change in separate assets** | | | | | | | | | | |
| Fair value of separate assets at the beginning of year | 985 | 893 | 789 | 739 | 2,480 | - | - | - | - | - |
| Actual return on separate assets | (6) | 59 | 31 | (25) | 12 | - | - | - | - | - |
| Employer contributions | 63 | 72 | 70 | 86 | 88 | - | - | - | - | - |
| Employee contributions | 13 | 11 | 10 | 10 | 12 | - | - | - | - | - |
| Net transfer In/(Out) (including acquisitions and disposals) [(a) (b)] | (13) | 21 | 58 | 48 | (1,724) | - | - | - | - | - |
| Benefits paid by separate assets | (90) | (71) | (66) | (64) | (60) | - | - | - | - | - |
| Impact of foreign currency fluctuations | - | - | - | (5) | (69) | - | - | - | - | - |
| **Fair value of separate assets at the end of the year** | **952** | **985** | **893** | **789** | **739** | **-** | **-** | **-** | **-** | **-** |
| **Funded status** | | | | | | | | | | |
| Underfunded status (plan by plan) | (8,049) | (7,907) | (7,500) | (7,087) | (6,098) | (620) | (601) | (530) | (507) | (502) |
| Overfunded status (plan by plan) | 7 | 9 | 19 | 21 | 200 | - | - | - | - | - |
| Funded status (B)-(A) | (8,042) | (7,898) | (7,480) | (7,066) | (5,898) | (620) | (601) | (530) | (507) | (502) |
| Unrecognized past service cost | 68 | 61 | 67 | 71 | 80 | - | 1 | 1 | 1 | 1 |
| Cumulative impact of asset ceiling | (7) | (2) | (10) | - | - | - | - | - | - | - |
| **Liability and asset recognized in the statement of financial position (excluding separate assets)** | | | | | | | | | | |
| Plans with a positive net position (Asset) | 0 | 6 | 8 | 20 | 199 | - | - | - | - | - |
| Plans with a negative net position (Liability) | (7,981) | (7,846) | (7,431) | (7,015) | (6,017) | (619) | (600) | (529) | (506) | (501) |
| **Net position (excluding separate assets)** | **(7,981)** | **(7,840)** | **(7,423)** | **(6,995)** | **(5,818)** | **(619)** | **(600)** | **(529)** | **(506)** | **(501)** |
| **Net economic funding position (including separate assets)** | | | | | | | | | | |
| Net position (excluding separate assets) | (7,981) | (7,840) | (7,423) | (6,995) | (5,818) | (619) | (600) | (529) | (506) | (501) |
| Fair value of separate assets at the end of the year | 952 | 985 | 893 | 789 | 739 | - | - | - | - | - |
| **Net economic funding position (including separate assets)** | **(7,029)** | **(6,855)** | **(6,530)** | **(6,206)** | **(5,079)** | **(619)** | **(600)** | **(529)** | **(506)** | **(501)** |

*(a) This amount includes the sale of the Netherlands activities in 2007, the acquisition of Seguros ING in 2008, now AXA Mexico and the sale of Canada, Australia and New Zealand activities in 2011.*

*(b) This amount includes the effect of the reclassification of assets in the United States as plan assets rather than separate assets in 2007.*

*(c) This amount includes the effect of the elimination of the insurance contract in 2007 and the reclassification of general account assets as plan assets in 2009 in Switzerland.*

*(d) This amount includes additional contributions paid to plan assets in the United Kingdom and in the United States to reduce the deficit in 2010 and 2011.*

"Other benefits" includes postretirement benefits other than pensions, principally health care benefits, and post employment benefits after employment but before retirement.

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 €43 million and €36 million, respectively, as of December 31, 2011. As required by IFRIC 14, a surplus is recognized to the extent that it is recoverable, either through future contribution reductions or a refund to which the Group has an unconditional right.

For pension plans where the benefit obligation exceeds the fair value of plan assets, the aggregate benefit obligation and fair value of plan assets were €16,317 million and €8,268 million, respectively, as of December 31, 2011.

## 26.2.5. Pension and other benefits expense

The annual expense for employee pension and other benefits recorded in the income statement (included in the "employee benefits expenses" presented in Note 26.1), for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 is presented below:

| | Pension benefits | | | | | Other benefits | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | 2011 | 2010 | 2009 | 2008 | 2007 | 2011 | 2010 | 2009 | 2008 | 2007 |
| **Pension and other benefits expense** | | | | | | | | | | |
| Service cost | 257 | 248 | 211 | 213 | 241 | 9 | 9 | 7 | 7 | 7 |
| Interest cost | 648 | 675 | 656 | 656 | 649 | 28 | 31 | 32 | 30 | 31 |
| Expected return on plan assets | (436) | (399) | (362) | (470) | (489) | (0) | - | (0) | (0) | (0) |
| Expected return on separate assets | (42) | (40) | (34) | (35) | (33) | - | - | - | - | - |
| Amortization of unrecognized amounts | 17 | 28 | 5 | 20 | 9 | (0) | 4 | - | - | 2 |
| Settlements, curtailments | 4 | 4 | (73) | (78) | (6) | (40) | - | (2) | - | - |
| **Pension and other benefits expense** | **448** | **517** | **404** | **306** | **371** | **(4)** | **44** | **37** | **37** | **40** |

## 26.2.6. Net economic funding position

The evolution in the net economic funding position from January 1, 2011 to December 31, 2011 captures both the change in the liability recorded in the Group's statement of financial position and the change in separate assets, as presented in the table below:

| | Pension benefits | | | | | Other benefits | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | 2011 | 2010 | 2009 | 2008 | 2007 | 2011 | 2010 | 2009 | 2008 | 2007 |
| **Change in net economic funding position** | | | | | | | | | | |
| Opening position | (6,855) | (6,530) | (6,206) | (5,079) | (3,950) | (600) | (529) | (506) | (501) | (595) |
| Pension and other benefits expense | (448) | (517) | (404) | (306) | (371) | 4 | (44) | (37) | (37) | (40) |
| Employer contributions and benefits directly paid by the employer [(c)] | 1,179 | 1,245 | 600 | 548 | 378 | 41 | 38 | 40 | 44 | 45 |
| Net transfer In/(Out) (including acquisitions and disposals) [(a) (b)] | 72 | (32) | 983 | 107 | (2,280) | 15 | - | - | (11) | (20) |
| SoCI impact | (840) | (532) | (1,493) | (1,229) | 1,022 | (61) | (29) | (36) | 19 | 54 |
| Impact of foreign currency fluctuations | (137) | (490) | (11) | (247) | 123 | (18) | (36) | 9 | (20) | 54 |
| **Closing position** | **(7,029)** | **(6,855)** | **(6,530)** | **(6,206)** | **(5,079)** | **(619)** | **(600)** | **(529)** | **(506)** | **(501)** |

*(a) This amount includes the sale of the Netherlands activities in 2007, the acquisition of Seguros ING in 2008, now AXA Mexico and the sale of Canada, Australia and New Zealand activities in 2011.*

*(b) This amount includes the effect of the elimination of the insurance contract in 2007 and the reclassification of general account assets as plan assets in 2009 in Switzerland.*

*(c) This amount includes additional contributions paid to plan assets in the United Kingdom and in the United States to reduce the deficit in 2010 and 2011.*

During 2011, the deterioration of the net economic funding position was mainly due to actuarial losses on pension liability and on plan assets and separate assets (see Note 26.2.8) partly offset by additional contributions paid to plan assets in the United States (€551 million) and in the United Kingdom (€103 million) to reduce the deficit.

### 26.2.7. Change in the liability recognized in the statement of financial position (excluding separate assets)

The roll-forward of the statement of financial position liability from January 1, 2011 to December 31, 2011 captures only the evolution of the liability recorded in the Group's statement of financial position and not the separate assets. Therefore it is not a full economic picture. The table below shows the detailed roll-forward of the statement of financial position liability, with the separate assets added at each year end.

| | Pension benefits | | | | | Other benefits | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in Euro million)* | 2011 | 2010 | 2009 | 2008 | 2007 | 2011 | 2010 | 2009 | 2008 | 2007 |
| **Change in the liability recognized in the statement of financial position** | | | | | | | | | | |
| Statement of financial position liability at the beginning of the year | (7,840) | (7,423) | (6,995) | (5,818) | (6,430) | (600) | (529) | (506) | (501) | (595) |
| Pension and other benefits expense | (448) | (517) | (404) | (306) | (371) | 4 | (44) | (37) | (37) | (40) |
| Adjustment due to separate assets | (7) | (70) | (41) | 15 | (23) | - | - | - | - | - |
| Employer contributions (d) | 805 | 897 | 220 | 192 | 62 | 1 | 1 | 1 | 1 | - |
| Benefits directly paid by the employer | 310 | 275 | 310 | 270 | 227 | 40 | 37 | 39 | 44 | 45 |
| Benefits paid by separate assets | 90 | 71 | 66 | 64 | 60 | - | - | - | - | - |
| Net transfer In/(Out) (including acquisitions and disposals) (a) (b) | 86 | (52) | 884 | 50 | (2,253) | 15 | - | - | (11) | (20) |
| Net transfer of separate assets to plan assets (c) | - | - | 41 | 10 | 1,695 | - | - | - | - | - |
| Actuarial gains and losses recognized in the SoCI component | (840) | (532) | (1,493) | (1,229) | 1,022 | (61) | (29) | (36) | 19 | 54 |
| Impact of foreign currency fluctuations | (137) | (490) | (12) | (242) | 191 | (18) | (36) | 9 | (20) | 54 |
| **Statement of financial position liability at the end of the year** | **(7,981)** | **(7,840)** | **(7,423)** | **(6,995)** | **(5,818)** | **(619)** | **(600)** | **(529)** | **(506)** | **(501)** |
| Fair value of separate assets at the end of the year | 952 | 985 | 893 | 789 | 739 | - | - | - | - | - |
| **Net economic funding position at the end of the year** | **(7,029)** | **(6,855)** | **(6,530)** | **(6,206)** | **(5,079)** | **(619)** | **(600)** | **(529)** | **(506)** | **(501)** |

*(a) This amount includes the sale of the Netherlands activities in 2007, the acquisition of Seguros ING in 2008, now AXA Mexico and the sale of Canada, Australia and New Zealand activities in 2011.*

*(b) This amount includes the effect of the elimination of the insurance contract in 2007 and the reclassification of general account assets as plan assets in 2009 in Switzerland.*

*(c) This amount includes the effect of the reclassification of assets in the United States as plan assets rather than separate assets in 2007.*

*(d) This amount includes additional contributions paid to plan assets in the United Kingdom and in the United States to reduce the deficit in 2010 and 2011.*

### 26.2.8. Change in actuarial gains and losses recognized in the statement of financial position in the SoCI component of shareholders' equity

The SoCI 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 Part "Consolidated Statement of changes in equity").

The table shows the change in the SoCI component due to employee benefits (excluding net income impacts), before deduction of deferred tax and policyholder benefits, between January 1, 2007 and December 31, 2011 due to adjustments arising on plan liabilities and adjustments arising on plan assets and separate assets.

| *(in Euro million)* | Pension benefits | | | | | Other benefits | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2011 | 2010 | 2009 | 2008 | 2007 |
| **SoCI at the beginning of the year** | **(3,150)** | **(2,442)** | **(955)** | **308** | **(720)** | **3** | **30** | **67** | **45** | **(4)** |
| Experience and assumptions adjustments on plan liabilities | (672) | (704) | (1,634) | 799 | 1,055 | (60) | (29) | (35) | 20 | 57 |
| Experience adjustments on plan assets and separate assets | (161) | 164 | 151 | (2,028) | (33) | (1) | - | (0) | (1) | (3) |
| Adjustment due to the sales of subsidiaries | 54 | - | - | - | (4) | 1 | - | - | - | (1) |
| Change in asset ceiling | (7) | 8 | (10) | - | - | - | - | - | - | - |
| Impact of foreign currency fluctuations | (107) | (176) | 6 | (34) | 10 | (3) | 3 | (1) | 3 | (5) |
| **SoCI at the end of the year** | **(4,042)** | **(3,150)** | **(2,442)** | **(955)** | **308** | **(60)** | **3** | **30** | **67** | **45** |

During 2011, the variation of the SoCI was mainly due to actuarial losses on pension liability (due to decrease in discount rates in most countries, especially in the United States and in the United Kingdom) and on plan assets and separate assets (due to under-performance of actual returns versus expected returns).

During 2011, the change in the SoCI component of shareholders' equity after deduction of deferred tax and policyholder benefits was €-577 million (€-450 million in 2010, €-1,031 million in 2009, €-695 million in 2008 and €612 million in 2007) and €29 million reclassified as a reduction of Retained Earnings due to the sale of some AXA subsidiaries.

As of December 31, 2011, the cumulative impact amounted to €-2,624 million (€-2,076 million at the end of 2010).

## 26.2.9. Near-term cash flows (benefits paid and employer contributions)

### A) ESTIMATED FUTURE BENEFITS TO BE PAID

| *(in Euro million)* | Pension benefits | Other benefits |
|---|---|---|
| 2012 | 939 | 44 |
| 2013 | 880 | 42 |
| 2014 | 933 | 41 |
| 2015 | 904 | 39 |
| 2016 | 909 | 38 |
| Five years thereafter | 4,727 | 175 |
| From year N+11 until the last benefit payments is paid | 24,480 | 558 |

These amounts are subject to uncertainty as they will be driven by economics of future years.

### B) ESTIMATED EMPLOYER CONTRIBUTIONS TO PLAN ASSETS AND SEPARATE ASSETS

The estimated amount of 2012 employer contributions for pension benefits is €292 million (€569 million estimated in 2010 for 2011) and for other benefits is €1 million (€1 million estimated in 2010 for 2011). These amounts are subject to uncertainty as they will be driven by economics of future years and are cash contributions with no direct link to the pension and other benefits expense under IFRS.

## 26.2.10. Asset mix at the end of 2011

As pension liabilities have a long-term nature, a mix of equity instruments, debt instruments and real estate investments is used in the plan assets and separate assets.

The table below shows the asset mix for plan assets at the end of 2011:

| Asset mix for *plan assets* | Total Group | Europe | North America | Other |
|---|---|---|---|---|
| Equity instruments | 28% | 25% | 36% | 0% |
| Debt instruments | 47% | 45% | 56% | 86% |
| Real estate | 7% | 7% | 8% | 0% |
| Other | 18% | 23% | 0% | 14% |
| **TOTAL** | **100%** | **100%** | **100%** | **100%** |
| **TOTAL** *(in Euro million)* | **8,316** | **6,405** | **1,875** | **36** |



The table below shows the asset mix for plan assets and separate assets at the end of 2011:

| Asset mix for plan assets and *separate assets* | Total Group | Europe | North America | Other |
|---|---|---|---|---|
| Equity instruments | 26% | 23% | 36% | 0% |
| Debt instruments | 47% | 44% | 56% | 86% |
| Real estate | 7% | 7% | 8% | 0% |
| Other | 20% | 26% | 0% | 14% |
| **TOTAL** | **100%** | **100%** | **100%** | **100%** |
| **TOTAL** *(in Euro million)* | **9,267** | **7,356** | **1,875** | **36** |

### 26.2.11. Other employee benefits funded on a pay-as-you-go basis

In the United States, AXA Financial provides certain medical and life insurance benefits (collectively, “postretirement benefits”) for qualifying employees, managers and agents retiring from AXA Financial based on years of service and age. The life insurance benefits are related to age and salary at retirement for certain grandfathered retirees, and a flat dollar amount for others.

AXA Financial continues to fund the postretirement benefits costs for these plans on a pay-as-you-go basis.

For 2011, postretirement benefits payments were made in the amounts of €32 million (€28 million in 2010), net of employee contributions.

### 26.2.12. Statement of financial position reconciliation

| *(in Euro million)* | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Net position (excluding separate assets) (a) | (8,600) | (8,440) | (7,952) | (7,501) | (6,319) |
| less assets/(liabilities) held for sale (b) | - | 31 | 41 | - | - |
| Other liabilities | (221) | (192) | (192) | (187) | (290) |
| **TOTAL (C)** | **(8,822)** | **(8,601)** | **(8,103)** | **(7,688)** | **(6,609)** |

*(a) Net position (excluding separate assets) for pension benefits and other benefits as reported in Note 26.2.4.*

*(b) Included in the net position above but the contribution of held for sale operations is stated on separate asset and liability items on the statement of financial position.*

*(c) It corresponds to a liability of €8,822 million (as of December 31, 2011) included in the statement of financial position under the caption «provision for risks and charges» and an asset of €0.5 million (as of December 31, 2011) included in the statement of financial position under the caption «other receivables».*

## 26.3. SHARE-BASED COMPENSATION

| All figures 100%, gross of tax *(in Euro million)* | 2011 | 2010 |
|---|---|---|
| **Cost by plan** | | |
| **AXA SA stock options** | **13.1** | **20.1** |
| ■ 2006 grants | | 2.4 |
| ■ 2007 grants | 0.9 | 5.8 |
| ■ 2008 grants | 2.0 | 5.1 |
| ■ 2009 grants | 2.3 | 3.2 |
| ■ 2010 grants | 4.6 | 3.5 |
| ■ 2011 grants | 3.3 | |
| **AXA stock options for US holding company** | **5.2** | **8.3** |
| ■ 2006 AXA SA grants | | 0.9 |
| ■ 2007 AXA SA grants | 0.4 | 1.6 |
| ■ 2008 AXA SA grants | 1.0 | 1.7 |
| ■ 2009 AXA SA grants | 0.4 | 0.8 |
| ■ 2010 AXA SA grants | 1.2 | 3.3 |
| ■ 2011 AXA SA grants | 2.1 | |
| **AXA Group shareplan** | **10.9** | **12.5** |
| ■ Classic Plan | 0.4 | 0.1 |
| ■ Leverage Plan | 10.6 | 12.4 |
| **AXA performances shares** | **20.4** | **19.6** |
| ■ 2008 grants | | 4.2 |
| ■ 2009 grants | 2.1 | 7.8 |
| ■ 2010 grants | 10.7 | 7.6 |
| ■ 2011 grants | 7.6 | |
| **AXA performances units plans** | **21.9** | **45.2** |
| ■ 2008 equity grants | | 0.7 |
| ■ 2009 equity grants | 1.2 | 2.5 |
| ■ 2008 cash grants | | 0.8 |
| ■ 2009 cash grants | 0.9 | 22.0 |
| ■ 2010 cash grants | 9.7 | 19.2 |
| ■ 2011 cash grants | 10.0 | |
| **AXA Miles** | **8.7** | **17.4** |
| ■ Plan 2007 (4+0) | 8.7 | 17.4 |
| **AXA Financial share-based compensation instruments** | **0.1** | **0.1** |
| ■ AXA Financial TSAR | (0.1) | (0.9) |
| ■ AXA Financial Restricted Shares and PARS | 0.2 | 1.0 |
| **AXA APH stock option plan (terminated as at December 31, 2011)** | **1.7** | **4.4** |
| **AllianceBernstein share-based compensation instruments** | **381.5** | **117.5** |
| ■ of which accelerated vesting [a] | 234.5 | |
| ■ of which other share-based compensation cost | 147.0 | 117.5 |
| **TOTAL EMPLOYEE SHARE-BASED COMPENSATION COST** | **463.5** | **245.0** |

*(a) The amount shown is due to a restructuring of compensation plans on November 17th, 2011, leading to an accelerated vesting of all AllianceBernstein deferred compensation plans for a total cost of €340.2 million. €234.5 million exclude the impact on the deferred cash awards.*

In accordance with IFRS 2, the total employee share based compensation cost of €463.5 million for full year 2011 included expenses from share-based compensation instruments for grants made after November 7, 2002 which had not yet vested as of December 31, 2003.

The cost includes the expenses from share-based compensation instruments issued by the Group as well as by AXA subsidiaries.

The share-based compensation instruments listed above are mostly composed of instruments settled in equity but include also instruments settled in cash. The unit cost of the equity settled instruments does not vary for a given plan while the cash settled instruments unit cost is updated at each closing.

The total charge is amortized over the vesting period and adjusted at each future closing date for the difference between actual and expected lapse to take into account actual service conditions and actual non-market performance conditions.

A detail of each of the major plans and associated cost are presented in Note 26.3.1 a) to e) and in Note 26.3.2.

### 26.3.1. Share-based compensation instruments issued by the Group

#### A) AXA SA STOCK-OPTION

Executive officers and other key employees may be granted options on AXA ordinary shares under employee stock option plans. These options may be either subscription options involving newly issued AXA ordinary shares or purchase options involving AXA treasury shares. 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 generally in instalments of 33.33% per year on each of the second, third and fourth anniversaries of the grant date.

For the employees who are granted more than 5,000 options, the first two instalments vest unconditionally at the end of the vesting period, while the final instalment is subject to the fulfilment of certain conditions regarding the performance of the AXA shares compared to the DowJones Europe Stoxx Insurance index. From 2010, all options granted to the members of the Management Committee are subject to the fulfillment of this market performance condition.

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The following table shows AXA SA stock options granted under all plans, and not only the ones granted after November 7, 2002.

| | Options (in million) | | Weighted price (in Euro) | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| **Options AXA** | | | | |
| Outstanding on January 1 | 78.8 | 78.2 | 21.52 | 23.36 |
| Granted | 9.1 | 8.0 | 14.73 | 15.41 |
| Capital increase | - | - | - | - |
| Exercised | (0.4) | (0.1) | 10.34 | 10.46 |
| Cancelled and expired | (10.2) | (7.3) | 27.54 | 34.12 |
| **Outstanding as of December 31** | **77.3** | **78.8** | **19.98** | **21.52** |
| **Options ex-FINAXA** | | | | |
| Outstanding on January 1 | 2.7 | 3.2 | 19.40 | 23.19 |
| Capital increase | - | - | - | - |
| Exercised | - | - | - | - |
| Cancelled and expired | (0.9) | (0.6) | 32.57 | 41.28 |
| **Outstanding as of December 31** | **1.8** | **2.7** | **12.72** | **19.40** |
| **TOTAL AXA AND EX-FINAXA** | **79.1** | **81.5** | **19.82** | **21.45** |

The number of outstanding options and the number of exercisable options as of December 31, 2011 and 2010 are shown below by maturity date:

| **Expiry date of options** *(in million)* | **Outstanding options** | | **Exercisable options** | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Options AXA | | | | |
| 09 May 2011 | - | 7.3 | - | 7.3 |
| 27 February 2012 | 6.0 | 6.1 | 6.0 | 6.1 |
| 14 March 2013 | 3.5 | 3.9 | 3.5 | 3.9 |
| 26 March 2014 | 7.8 | 8.1 | 7.8 | 8.1 |
| 29 March 2015 | 10.2 | 10.6 | 10.2 | 10.6 |
| 06 June 2015 | - | - | - | - |
| 27 June 2015 | 0.2 | 0.2 | 0.2 | 0.2 |
| 01 July 2015 | - | - | | - |
| 21 September 2015 | 0.1 | 0.1 | 0.1 | 0.1 |
| 31 March 2016 | 9.9 | 10.2 | 9.9 | 10.2 |
| 25 September 2016 | 0.1 | 0.1 | 0.1 | 0.1 |
| 13 November 2016 | - | - | - | - |
| 10 May 2017 | 8.4 | 8.8 | 8.4 | 5.8 |
| 24 September 2017 | - | - | - | - |
| 19 November 2017 | - | - | - | - |
| 01 April 2018 | 8.0 | 8.4 | 5.4 | 2.8 |
| 19 May 2018 | - | - | - | - |
| 22 September 2018 | 0.1 | 0.1 | - | - |
| 24 November 2018 | - | - | - | - |
| 20 March 2019 | 4.6 | 5.0 | 1.5 | |
| 02 April 2019 | 0.1 | 0.1 | - | |
| 10 June 2019 | 1.9 | 1.9 | 0.6 | |
| 10 June 2019 | - | - | - | |
| 21 September 2019 | 0.1 | 0.1 | - | |
| 08 December 2019 | - | - | - | |
| 19 March 2020 | 7.4 | 7.8 | | |
| 18 August 2020 | - | - | | |
| 13 October 2020 | - | - | | |
| 22 December 2020 | - | - | | |
| 19 March 2021 | 8.6 | | | |
| 04 April 2021 | 0.4 | | | |
| **Total AXA** | **77.3** | **78.8** | **53.7** | **55.3** |
| Options ex-FINAXA | | | | |
| 30 May 2011 | - | 0.9 | - | 0.9 |
| 02 April 2013 | 1.3 | 1.3 | 1.3 | 1.3 |
| 14 April 2014 | 0.5 | 0.5 | 0.5 | 0.5 |
| **Total ex-FINAXA** | **1.8** | **2.7** | **1.8** | **2.7** |
| **TOTAL AXA AND EX-FINAXA** | **79.1** | **81.5** | **55.5** | **57.9** |

| Options AXA and ex-FINAXA | 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 | 9.5 | 10.30 | 6.3 | 10.56 |
| €12.97 – €19.44 | 26.9 | 15.64 | 9.2 | 16.75 |
| €19.45 – €25.92 | 24.4 | 20.23 | 21.6 | 20.14 |
| €25.93 – €32.40 | 9.9 | 27.82 | 9.9 | 27.82 |
| €32.41 – €38.87 | 8.4 | 33.21 | 8.4 | 33.21 |
| **€6.48 – €38.87** | **79.1** | **19.82** | **55.5** | **21.85** |



The following table shows AXA SA stock options granted under all plans after November 7, 2002:

| | Options (in million) | | Weighted price (in Euro) | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Options | | | | |
| Outstanding on January 1 | 65.4 | 59.3 | 20.65 | 21.40 |
| Granted | 9.1 | 8.0 | 14.73 | 15.41 |
| Capital increase | | - | | |
| Exercised | (0.4) | (0.1) | 10.34 | 10.46 |
| Cancelled and expired | (2.8) | (1.8) | 19.74 | 20.66 |
| **Outstanding as of December 31** | **71.4** | **65.4** | **19.98** | **20.65** |
| Options ex-FINAXA | | | | |
| Outstanding on January 1 | 1.8 | 1.8 | 12.72 | 12.72 |
| Capital increase | | - | | - |
| Exercised | | - | | - |
| Cancelled and expired | - | - | | - |
| **Outstanding as of December 31** | **1.8** | **1.8** | **12.72** | **12.72** |
| **TOTAL AXA AND EX-FINAXA** | **73.1** | **67.2** | **19.81** | **20.44** |

The number of outstanding options and the number of exercisable options as of December 31, 2011 and 2010 are shown below by maturity date for AXA SA plans granted after November 7, 2002:

| **Expiry date of options** *(in million)* | **Outstanding options** 2011 | 2010 | **Exercisable options** 2011 | 2010 |
|---|---|---|---|---|
| Options AXA | | | | |
| 14 March 2013 | 3.5 | 3.9 | 3.5 | 3.9 |
| 26 March 2014 | 7.8 | 8.1 | 7.8 | 8.1 |
| 29 March 2015 | 10.2 | 10.6 | 10.2 | 10.6 |
| 06 June 2015 | - | - | - | - |
| 27 June 2015 | 0.2 | 0.2 | 0.2 | 0.2 |
| 0[1] July 2015 | - | - | - | - |
| 21 September 2015 | 0.1 | 0.1 | 0.1 | 0.1 |
| 31 March 2016 | 9.9 | 10.2 | 9.9 | 10.2 |
| 25 September 2016 | 0.1 | 0.1 | 0.1 | 0.1 |
| 13 November 2016 | - | - | - | - |
| 10 May 2017 | 8.4 | 8.8 | 8.4 | 5.8 |
| 24 September 2017 | - | - | - | - |
| 19 November 2017 | - | - | - | - |
| 01 April 2018 | 8.0 | 8.4 | 5.4 | 2.8 |
| 19 May 2018 | - | - | - | - |
| 22 September 2018 | 0.1 | 0.1 | - | - |
| 24 November 2018 | - | - | - | - |
| 20 March 2019 | 4.6 | 5.0 | 1.5 | |
| 02 April 2019 | 0.1 | 0.1 | - | |
| 10 June 2019 | 1.9 | 1.9 | 0.6 | |
| 10 June 2019 | - | - | - | |
| 21 September 2019 | 0.1 | 0.1 | - | |
| 08 December 2019 | - | - | | - |
| 19 March 2020 | 7.4 | 7.8 | | |
| 18 August 2020 | - | - | | |
| 13 October 2020 | - | - | | |
| 22 December 2020 | - | - | | |
| 19 March 2021 | 8.6 | | | |
| 04 April 2021 | 0.4 | | | |
| **Total AXA** | **71.4** | **65.4** | **47.8** | **41.9** |
| Options ex-FINAXA | | | | |
| 02 April 2013 | 1.3 | 1.3 | 1.3 | 1.3 |
| 14 April 2014 | 0.5 | 0.5 | 0.5 | 0.5 |
| **Total ex-FINAXA** | **1.8** | **1.8** | **1.8** | **1.8** |
| **TOTAL AXA AND EX-FINAXA** | **73.1** | **67.2** | **49.5** | **43.6** |

| Options AXA and ex-FINAXA | 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 | 9.5 | 10.30 | 6.3 | 10.56 |
| €12.97 – €19.44 | 26.9 | 15.64 | 9.2 | 16.75 |
| €19.45 – €25.92 | 18.4 | 20.32 | 15.7 | 20.20 |
| €25.93 – €32.40 | 9.9 | 27.82 | 9.9 | 27.82 |
| €32.41 – €38.87 | 8.4 | 33.21 | 8.4 | 33.21 |
| **€6.48 – €38.87** | **73.1** | **19.81** | **49.5** | **22.08** |



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 Swap Rate curve for the appropriate term.

The option pricing assumptions and fair value for plans issued in 2011, 2010, 2009, 2008 and 2007 are as follows:

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Assumptions (b) | | | | | |
| Dividend yield | 7.16% | 7.35% | 10.84% | 7.21% | 4.22% |
| Volatility | 33.86% | 36.48% | 56.98% | 34.65% | 27.50% |
| Risk-free interest rate | 3.25% | 2.84% | 3.04% | 4.17% | 4.40% |
| Expected life (in years) | 7.1 | 7.1 | 7.4 | 6.0 | 6.0 |
| **Weighted average fair value per option at grant date in Euro (a) (c)** | **1.78** | **2.24** | **1.91** | **3.23** | **6.80** |

*(a) For employees who have been granted more than 5,000 options the vesting of the final instalment is subject to the fulfilment of a condition regarding the performance of the AXA shares compared to the DowJones Europe Stoxx Insurance index. The options with performance criteria were valued at €1.44 per option granted in 2011 and €1.68 per option granted in 2010, based on a Monte-Carlo model. The options without performance criteria were valued at €1.90 per option granted in 2011 and €2.47 per option granted in 2010, based on the Black & Scholes model.*

*(b) Assumptions at grant date, in average weighted by grants of the year.*

*(c) Based on an estimated 5% pre-vesting lapse rate per year for options without performance criteria.*

The total cost of the AXA SA plans is amortized over the vesting period and an estimated 5% pre-vesting lapse rate is applied. On that basis, the expense recognized in profit or loss for the year ended December 31, 2011 was €18.3 million (€0.9 million for the 2007 grants, €2.0 million for the 2008 grants, €2.3 million for the 2009 grants, €4.6 million for the 2010 grants, €3.3 million for the 2011 grants and €5.2 million relating to AXA SA ordinary share options granted to AXA Financial employees).

### B) AXA ADR STOCK-OPTION

AXA Financial granted options to purchase AXA ADRs (American Depositary Receipt). These options were 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.

In first quarter 2010, AXA voluntarily delisted the AXA ADRs from the New York Stock Exchange and filed to deregister and terminate its reporting obligation with the SEC. AXA's deregistration became effective in second quarter 2010. Following these actions, AXA ADRs continue to trade in the over-the-counter markets in the U.S. and be exchangeable into AXA ordinary shares on a one-to-one basis while AXA ordinary shares continue to trade on the compartiment A of NYSE Euronext Paris, the primary and most liquid market for AXA shares. Consequently, current holders of AXA ADRs may continue to hold or trade those shares, subject to existing transfer restrictions, if any.

The terms and conditions of AXA Financial's share-based compensation programs generally were not impacted by the delisting and deregistration except that AXA ordinary shares generally will be delivered to participants in lieu of AXA ADRs at exercise or maturity of outstanding awards and new offerings are expected to be based on AXA ordinary shares. In addition, due to U.S. securities law restrictions, certain blackouts on option exercise are expected to occur each year when updated financial information for AXA will not be available.

None of the modifications made to AXA Financial's share-based compensation programs as a result of AXA's delisting and deregistration resulted in the recognition of additional compensation expenses.

The following tables show a summary of the U.S. holding company's AXA ADR stock option plans:

| | Options (in million) | | Weighted price (in US$) | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| **Options** | | | | |
| **Outstanding on January 1** | **10.1** | **11.0** | **19.96** | **19.95** |
| Granted | | - | | - |
| Capital increase | | - | | |
| Exercised | (0.6) | (0.6) | 15.63 | 16.69 |
| Cancelled and expired | (1.9) | (0.3) | 27.24 | 27.10 |
| **Outstanding as of December 31** | **7.6** | **10.1** | **18.47** | **19.96** |

| | Outstanding options | | Exercisable options | |
|---|---|---|---|---|
| | Number (in million) | Weighted Exercise price (in US$) | Number (in million) | Weighted Exercise price (in US$) |
| **Price range** | | | | |
| $11.95 - $14.45 | 2.0 | 12.03 | 2.0 | 12.03 |
| $17.16 - $21.19 | 4.3 | 19.21 | 4.3 | 19.21 |
| $25.59 - $26.30 | 1.3 | 25.59 | 1.3 | 25.59 |
| **$11.95 - $ 26.30** | **7.6** | **18.47** | **7.6** | **18.48** |

The following table shows information for grants after November 7, 2002:

| | Options (in million) | | Weighted price (in US$) | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| **Options** | | | | |
| **Outstanding on January 1** | **7.0** | **7.3** | **18.77** | **18.65** |
| Granted | | - | | - |
| Capital increase | | - | | |
| Exercised | (0.3) | (0.2) | 14.56 | 14.46 |
| Cancelled and expired | (0.3) | (0.1) | 25.59 | 20.94 |
| **Outstanding as of December 31** | **6.4** | **7.0** | **18.90** | **18.77** |

| | Outstanding options | | Exercisable options | |
|---|---|---|---|---|
| | Number (in million) | Exercise price (in US$) | Number (in million) | Exercise price (in US$) |
| **Price range** | | | | |
| $11.95 - $14.45 | 1.7 | 11.97 | 1.7 | 11.97 |
| $18.63 - $20.68 | 3.4 | 19.71 | 3.4 | 19.71 |
| $25.59 - $26.30 | 1.3 | 25.59 | 1.3 | 25.59 |
| **$11.95 - $ 26.30** | **6.4** | **18.90** | **6.4** | **18.91** |

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 U.S. Treasury bond curve for the appropriate maturity.

### C) AXA GROUP SHAREPLAN

AXA offers to its employees the opportunity to become shareholders through special employee share offerings. In countries that meet the legal and fiscal requirements, two investment options are available: the traditional plan and the leveraged plan.

The traditional plan allows employees to purchase, through a personal investment, AXA shares (either through Mutual funds (FCPE) or through direct share ownership) with a discount of up to 20%. The shares are restricted from sale during a period of 5 years (except specific early exit cases allowed by applicable laws). Employees bear the risk of all movements in the share as compared to the subscription price.

The leveraged plan allows employees to purchase, on the basis of 10 times their personal investment, to AXA shares (either through Mutual funds (FCPE) or through direct share ownership) with a discount. The leverage on the employees' personal investment is in the form of a loan (non-recourse) from a third party bank. The shares are restricted from sale during a period of 5 years (except specific early exit cases allowed by applicable laws). Employees who participate in the leverage plan benefit from a guarantee on their personal investment and also receive a defined percentage of any upside appreciation (above the non-discounted reference price) on the full leveraged amount invested.

At the end of the 5 years restricted period, the employees can, depending on their residence country, do any one of the following: (1) receive the cash value of their assets; (2) receive the value of their assets in the form of AXA shares; or (3) transfer their assets invested in the leveraged plan into the traditional sub-fund.

The cost of this plan is valued taking into account the five-year lock-up period, as recommended by the ANC (French accounting standard setter). The ANC 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 October 28, 2011, the AXA Group made an employee share offering at €8.43 per share for the traditional plan (discount of 20% to the reference price of €10.53 representing the average over the twenty trading days ending on October 27, 2011) and at €9.10 per share for the leverage plan (discount of 13.60% to the reference price) Subscriptions amounted to 36.7 million shares, increasing the share capital by €332.6 million. This offering represented a total cost of €10.9 million taking into account the five-year lock-up period.

In 2011, the cost of the lock-up period was measured at 18.49% for the traditional plan and 13.53% for the leveraged plan (due to different discounts). In addition to the lock-up cost, the opportunity gain offered to the employees under the leveraged plan was measured at 2.84%.

The table below shows the main features of the plan, the amounts subscribed, valuation assumptions, and the cost of the plan for 2010 and 2011:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Traditional | Leveraged | Traditional | Leveraged |
| Plan maturity (in years) | 5 | 5 | 5 | 5 |
| [A] Discount to face value | 20.00% | 13.60% | 20.00% | 16.71% |
| Reference price (in euro) | 10.53 | | 13.22 | |
| Subscription price (in euro) | 8.43 | 9.10 | 10.58 | 11.01 |
| Amount subscribed by employee (in euro million) | 19.1 | 31.4 | 20.8 | 31.0 |
| Total amount subscribed (in euro million) | 19.1 | 313.5 | 20.8 | 309.6 |
| Total number of shares subscribed (in million shares) | 2.3 | 34.5 | 2.0 | 28.1 |
| Interest rate on employee loan | 8.94% | 8.90% | 8.05% | 7.92% |
| 5-year risk-free rate (euro zone) | 1.30% | | 1.75% | |
| Dividend yield | 10.37% | | 7.22% | |
| Early exit rate | 1.01% | | 1.10% | |
| Interest rate for borrowing securities (repo) | 0.25% | | 0.35% | |
| Retail / institutional volatility spread | N/A | 4.36% | N/A | 5.41% |
| [B] Cost of the lock-up for the employee | 18.49% | 13.53% | 19.71% | 16.53% |
| [C] Opportunity gain | N/A | 2.84% | N/A | 3.16% |
| **Total cost for AXA = [A] – [B] + [C] (as a percentage of the reference price)** | **1.51%** | **2.91%** | **0.29%** | **3.34%** |
| **TOTAL COST FOR AXA (IN EURO MILLION)** | **0.36** | **10.58** | **0.10** | **12.40** |

### D) AXA MILES

On July 1, 2007, AXA granted 50 free shares per employee to all employees of the Group. In total, 2.3 million shares were granted to 46,899 employees in 24 countries on the 2+2 plan (i.e. two-year vesting period with a subsequent two-year restriction period), and 3.2 million shares were granted to 64,839 employees in 30 countries on the 4+0 plan (i.e. four-year vesting period with no subsequent restriction period).

| | Number of employees at grant date | Number of AXA Miles granted |
|---|---|---|
| Plan 2+2 | 46,899 | 2,344,950 |
| Plan 4+0 | 64,839 | 3,241,950 |
| **TOTAL** | **111,738** | **5,586,900** |

The free shares are valued using the ANC approach described in the AXA Group Shareplan section using assumptions adapted to the structure of the plan (2+2 or 4+0 plan), based on a market price of €32 per share on July 1, 2007 and an estimated 5% pre-vesting lapse rate.

The total cost of the AXA Miles is amortized over the vesting period (i.e. over 2 years for the 2+2 plan and over 4 years for the 4+0 plan) starting on July 1, 2007. On that basis, the expense recognized in the profit or loss for the year ended December 31, 2011 was €8.7 million. As of December 31, 2011 the total cost of these plans was fully recognized.

### E) OTHER SHARE-BASED COMPENSATION

#### AXA Performance Shares

Performance Shares are issued to executive officers and other key employees.

Performance Shares are similar to Performance Units, but the payment is equity-settled. In France, most of the Performance Units granted to employees in 2004 were converted into Performance Shares in 2005.

The Performance Shares are valued using the ANC approach described in the AXA Group Shareplan section using assumptions adapted to the structure of the plan.

In 2011 the valuation was based on a market price of €14.0 per share at grant date and an estimated 5% pre-vesting lapse rate per year. The grant date fair value of Performance Shares granted in 2011 was €9.6.

The total cost of Performance Shares was €20.4 million in 2011.

#### AXA Performance Units

AXA issues Performance Units to executive officers and other key employees outside France.

During the vesting period, the Performance Units initially granted are subject to non-market performance criteria.

Before 2010, if the number of Performance Units definitely acquired was less than one thousand, the employing entity paid in cash, 100% of the calculated value. If the number of Performance Units definitely acquired was more than one thousand the employing entity paid in cash, 70% of the calculated value and the remaining 30% was simultaneously invested on behalf of the beneficiaries in AXA shares restricted for a minimum period of two years (equity-settled).

For 2010 grants, the employing entity at the end of the vesting period will pay in cash the first half of the Performance Units definitely acquired at that date. One year later, the employing entity will pay in cash the second half provided that the beneficiary is an employee of the AXA Group at that date. For the settlement of the second half of the Performance Units definitely acquired, beneficiaries may, if they wish, choose a settlement of all or part of their Performance Units in AXA shares.

For 2011 grants, the number of Performance Units definitely acquired will be known after two years and will be paid one year later in cash by the employing entity, provided that the beneficiary is an employee of the AXA Group at that date.

For the cash-settled instruments, the expected payment at the maturity date of the instrument is revised at each closing dates and amortized over the vesting period (prorate temporis)

The total cost of the Performance Units recorded in earnings in 2011 was €21.9 million (€1.2 million for the equity-settled portion and €20.7million for the cash-settled portion).

### 26.3.2. Share-based compensation instruments issued by AXA Subsidiaries

Main share-based compensation plans issued by AXA subsidiaries are described below:

#### AXA FINANCIAL SHARE-BASED COMPENSATION PLANS

The total cost of AXA Financial share-based compensation plans in 2011 included €-0.1 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 €0.2 million in respect of AXA ADR Restricted Shares and Performance Accelerated Restricted Shares granted to senior executives and non-employee directors.

#### ALLIANCEBERNSTEIN SHARE-BASED COMPENSATION PLANS

AllianceBernstein grants Restricted Units and options to acquire AllianceBernstein Units, which are valued and booked according to IFRS principles.

The deferred awards under AllianceBernstein Incentive Compensation plan are in the form of restricted Holding units or cash which are granted to certain key employees.

On November 17th, 2011 AllianceBernstein amended all outstanding deferred incentive compensation awards of active employees, so that employees who terminate their employment or are terminated without cause may retain their award, subject to compliance with certain agreements and restrictive covenants set forth in the applicable award agreement, including restrictions on competition, employee and client solicitation, and a clawback for failing to follow existing risk management policies. This amendment eliminated employee service requirement but did not modify delivery dates contained in the original award agreements.

It resulted in the immediate recognition in 2011 of the cost of all unvested share-based compensation instruments granted from prior years amended at that date and amounted €234.5 million (100%, gross of tax) instead of an amortization over a maximum of four years.

Under the Incentive Compensation Program, AllianceBernstein made awards in December 2011 aggregating €115.4 million of which €94.5 million in the form of Restricted Holding units, elected in January 2012 and representing 8,747,430 restricted Holding Units.

AllianceBernstein also awarded restricted Holding Units in connection with certain employee and separation agreements. The total granted in 2011 including these awards was 10,474,544 restricted Holding Units (13,064,764 Restricted Holding units in 2010).

Moreover, options to acquire AllianceBernstein Units were granted as follows: 70,328 options were granted in 2011; 387,661 options were granted in 2010; 6,565,302 options in 2009.

Most of the awards granted in 2011 contained the same conditions than awards amended in November 2011, resulting in the immediate recognition of the cost of these awards in 2011 instead of an amortization over a maximum of four years.

At the end, the 2011 total cost amounted to €381.5 million (100%, gross of tax).

## 26.4. COMPENSATION OF MANAGEMENT AND OFFICERS

In 2011:

- short-term benefits: compensation paid to members of the Management Committee in 2011 totaled €13.3 million, including fixed salary, bonuses, directors' fees and benefits in kind;
- share-based compensation: the expense recognized in 2011 in respect of share-based compensation granted to Management Committee members was €6 million.

In 2010:

- short-term benefits: compensation paid to members of the Management Committee in 2010 totaled €16.1 million, including fixed salary, bonuses, directors' fees and benefits in kind;
- share-based compensation: the expense recognized in 2010 in respect of share-based compensation granted to Management Committee members was €11 million.

Long-term benefits

Amounts provisioned or recognized by AXA SA and its subsidiaries for the payment of pensions or retirement benefits to the members of the Management Committee totaled €43.8 million as of December 31, 2011 (€49.2 million in 2010 as of December 31, 2010).

## 26.5. SALARIED WORKFORCE

At December 31, 2011, the Group employed 96,996 salaried people on a full-time equivalent basis (97,901 at the end of 2010, excluding salaried people in Canada and Australia & New-Zealand).

The decrease of salaried employees by 902 in 2011 is mainly driven by:

- the US (-399): due to a restructuring plan set up in June 2011;
- AllianceBernstein (-492): due to a global staff reduction plan;
- Germany (-362) driven by productivity programs undertaken by AXA;
- UK (-144) due to (i) UK P&C (-499) FTE vs. FY10 reflecting a decrease in AXA PPP (-282 FTE) mainly driven by the sale of Denplan in December 2011 (-310 FTE) as well as a restructuring plan in the UK at the end of the year and (ii) UK life (+322) mainly due to the growth from Elevate and recruitments at end of 2011 related to a Bancassurance transaction;
- AGS (+581): From 2011, figures include the staff outside of France for the entities which are looked through.

# Note 27 Net income per ordinary share

The Group 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 outstanding ordinary shares 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. 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 the AXA share over the period.

Net income per ordinary share takes into account interest payments related to undated subordinated debts classified in shareholders' equity.



| *(in Euro million)* [a] | | December 31, 2011 | December 31, 2010 [b] |
|---|---|---|---|
| **Net income Group share** | | **4,324** | **2,749** |
| Undated subordinated debt financial charge | | (291) | (300) |
| **Net income including impact of undated subordinated debt** [b] | **A** | **4,033** | **2,449** |
| Weighted average number of ordinary shares (net of treasury shares) - opening | | 2,294 | 2,264 |
| Increase in capital (excluding stock options exercised) [c] | | 2 | 2 |
| Stock options exercised [c] | | - | - |
| Treasury shares [c] | | 4 | - |
| Share purchase program [c] | | - | - |
| **Weighted average number of ordinary shares** | **B** | **2,301** | **2,266** |
| **BASIC NET INCOME PER ORDINARY SHARE** | **C = A / B** | **1.75** | **1.08** |
| **Potentially dilutive instruments:** | | | |
| ■ Stock options | | 2 | 3 |
| ■ Other | | 2 | 6 |
| **Fully diluted - weighted average number of shares** [d] | **D** | **2,305** | **2,275** |
| **FULLY DILUTED NET INCOME PER ORDINARY SHARE** | **F = A / D** | **1.75** | **1.08** |

*(a) Except for number of shares (million of units) and earnings per share (Euro).*
*(b) Undated subordinated debt forex impact is excluded.*
*(c) Weighted average.*
*(d) Taking into account the impact of potentially dilutive instruments.*

In 2011, net income per ordinary share stood at €1.75 on both basic and fully diluted basis, of which €1.32 attributable to continuing operations and €0.44 from discontinued operations on a basic calculation, and €1.31 attributable to continuing operations and €0.43 from discontinued operations on a fully diluted basis.

In 2010, net income per ordinary share stood at €1.08 on both basic and fully diluted basis, of which €1.01 attributable to continuing operations and €0.07 from discontinued operations on both basic and fully diluted basis.

# Note 28 Related-party transactions

In 2011, 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, hereafter "Mutuelles AXA") are two mutual insurance companies engaged in the Property & Casualty insurance business and Life & Savings insurance business in France. As of December 31, 2011, the Mutuelles AXA collectively owned 14.54% of the Company's outstanding ordinary shares representing 22.76% of the voting rights.

Each Mutuelle AXA is supervised by a Board of Directors elected by delegates representing policyholders. Certain members of the Company's Executive Management and Board of Directors serve as directors or executive officers of the Mutuelles AXA.

The Mutuelles AXA and certain of the Company's French insurance subsidiaries, AXA France IARD and AXA France Vie (the "Subsidiaries"), are parties to a management agreement pursuant to which they collectively manage their portfolios and the Subsidiaries provide the full range of management services to manage the insurance operations and portfolios. This agreement includes provisions designed to ensure the legal independence and protection of the respective clients' portfolios of the Mutuelles AXA and these Subsidiaries.

The Property & Casualty insurance business generated in France by insurance brokers is underwritten through a coinsurance arrangement between AXA Assurances IARD Mutuelle and AXA France IARD, a Property & Casualty insurance subsidiary of the Company. For coinsurance, AXA France IARD underwrites 89% of businesses and AXA Assurances IARD Mutuelle 11%. Technical results are shared between these companies in proportion to their written premiums. Aggregate written premiums recorded in this coinsurance agreement amounted to €1,644 million in 2011 (of which €1,461million was attributed to AXA France IARD).

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 Économique* 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.

## GROUPEMENT D'INTÉRÊT ÉCONOMIQUE (GIE)

From time to time the Company enters into GIEs with certain of its subsidiaries. GIEs are 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 activity drivers. The GIEs to which the Company was party during 2011 covered a variety of common services including services performed by the Group's central functions for the benefit of AXA Group companies (e.g. finance, accounting and reporting, tax, legal, marketing and brand, internal audit, human resources, procurement, information systems, risk management, cash management) as well as certain other services. Expenses invoiced by these GIEs to the Company and its subsidiaries are generally invoiced at cost and are included in the consolidated expenses reflected on the Company's audited consolidated financial statements. Expenses invoiced in 2011 and 2010 amounted to respectively €563 million and €553 million for AXA France GIE, and €192 million for both years for AXA GIE.

## LOANS/GUARANTEES/CAPITAL CONTRIBUTIONS, ETC.

AXA has given numerous commitments and guarantees, including financing commitments, guarantees given to financial institutions and customers, pledged assets, collateralized commitments and letters of credit. For a detailed description of these commitments and guarantees, see Note 29 "Contingent assets and liabilities and unrecognized contractual commitments" to the Group's consolidated financial statements. 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 (e.g. to facilitate acquisitions, integration of acquired businesses, distribution arrangements, off-shoring arrangements, internal restructurings, sales or other disposals of assets or businesses, sales or renewals of products or services or similar transactions), to support their credit ratings, and/or to promote efficient use of the Group's capital resources. In this context, the Company may guarantee repayment of loans or other obligations between its subsidiaries, guarantee obligations of its subsidiaries to third parties, or provide other types of guarantees for the benefit of its subsidiaries. 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 letters 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 rating levels and, more generally, helping to develop the business of these subsidiaries.

Internal Commitments granted by the Company to the subsidiaries are disclosed in Appendix VI - AXA parent company financial statements: subsidiaries and participating interests.

The Company, from time to time, makes capital contributions, loans, other extensions of credit, or otherwise provides liquidity and capital resources to its subsidiaries and affiliates for various business purposes including to finance their business operations and/or to promote the development of their business (e.g. to facilitate acquisitions, integration of acquired businesses, distribution arrangements, internal restructurings, or similar transactions). These transactions may involve the Company entering into various types of transactions with its subsidiaries and affiliates from time to time including loans or other types of credit arrangements, acquisitions or sales of assets, securities or other financial instruments and/or similar transactions. In addition, the Company may from time to time borrow from its subsidiaries for various business purposes. These transactions are carried out on arms-length terms and conditions with loans and other extensions of credit bearing interest at varying rates that generally reflect prevailing market rates at the respective dates such loans were originated.

In addition, the Company may enter into various other types of transactions with its subsidiaries and affiliates from time to time for various other business purposes including in connection with liquidity, solvency and capital management initiatives designed to promote efficient use and fungibility of the Group's capital resources. These transactions may involve loans or other types of credit arrangements, acquisitions or sales of assets, securities or other financial instruments (including swaps or other types of derivatives), securitization transactions, and/or other types of arrangements or transactions to which the Company may be a direct party and/or guarantor.



## KEY MANAGEMENT AND DIRECTORS

To the best of the Company's knowledge, based on information reported to it:

- as of December 31, 2011, there were no loans outstanding from the Group to any member of AXA's executive officers or members of its Board of Directors;
- various members of the Company's Board of Directors as well as various other executive officers and directors of other AXA Group companies 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 in general.

# Note 29 Contingent assets and liabilities and unrecognized contractual commitments

Consistent with principles set forth in Note 1.3.1 "Scope and basis of consolidation" to the financial statements, (i) AXA's investments or other arrangements with non-consolidated special purpose entities (SPEs) do not allow AXA to exercise control over such SPEs; and (ii) SPEs controlled by AXA are consolidated as disclosed in Note 2.2 to the financial statements.

Investments in non-consolidated investment funds are limited to the shares in these funds which do not provide control. Any material arrangements between AXA and these funds are disclosed in this Note.

## 29.1. BREAKDOWN OF COMMITMENTS RECEIVED

| *(in Euro million)* | December 31, 2011 | December 31, 2010 [(a)] |
|---|---|---|
| **Financing commitments** | **14,725** | **12,656** |
| Credit institutions | 14,725 | 12,656 |
| Customers | - | - |
| **Guarantee commitments** | **13,871** | **11,888** |
| Credit institutions | 942 | 524 |
| Customers | 12,930 | 11,364 |
| **Other** | **36,869** | **38,060** |
| Pledged securities and collaterized commitments | 32,530 | 32,445 |
| Letters of credit | 2,268 | 1,011 |
| Other commitments | 2,070 | 4,604 |
| **TOTAL** | **65,465** | **62,604** |

*(a) In order to improve the presentation consistency, financing commitments received from credit institutions have been modified in 2010.*

Commitments received by AXA totaled €65,465 million at the end of 2011, and increased by €2,861 million compared to the end of 2010 (or €2,756 million at constant exchange rates), mainly due to an increase in financing commitments (€+2,069 million).

These commitments broke down as follows:

**Financing commitments received** totaled €14,725 million at the end of 2011, and mainly consisted in:

- credit facilities received from banks for €12,471 million in the Company including €6,071 million stand-by credit lines, €5,400 million credit agreements and €1,000 million credit facility;
- €1,078 million at AllianceBernstein, including €308 million credit facilities and €770 million commitment lines with various banks and other lenders;
- €541 million commitment lines granted to Japan Life & Savings as part of its operations.

The €+2,069 million increase in financing commitments received was mainly from the Company (€+1,803 million) following increase in unused credit lines.

**Guarantee commitments received** totaled €13,871 million at the end of 2011, and mainly consisted in (i) guarantees from customers related to mortgage loans (€11,556 million) received by Switzerland Life & Savings (€6,354 million), Switzerland Property & Casualty (€1,105 million), AXA Bank Europe (€2,479 million) and Belgium Life & Savings (€1,346 million), and (ii) €1,373 million other guarantees received from customers at AXA Banque.

The €1,984 million increase in guarantee commitments received was mainly driven by the increase of guarantees related to mortgage loans (€+1,194 million), including Switzerland Life & Savings (€+790 million) and AXA Bank Europe (€+203 million).

**Pledged securities and collaterized commitments received** totaled €32,530 million at the end of 2011, and mainly consisted in:

- mortgage security collateral taken for loans totaled €19,830 million, mainly from AXA Bank Europe (€15,715 million) and AXA Bank Hungary (€3,797 million);
- security reverse repurchase agreements totaled €4,823 million mainly in Japan Life & Savings (€2,129 million) and AXA Bank Europe (€1,584 million);

- €3,232 million collaterals for reinsurance operations of which €2,156 million in the United States Life & Savings;
- €2,440 million collateral for derivatives mainly from Germany Life & Savings (€1,540 million);
- €2,204 million in AXA Bank Europe related to consumer loans & commercial funding.

**Letters of credit received** increased by €1,257 million to €2,268 million at the end of 2011, and the increase was mainly related to the United States holding.

**Other commitments received** totaled €2,070 million at the end of 2011, and were broken down as follows:

- €773m received by the Company due to a loan guarantee covering $1 billion loan agreement;
- €646 million from France Life & Savings mainly due to commitments received by real estate funds;
- €548 million received by AXA Bank Europe related to money market activities.

The €2,534 million decrease in other commitments received was mainly from €2,278 million decrease in AXA Bank Europe due to money market activities.



## 29.2. BREAKDOWN OF COMMITMENTS GIVEN

| | December 31, 2011 | | | | | December 31, 2010 |
|---|---|---|---|---|---|---|
| | Expiring date | | | | | |
| *(in Euro million)* | 12 months or less | More than 1 year up to 3 years | More than 3 years up to 5 years | More than 5 years | Total | Total [(a)] |
| **Financing commitments** | **1,396** | **1,510** | **87** | **272** | **3,266** | **2,872** |
| Credit institutions | 168 | - | - | 106 | 273 | 142 |
| Customers | 1,229 | 1,510 | 87 | 167 | 2,993 | 2,730 |
| **Guarantee commitments** | **1,177** | **1,531** | **341** | **1,519** | **4,568** | **4,036** |
| Credit institutions | 1,048 | 1,520 | 322 | 1,409 | 4,299 | 3,879 |
| Customers | 129 | 11 | 19 | 110 | 269 | 157 |
| **Other** | **47,952** | **1,685** | **839** | **6,234** | **56,710** | **37,191** |
| Pledged securities and collaterized commitments | 45,268 | 6 | 10 | 611 | 45,895 | 34,673 |
| Letters of credit | 35 | 7 | - | 185 | 227 | 365 |
| Other commitments | 2,649 | 1,672 | 829 | 5,438 | 10,587 | 12,964 |
| **TOTAL** | **50,525** | **4,726** | **1,267** | **8,026** | **64,544** | **54,910** |

*(a) In order to improve the presentation consistency, pledged securities and collaterized commitments have been modified in 2010.*

Commitments given totaled €64,544 million at the end of 2011, an increase of €+9,634 million compared to the end of 2010, mainly due to an increase in pledged securities and collaterized commitments of €+11,222 million mainly in relation with repurchase transactions and similar operations (see below).

**Financing commitments given** totaled €3,266 million at the end of 2011, and mainly consisted in financing commitments to customers (€2,993 million), notably comprising loan commitments granted by AXA Germany Life & Savings (€1,233 million), AXA Bank Europe (€949 million) and by AXA Banque (€722 million) to their customers.

**Guarantee commitments given** totaled €4,568 million at the end of 2011, and mainly consisted in:

- €4,299 million guarantee commitments given to credit institutions (including €583 million guarantees in case of insolvency or default) mainly driven by the Company (€2,929 million) including €2,710 million loans guarantees and €209 million backing IT contracts;
- €269 million guarantee commitments given to customers mainly from German Banks (€125 million) related to mortgage loan.

Guarantee commitments given increased by €+532 million, including €+333 million from AXA Banque Europe related to guarantees in case of insolvency or default and €+125 million from German Banks related to mortgage loan.

**Pledged securities and collaterized commitments given** totaled €45,895 million at the end of 2011, and mainly consisted in:

- €14,909 million in AXA Bank Europe to financial institutions in respect of security repurchase agreements (€9,838 million) and pledged assets collaterals for loans (€4,528 million);
- €13,192 million in AXA France including €11,176 million from Life & Savings due to pledged assets for securities repurchase agreements (€10,166 million) and derivative transactions (€1,010 million), as well as €2,016 million from Property & Casualty;
- €9,932 million in Japan Life & Savings, including pledged assets for securities repurchase agreements (€9,770 million) and derivative transactions (€162 million);
- €3,468 million in Switzerland Life & Savings including pledged assets for securities repurchase and lending agreements (€3,116 million) and derivative transactions (€352 million);
- €2,201 million in United States Life & Savings for securities repurchase agreements.

Pledged assets and collaterized commitments given increased by €+11,222 million in 2011 mainly in relation with pledged assets and collaterals for (i) repurchase transactions and similar operations (€+8,610 million) driven by AXA Bank Europe (€+3,865 million), Japan Life & Savings (€+2,813 million), Switzerland Life & Savings (€+985 million) and (ii) derivatives instruments (€+1,063 million) driven by France Life & Savings (€627 million) and Switzerland Life & Savings (€+352 million).

**Letters of credit** given totaled €227 million at the end of 2011 and were mainly from AXA Colisée RE (ex AXA RE) related to the run-off activities of reinsurance operations (€162 million).

**Other commitments given** totaled €10,587 million at the end of 2011 and mainly consisted in:

- capital call options to Private Equity funds (€3,249 million) mainly given by the France Life & Savings (€1,060 million), Japan Life & Savings (€517 million), Switzerland Life & Savings (€428 million), Germany Life & Savings (€413 million) and United States Life & Savings (€332 million);
- €1,609 million guarantees given by the Company as part of group employee insurance contracts;
- €600 million guarantees given by the Company as part of acquisition and disposal of companies;
- €516 million of unamortized balance of the Company's subordinated debt instruments: the Company issued subordinated debts with reimbursement premiums which are amortized over the life of the instrument at the effective interest rate for each debt;
- €570 million commitments given by France Life & Savings as commitments from real estate funds;
- €479 million in Germany Life & Savings commitments given to "Protektor" and "Medicator", the German insurance guarantee funds in the case of a bankruptcy of insurance companies.

Other commitments given decreased by €2,377 million compared to 2010 mainly from the Company (€-1,074 million) decreased commitments regarding bank deposits.

## 29.3. OTHER AGREEMENTS

### Partial disposal of UK Life & Savings operations

AXA has guaranteed the liabilities and obligations of AXA UK in connection with the sale of part of its Life & Savings insurance business to Resolution Ltd. This includes potential liability of AXA UK under customary warranties and indemnities given by AXA UK to Resolution Ltd. in connection with this transaction.

### Cross-Shareholding Agreements

AXA has entered into cross-shareholding agreements with BNP Paribas and Schneider Electric which are described hereafter.

### Agreement with BNP Paribas

On August 5, 2010, and after authorization by the AXA Board of Directors on August 3, 2010, the AXA Group and the BNP Paribas Group entered into an agreement that replaces a prior agreement between them dated December 15, 2005.

The 2010 agreement maintains the option for each party to repurchase its shares in the event of a hostile change of control of the other party.

In force for a period of three years starting from August 5, 2010, this agreement is renewable automatically for successive periods of one year thereafter, unless one of the two parties decides to terminate the agreement earlier, in which case the terminating party is required to give three month notice prior to the next renewal date.

The agreement was made public by the AMF on August 9, 2010.

### Agreement with Schneider

On May 15, 2006, and after authorization by the AXA Supervisory Board of December 21, 2005, the AXA Group, the Mutuelles AXA 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 AXA ordinary shares. The number of shares held under this cross-shareholding agreement is adjusted as needed to reflect the impact of certain capital transactions, including, but not limited to: free allotments of stock or of exchange of stocks of the same company (stock splits, stock grouping, etc.). In addition, the agreement includes an option for each party to repurchase its shares in the event of a hostile change of control of the other party.

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

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

AXA and Schneider Electric informed the AMF of their decision not to renew their May 15, 2006 agreement. The termination of this agreement was published by the AMF on December 27, 2011. The current agreement will expire in the term planned by the agreement, i.e. on May 15, 2012.

### Commitments towards some Group employees

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, and the Group purchased D&O (Directors and Officers) insurance to mitigate such risk.

### Supports provided without having a contractual or constructive obligation to do so

The Group did not provide any material support without having a constructive obligation to do so to non consolidated entities during the period.

## 29.4. 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 statutory accounting policies used by the subsidiaries to prepare their local 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 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 of December 31, 2011, AXA's subsidiaries complied with the applicable solvency and capital adequacy requirements.

While AXA seeks to manage its exposure to foreign currency fluctuations through hedging, fluctuations in the exchange rates may have a significant impact on AXA's results of operations and cash flows. For example, a strengthening of the Euro against the US Dollar and/or certain other currencies in 2011 and future periods may adversely affect AXA's results of operations and the price of its securities. In addition, the currency hedges used by AXA to manage foreign exchange rate risk may significantly impact the Company cash position.

AXA regularly monitors its exchange rate hedging strategy and will continue to review its effectiveness and the potential need to vary it in any way taking into account earnings, value, solvency, gearing and liquidity indicators.

# Note 30 Fees paid to Statutory Auditors

## 30.1. STATUTORY AUDITORS

### Incubent auditors

#### PRICEWATERHOUSECOOPERS AUDIT

63, rue de Villiers – 92208 Neuilly-sur-Seine, represented by Messrs. Pierre Coll and Michel Laforce, first appointed on February 28, 1989. The current appointment is for a term of 6 years, until the General Shareholders' Meeting called to approve the financial statements for the fiscal year 2011.

#### MEMBERSHIP IN A PROFESSIONAL BODY

PricewaterhouseCoopers Audit is registered as an independent auditor with the *Compagnie Régionale des Commissaires aux Comptes de Versailles*.

#### MAZARS

61, rue Henri Regnault – 92400 Courbevoie Cedex, represented by Messrs. Philippe Castagnac and Gilles Magnan, first appointed on June 8, 1994. The current appointment is for a term of 6 years, until the General Shareholders Meeting called to approve the financial statements for the fiscal year 2015.

#### MEMBERSHIP IN A PROFESSIONAL BODY

Mazars is registered as an independent auditor with the *Compagnie Régionale des Commissaires aux Comptes de Versailles.*

### 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 2011.

**Mr. Jean-Brice de Turckeim:** 61, rue Henri Regnault – 92400 Courbevoie Cedex, first appointed on April 29, 2010. 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 2015

## 30.2. FEES PAID TO STATUTORY AUDITORS

Pursuant to Article 222-8 of the AMF General Regulations, the table below shows the fee amounts paid by AXA to each of the statutory auditors in charge of auditing the Group's financial statements, distinguishing between the fees for, on the one hand, the legal mission of statutory auditors of the statements, as well as the diligence directly related to them, and, on the other hand, for other services.

| | PricewaterhouseCoopers | | | | Mazars | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount (before VAT) | | % | % | Amount (before VAT) | | % | % |
| *(in Euro thousand)* | 2011 | 2010 [(a)] | 2011 | 2010 [(a)] | 2011 | 2010 [(a)] | 2011 | 2010 [(a)] |
| **Audit** | | | | | | | | |
| Statutory audit and certification of local and consolidated financial statements | 27,380 | 30,672 | 65% | 69% | 7,942 | 8,053 | 77% | 82% |
| Parent company | 2,506 | 2,651 | 6% | 6% | 600 | 600 | 6% | 6% |
| Fully consolidated subsidiaries | 24,874 | 28,021 | 59% | 63% | 7,342 | 7,453 | 71% | 76% |
| Other specific audit assignment | 9,279 | 8,092 | 22% | 18% | 2,220 | 1,503 | 22% | 15% |
| Parent company [(b)] | 5,183 | 4,066 | 12% | 9% | 1,785 | 1,096 | 17% | 11% |
| Fully consolidated subsidiaries | 4,096 | 4,026 | 10% | 9% | 435 | 407 | 4% | 4% |
| **Sub-total** | **36,660** | **38,764** | **87%** | **87%** | **10,163** | **9,556** | **98%** | **97%** |
| **Other services** | | | | | | | | |
| Legal, tax and employment consulting | 4,537 | 4,312 | 11% | 10% | 68 | 28 | 1% | 0% |
| Other [(b) (c)] | 869 | 1,521 | 2% | 3% | 93 | 265 | 1% | 3% |
| **Sub-total** | **5,406** | **5,834** | **13%** | **13%** | **161** | **293** | **2%** | **3%** |
| **TOTAL** | **42,065** | **44,598** | **100%** | **100%** | **10,324** | **9,849** | **100%** | **100%** |
| Affiliated Companies/Mutual funds | 11,699 | 12,068 | - | - | 1,299 | 1,369 | - | - |
| **TOTAL** | **53,764** | **56,666** | **-** | **-** | **11,623** | **11,218** | **-** | **-** |

*(a) As described in Note 1.10, the contribution of discontinued Canadian operations is reclassified on a separate line of the income statement in order to present a comparable basis.*
*(b) Consistently with its nature, Solvency II and EEV related fees have been reclassified from «Other services» to «Other specific audit assignment».*
*(c) Including Technology, IT systems consulting and other internal services.*

# Note 31 Litigation

## 31.1. MATTERS DIRECTLY CONCERNING AXA SA

AXA SA is involved in lawsuits, investigations, and other actions arising in the various jurisdictions where it does business, including the following:

In 2007, AXA SA completed the squeeze out of the minority shareholders at two German subsidiaries, AXA Konzern AG ("AKAG") and Kölnische Verwaltungs-AG für Versicherungswerte ("KVAG"). Following the effective date of these squeeze outs in July 2007, certain former AKAG and KVAG shareholders brought an action in Germany alleging that the cash compensation offered by AXA SA was not adequate. Management believes that these claims are without merit and intends to vigorously defend them. Management also believes that these judicial proceedings are likely to continue for a significant period of time before they are definitively resolved due to the complexities, procedural and otherwise, of this matter.

## 31.2. MATTERS CONCERNING AXA SUBSIDIARIES

In addition, several AXA subsidiaries are involved in lawsuits (both class action and individual), investigations, and other actions arising in the various jurisdictions where they do business, including the following:

### 31.2.1. United States Matters

In the United States, certain AXA subsidiaries are involved in a number of lawsuits (both class actions and individual litigations), investigations and other actions in various states and jurisdictions where they do business. A detailed description of significant matters involving AXA Equitable Life Insurance Company and its subsidiaries (including AllianceBernstein L.P.) is included in the Annual Reports on Form 10-K for the year ended December 31, 2011 and subsequent reports on Form 10-Q, respectively, of AXA Equitable Life Insurance Company (SEC file no. 000-20501) and AllianceBernstein (SEC file no. 000-29961) filed with the SEC (collectively, the "Subsidiary SEC Reports"). The Subsidiary SEC Reports are publicly available and Management encourages readers of the financial statement to consult the Subsidiary SEC Reports for a full description of all the various litigations and related matters in which these subsidiaries are involved. Copies of the Subsidiary SEC Reports can be obtained through the SEC's EDGAR system (www.sec.gov).

A number of lawsuits have been filed against insurers in the United States involving insurers' sales practices, alleged agent misconduct or misrepresentation, alleged failure to properly supervise agents, compensation of intermediaries as well as numerous other matters. Some of these actions have resulted in the award of substantial judgments against insurers (including material amounts of punitive damages) or in substantial settlements. In certain jurisdictions, juries have substantial discretion in awarding punitive damages. AXA's United States subsidiaries are involved in these types of litigations as well as in a wide variety of other matters including regulatory inquiries, investigations and/or actions, in connection with the ownership and/or management of real estate, asset or investment management activities, corporate transactions, employee benefit disputes, alleged discrimination in employment practices, as well as other matters. For additional details on these matters, please see the Subsidiary SEC Reports.

#### AXA ROSENBERG

In April 2010, AXA Rosenberg, a quantitative asset manager owned 75% by AXA Investment Managers at that time (now fully owned), communicated to its clients that a coding error in its risk model, corrected in November 2009, had not been reported in a timely manner. AXA Rosenberg's Board of Directors hired an independent law firm to conduct an internal investigation into this matter and an independent consultant was engaged to assist in assessing the impact of this error on the performance of each client's account. On February 3, 2011, the United States Securities and Exchange Commission charged three AXA Rosenberg entities with securities fraud for concealing this error which was determined to have caused $217 million in investor losses. Without admitting or denying the SEC's findings, AXA Rosenberg Group LLC ("ARG"), AXA Rosenberg Investment Management LLC ("ARIM"), and Barr Rosenberg Research Center LLC ("BRRC") consented to the entry of an SEC order that required them to cease and desist from committing or causing any violations and any future violations of certain provisions of US federal securities laws; censured them; and ordered them jointly and severally to pay a $25 million penalty. The SEC's order also required ARG, ARIM and BRRC to comply with certain undertakings including the payment of approximately $217 million to redress harm from the coding error to the clients of ARIM and other ARG-affiliated advisers. The penalty was paid and the compensation payments to clients were completed in 2011. The undertakings also include reorganization of the firms' compliance functions and the hiring of an independent compliance consultant to conduct a comprehensive review of the firms' overall supervisory and compliance policies and procedures — specifically the disclosure, recordkeeping and reporting processes for the quantitative investment model. Discussions have continued with various other regulatory authorities involved in this matter (including the AMF, the United Kingdom FSA, the Japanese FSA as well as financial regulators in Ireland, Hong Kong and Singapore).

On February 4, 2011, a putative class action law suit was filed against AXA Rosenberg on behalf of an AXA Rosenberg client (the Guam Retirement Fund) and all others similarly situated. This suit was filed in the Federal District Court for the Northern District of California and (i) alleges breach of fiduciary duty, negligence/gross negligence in connection with the coding error, (ii) seeks an "accounting" of underperformance against benchmarks attributable to the coding error and (iii) requests damages in an unspecified amount to be determined at trial. During 2011, two additional putative class action lawsuits were filed or threatened against AXA Rosenberg on the basis of allegations similar to those in the Guam Retirement Fund suit as well as alleged violations of the US Employee Retirement Insurance Security Act ("ERISA"). All of these actions were consolidated into a single putative class action law suit, and in the fourth quarter of 2011, the parties entered into an agreement to settle all of the claims in the law suit. On December 6, 2011, the Federal District Court for the North District of California approved a preliminary settlement order in relation to the law suit pursuant to which AXA Rosenberg agreed to pay $65 million in exchange for a full release from class members. A court hearing to grant final approval of the settlement is scheduled for the end of March 2012.

#### AXA EQUITABLE MUTUAL FUND DERIVATIVE ACTION

A lawsuit was filed in the United States District Court of the District of New Jersey in July 2011, entitled Mary Ann Sivolella v. AXA Equitable Life Insurance Company and AXA Equitable Funds Management Group, LLC ("FMG LLC"). The lawsuit was filed derivatively on behalf of eight funds. The lawsuit seeks recovery under Section 36(b) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), for alleged excessive fees paid to AXA Equitable and FMG LLC for investment management services. In November 2011, plaintiff filed an amended complaint, adding claims under Sections 47(b) and 26(f) of the Investment Company Act, as well as a claim for unjust enrichment. In addition, plaintiff purports to file the lawsuit as a class action in addition to a derivative action. In December 2011, AXA Equitable and FMG LLC filed a motion to dismiss the amended complaint. Plaintiff seeks recovery of the alleged overpayments, or alternatively, rescission of the contracts and restitution of all fees paid.

### 31.2.2. Other Litigations

AXA and certain of its subsidiaries are involved in various legal actions and proceedings arising out of transactions involving the acquisition or sale of businesses or assets, mergers or other business combination transactions, the establishment or dissolution of joint ventures or other partnerships, public exchange or tender offers, buy-outs of minority interests or similar types of transactions ("M&A Transactions"). In connection with M&A Transactions, AXA and its subsidiaries from time to time:

- are involved in legal actions or other claims brought by purchasers, joint venture partners, shareholders or other transaction parties asserting claims for damages on various theories (including misrepresentation, failure to disclose material information, failure to perform contractual duties, breach of fiduciary duties), seeking contractual indemnification, or otherwise seeking to impose liability on AXA and/or its subsidiaries; and/or
- benefit from contractual rights to indemnification from third party sellers or other transaction counterparties that are designed to protect the Group against existing or potential future litigation exposures or other types of contingent liabilities of the acquired businesses or assets. These indemnities generally constitute unsecured obligations of the indemnifying party and, consequently, their value may be substantially impaired or rendered worthless in the event of the bankruptcy or insolvency of the indemnifying party.

For example during 2010, as part of AXA UK's sale of part of its life insurance business to Resolution, Ltd., AXA UK plc granted an indemnity to Friends Provident ("FP") for any losses that FP may suffer as a result of having to pay out monies to pension scheme trustees/employers in relation to pension equalisation claims. This relates to a 1990 UK court decision (Barber v Guardian Royal Exchange) which required equalization of retirement ages for men and women covered under UK pension schemes. Prior to this decision, many of the schemes had different retirement ages for men and women (typically 65 and 60 respectively). Many trustees and employers decided to equalize their schemes by increasing the woman's retirement age to 65, in line with the man's retirement age at the time, but until equalization was done correctly, benefits for men and women had to accrue at the more generous age of 60 (if that was the woman's retirement age). Certain pension plan trustees/employers have alleged that AXA UK or its affiliates, in their capacity as plan administrator, failed to properly effect equalization due to certain defects (including failure to execute amending scheme documentation, defects in the documentation equalized or defects in the form of amendment executed itself). AXA UK has asked a number of scheme trustees to check the equalization of their schemes, which work FP is now progressing.

In addition, AXA and certain of its subsidiaries are involved in various legal actions and proceedings with tax authorities in various jurisdictions including actions arising in connection with M&A Transactions, the Group's ordinary course of business activities or other matters.

Over the past several years a number of jurisdictions, including France and Belgium, have enacted legislation that permits corporate entities to be charged with criminal offences. The standard for attributing criminal conduct by corporate officers and employees to corporate entities is not clearly defined in many of these jurisdictions and government prosecutors and judges have broad discretion in this area. In recent years, complaints against or indictments of corporate entities for alleged criminal offences have become increasingly common and certain AXA Group companies have been the subject of penal complaints and/or indictments from time to time including in Belgium and France. While a criminal complaint against or indictment of a corporate entity may not pose material financial risk, it has broad potential implications for a regulated financial institution like AXA both from a reputation point of view and from a regulatory perspective because a criminal conviction can have potentially far reaching negative implications for AXA Group companies engaged in regulated businesses around the world including for their ability to obtain and/or maintain licenses to engage in certain types of regulated business activities such as asset management, insurance and banking.

On June 26, 2008, the Belgian consumer association Test-Achats (together with two private parties) brought an action for annulment of the Belgian Act of December 21, 2007 amending the Act of May 10, 2007 (the "Act") designed to combat discrimination between men and women with respect to gender in insurance matters. Specifically for the purpose of calculating insurance premiums and benefits, the Act allows direct distinctions to be drawn on the basis of gender. As a condition, a regulation stipulated that the distinction must be proportionate and sex must be a determining factor in the assessment of risk on the basis of relevant and accurate actuarial and statistical data. In enacting this regulation, the Belgian legislature made use of the "opt-out possibility" pursuant to Article 5 (2) of the so-called Gender Directive (2004/113/EC) which permitted European Member States to allow exceptions from the general prohibition on gender discrimination in access to and supply of goods and services. Test-Achats claimed that this Belgian regulation permitting gender-based setting of tariffs in life insurance contracts is incompatible with the principle of equal treatment and non-discrimination between men and women as a basic principle of European Union law. The Belgian Constitutional Court has referred this case to the European Court of Justice which rendered a decision on March 1, 2011 holding that Article 5 (2) of the Gender Directive is invalid with effect from December 21, 2012. While AXA was not party to this litigation, the effect of this decision will be to generally prohibit use of gender in the pricing of insurance contracts issued in the European Union by insurers writing business in the European Union including AXA Group insurance companies. In the fourth quarter, 2011, the European Commission published interpretative guidance on the application of this decision to the insurance sector and AXA Group will closely monitor implementation of the Test Achats decision and the guidelines published by the European Commission.

In addition to the matters noted above, AXA and its subsidiaries are also involved in various legal actions and proceedings of a character normally incident to their business including claims litigation arising in connection with the Group's insurance business and litigation arising from the Group's asset management business.

In addition to litigation risks of the type described above, AXA and its subsidiaries are subject to comprehensive regulation in the various jurisdictions where they do business. In this context, AXA and its subsidiaries are subject, from time to time, to examinations, investigations, enforcement proceedings and other actions by regulatory and law enforcement authorities (involving civil and/or penal matters) as well as to proposed changes in law and/or regulation that may significantly impact their business and results of operations. For additional information on these matters as well as other risks and contingent liabilities affecting the Group and its business, please see section 3.1 "Regulation" and 3.2 "Risk Factors" in Part 3 of this Annual Report and Note 29 to the Group's consolidated financial statements in Part 4 of this Annual Report. Some of the litigations described above have been brought on behalf of various alleged classes of claimants, and certain of the claimants in these actions seek significant or unspecified amounts of damages, including punitive damages. In some jurisdictions, juries have substantial discretion in awarding punitive damages.

Although the outcome of any lawsuit cannot be predicted with certainty, particularly in the early stages of an action, management believes that the ultimate resolution of the matters described above are not likely to have a material adverse effect on the consolidated financial position of AXA, taken as a whole. However, due to the nature of such lawsuits and investigations and the frequency of large damage awards in certain jurisdictions (particularly the United States) that bear little or no relation to actual economic damages incurred by plaintiffs, AXA's management cannot make an estimate of loss, if any, or predict whether or not these matters will have a material adverse effect on AXA's consolidated results of operations in any particular period.

# Note 32 Subsequent events

On March 7th, 2012, AXA and HSBC announced they have entered into an agreement whereby AXA would acquire HSBC's P&C businesses in Hong Kong, Singapore and Mexico. In addition, AXA will benefit from a 10-year exclusive P&C bancassurance agreement with HSBC in these countries as well as in India, Indonesia and China.

This transaction will position AXA as the number one P&C player in Hong Kong, and strengthen its leading positions in Mexico and Singapore. The Hong Kong and Singapore businesses to be acquired benefit from multi-channel distribution, including through HSBC Bank branches, as well as strong agent and broker networks.

The net upfront cash consideration for AXA is USD 494 million or ca. Euro 374 million, and will be funded through internal resources. The closing of the transaction is subject to regulatory approvals and is expected in the course of the second half of 2012.

# 4.7 REPORT OF THE STATUTORY AUDITORS

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

Mazars
61, rue Henri Régnault
92400 Courbevoie



## REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

### (For the year ended December 31, 2011)

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and 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 on information taken outside of the consolidated financial statements.*

*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 SA**
25, avenue Matignon
75008 Paris

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying consolidated financial statements of AXA SA , as attached to the present report;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

## I – OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## II – JUSTIFICATION OF OUR ASSESSMENTS

The on-going economic downturn and related uncertainties, the evolution of the financial crisis as well as the development of the sovereign debt crisis of certain eurozone members (in particular Greece) continue this year to give rise to specific circumstances for the preparation of the financial statements, in particular with respect to the accounting estimates. In the context of these economic and financial uncertainties, and in accordance with Article L.823-9 of the French Commercial Code requiring statutory auditors to justify their assessment, we bring to your attention the following matters:

- Your company details in Notes 1.7.2, 4.3 and 9.9 to the consolidated financial statements the valuation methods it applies to financial assets. We have assessed the appropriateness of the process of the financial assets valuation, as well as the information disclosed in the above mentioned notes.
- 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, future policyholders' benefits , 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 1.13, 6.4 and 1.6.2 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 Notes 1.6.1 and 5.2.2 to the consolidated financial statements. We have in particular ensured the valuation approaches used rely on assumptions that are consistent with the forecasts that emerge from the strategic plans established by the Group. We have also examined the elements gathered by the Group to assess the other assumptions considered as well as the sensitivity tests performed.
- Deferred tax assets and liabilities are recorded and measured using the methods described in Note 1.16.1 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.
- 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 that abide by hedge accounting have been duly documented in accordance with hedge accounting rules.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## III – SPECIFIC VERIFICATION

As required by law we have also verified the information given in the Group's management report in accordance with the professional standards applicable in France.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, March 14, 2012

The Statutory Auditors

| PricewaterhouseCoopers Audit | Mazars |
|---|---|
| Pierre Coll – Michel Laforce | Philippe Castagnac – Gilles Magnan |

# 5 CERTAIN ADDITIONAL INFORMATION

# 5.1 CHARTER

We summarize below certain material provisions of applicable French law, in force at the filing date of this Annual Report, and of our Charter *("Statuts")*. You may obtain copies of our Charter in French from the Paris Trade and Companies Register *("Registre du commerce et des sociétés")*.

The Company is a holding company organized under the laws of France as a *Société Anonyme* (SA) (a public company). The Company's registered principal office is located at 25, avenue Matignon, 75008 Paris, France and is registered with the Paris Trade and Companies Register *("Registre du Commerce et des Sociétés"*) under number 572 093 920.

## Corporate purpose

Under Article 3 of its Charter, AXA's corporate purpose is generally to:

- acquire all types of ownership interests in any French or foreign company or business, including insurance company or business;
- acquire, manage and sell all listed or unlisted shares and securities, as well as personal or real estate properties, rights, shares or securities, whether listed or unlisted, that are related to such properties; and
- perform all industrial, commercial, financial, personal or real estate property transactions, directly or indirectly related to any of the foregoing.

## Members of the Board of Directors

In addition to French law provisions, AXA's Charter and the Board of Directors' Bylaws include a number of specific provisions concerning members of the Board of Directors, including the following:

### COMPENSATION

The Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer(s) will receive compensation which amount and conditions will be set by the Board of Directors, upon proposal of the Compensation and Human Resources Committee. Members of the Board of Directors receive a fixed annual directors' fee, the maximum overall amount of which is determined by the Shareholders' Meeting and apportioned by the Board of Directors among its members. Notwithstanding the above, the Board of Directors' Bylaws provide that no directors' fee shall be paid to directors exercising in the Executive Management (Chief Executive Officer and Deputy Chief Executive Officer(s)).

For further information please see Part 2 – "Corporate governance, executive compensation, major shareholders and related matters" of this Annual Report.

### RETIREMENT

Notwithstanding the term of office for which the Chairman of the Board of Directors is appointed, his/her functions shall terminate, at the latest, at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements of the preceding fiscal year and held during the year the Chairman reaches the age of seventy.

Notwithstanding the term of office for which the Chief Executive Officer is appointed, his/her functions shall terminate at the latest at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements of the preceding fiscal year and held during the year the Chief Executive Officer reaches the age of sixty-five. The same rule applies for the Deputy Chief Executive Officer(s).

An individual aged seventy or older may be appointed or reappointed to the Board of Directors exclusively for a two-year term of office. His/her term of office can be renewed only once.

When the number of Board members aged seventy or older exceeds one-third of the directors in office, the oldest director is deemed to have resigned automatically unless any member of the Board of Directors aged seventy or older voluntarily resigns within three months.

When the permanent representative of a legal entity member of the Board of Directors reaches seventy-years old, the legal entity is deemed to have resigned automatically unless it designates a new representative within three months.

### SHAREHOLDING

In accordance with the AFEP/MEDEF Code, the directors shall be shareholders of the Company and own a significant number of shares in the Company; if they do not own such shares at the time they are first appointed, they shall use their directors' fees to acquire AXA shares. Accordingly, the Board of Directors has set for each Board member, whether an individual or a permanent representative of a legal entity to whom directors' fees were paid, the objective of holding, within two years after first being appointed, a number of shares in the Company, the value of which, on the basis of the closing price of the AXA share on December 31 of the preceding fiscal year, shall correspond to an amount at least equivalent to the gross director's fees earned in respect of the previous fiscal year. The shares purchased for the purpose of this holding objective must be held in registered form.

For additional information regarding the powers of the Board of Directors, please see Part 2 – "Corporate governance, executive compensation, major shareholders and related matters" of this Annual Report.



## Rights, preferences and restrictions attached to the shares

### VOTING RIGHTS

Each AXA share entitles its holder to one vote at every AXA Shareholders' Meeting, subject to the provisions regarding double voting rights described below. As a result of the decision of the Shareholders' Meeting of the Company held on May 26, 1977, each ordinary share fully paid and held in registered form by the same person for at least two full fiscal years entitles its holder to double voting rights with respect to such share at any AXA Ordinary or Extraordinary Shareholders' Meeting. The double voting right will automatically terminate for any share that has been converted into a bearer share or for which ownership has been transferred. Any transfer of shares as a result of merger, split-up, inheritance, division of community property by spouses or donation to a spouse or heir does not affect the double voting rights of such shares.

In the event of a capital increase by capitalization of existing reserves, profits or premiums, shares granted for free to any shareholder as a result of the holding by that shareholder of shares entitled to double voting rights will also carry double voting rights.

Double voting rights may be terminated at any time upon the decision of an Extraordinary Shareholders' Meeting, provided that such decision is confirmed by a two-thirds majority of the holders of double voting rights voting separately.

### DIVIDENDS

AXA may distribute dividends to its shareholders from its net income of each fiscal year after deductions for depreciation and provisions, increased or reduced by any profit or loss carried forward from prior years, and reduced by the legal reserve fund allocation described below.

Under French law, AXA is required to allocate 5% of its net income of each fiscal year, after reduction for losses carried forward from previous years, if any, to a legal reserve until the amount of such reserve equals 10% of the nominal amount of its share capital. The legal reserve is distributable only upon AXA's liquidation.

Upon proposal by the AXA Board of Directors, the shareholders of AXA may decide to allocate all or part of distributable profits to special or general reserves, to carry them forward to the next fiscal year as retained earnings, or to allocate them to the shareholders as dividends. If AXA has earned a distributable profit since the end of the previous fiscal year, as reflected in an interim balance sheet certified by its Statutory Auditors, the Board of Directors may distribute interim dividends to the extent of the distributable profit without shareholders approval in accordance with French law. AXA's Charter requires AXA to distribute dividends between its shareholders in proportion to their share in the capital. The right to receive the dividend is due to the shareholders holding their shares at the record date.

Under the provisions of AXA's Charter, the actual dividend payment date is decided by the Board of Directors. AXA must pay any dividend within nine months of the end of its fiscal year. Dividends not claimed within five years of the date of pay-out become the property of the French Treasury Department.

In accordance with the provisions of AXA's Charter, the shareholders may grant each shareholder the choice of receiving dividends in either cash or additional ordinary shares during an Ordinary Shareholders' Meeting.

### PRE-EMPTIVE RIGHTS

Under French law, shareholders have preferential subscription rights to subscribe, on a prorata basis, additional ordinary shares (and/or convertible, exchangeable or other securities giving a claim, directly or indirectly, to AXA ordinary shares). This subscription right is transferable and normally trades separately during the subscription period for a capital increase. In order to issue additional shares without preferential subscription rights, except for issues already approved or authorized by AXA shareholders, AXA must obtain the approval of a two-thirds majority of voting rights at an Extraordinary Shareholders' Meeting.

### LIQUIDATION RIGHTS

If AXA is liquidated, the assets remaining after it pays its debts, liquidation expenses and all prior claims will first be used to repay AXA shareholders up to the amount of the liquidation balance and the par value of the shares held by each shareholder. Any surplus will be divided among all shareholders, subject to rights arising, if any, from the different classes of shares, in proportion of the rights they own in the Company's share capital.

## Modification of shareholders' rights

Under French law, shareholders of a French public company *("société anonyme")* have the power to amend the charter of the Company. Such an amendment generally requires the approval of two-thirds of the shareholders attending or represented at an Extraordinary Shareholders' Meeting. However, no such Extraordinary Shareholders' Meetings may decide (i) to increase the liability of the shareholders in respect of the company or a third-party; or (ii) to reduce the individual rights vested in each shareholder (such as voting rights, the right to distributable profits of the Company when allocated as dividends, the right to sell one's shares and the right to sue the Company).

## Shareholders' Meetings

Under French law, prior to any Ordinary and/or Extraordinary Shareholders' Meeting, a Notice of Meeting must be published in the *Bulletin des annonces légales obligatoires ("BALO")*, at least 35 days prior to the meeting date (or 15 days if convened, in the event that the Company is subject to a tender offer, for purposes of approving measures, the implementation of which, would be likely to cause such tender offer to fail) and must indicate, in particular, the agenda and the proposed resolutions.

At least 15 days (or 6 days if convened, in the event that the Company is subject to a tender offer, for purposes of approving measures, the implementation of which, would be likely to cause such tender offer to fail) prior to the date set for the meeting on first call, and at least 10 days (or 4 days if convened, in the event that the Company is subject to a tender offer, for purposes of approving measures, the implementation of which, would be likely to cause such tender offer to fail) before any second call, the Company shall send a final notice containing, among other things, the final agenda, place, date and other information in respect of the meeting by mail to all registered shareholders who have held shares for more than one month prior to the date of this final notice and publish this final notice in a newspaper as well as in the BALO.

Shareholders are convened, meet, and deliberate in accordance with applicable French laws and AXA's Charter. 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 (or the intermediary 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 registered share accounts kept by the Company or in the bearer share accounts kept by a qualified intermediary. The accounting registration or recording of the shares in the bearer share accounts in the books of the qualified intermediary is evidenced by a certificate of attendance delivered by the latter.

Shareholders may participate either in person, be represented by a spouse, a partner with whom a civil solidarity pact was entered into, another shareholder, the Chairman of the Meeting, or any other individual or legal person, or, as provided for by the Charter and subject to approval by the Board of Directors, participate by videoconference or by any means of telecommunications allowing shareholders to be identified in accordance with applicable laws. In addition, a holder of bearer shares who is not a French resident may be represented at Shareholders' Meetings by an appointed intermediary.

In accordance with applicable laws and regulations, shareholders may also transmit mail voting cards in paper form and/or, subject to approval by the Board of Directors published in the Notice of Meeting, by electronic means.

# Anti-takeover provisions

There are no French anti-takeover statutes similar to the anti-takeover statutes enacted by certain states in the United States and other jurisdictions. However, a number of French law provisions including certain provisions of the European Directive of April 21, 2004 (which was implemented in France in 2006) concerning takeover bids, may have certain anti-takeover effects. In the case of AXA, the relevant provisions include, among other things, the Company's ability to repurchase its own shares regarding legal requirements and the existence of AXA shares with double voting rights.

French law generally requires mergers and certain consolidations to be approved by two-thirds of the shareholders attending or represented at the Extraordinary Shareholders' Meeting convened to decide on such matters. French law also requires the affirmative vote of the shareholders of the surviving corporation of a merger at an Extraordinary Shareholders' Meeting. However, the General Meetings of the respective shareholders of the merged and surviving companies are not required in the case of a merger of a wholly-owned subsidiary with its parent company.



# Disclosure requirements when holdings exceed specified thresholds

Pursuant to Article 7 of AXA's Charter, any person, acting alone or jointly, who comes to hold, directly or indirectly through companies it controls within the meaning of Article L.233-3 of the French Commercial Code, a number of shares representing 0.5% of the Company's share capital or voting rights, shall notify the Company by registered letter with acknowledgment of receipt within five days from the threshold crossing. This notification shall detail the total number of shares and voting rights held as well as the total number of securities giving a differed claim to the share capital and the potential voting rights attached thereto.

The notification shall be repeated in the conditions stated above each time an additional fraction of 0.5% of the share capital or voting rights is crossed upward or downward.

In the event of failure to comply with the notification requirements described above, shares exceeding the fraction that should have been notified will be deprived of voting rights at Shareholders' Meetings if, at such meetings, the notification failure has been recorded and if one or more shareholders jointly holding at least 5% of the share capital so request. Loss of voting rights shall be applicable in all Shareholders' Meetings that would be held up until two years following proper notification.

# Changes in the capital

The Company's share capital may be modified only under the conditions stipulated by the legal and regulatory provisions in force. The provisions of the Charter or the Bylaws shall not prevail over changes in the law governing the Company's share capital.

# 5.2 DESCRIPTION OF AXA'S SHARE CAPITAL

## Transactions involving AXA's share capital

On December 31, 2011, AXA's share capital was comprised of 2,357,197,520 ordinary shares, each with a par value of €2.29. All these shares were fully paid up and non assessable and began earning dividends on January 1st, 2011. The following table sets forth changes in the number of shares from December 31, 2008 to December 31, 2011:

| Date | Transaction | Number of shares issued or cancelled | Issue or merger premium (in Euro) | Number of shares after the transaction | Amount of share capital after the transaction (in Euro) |
|---|---|---|---|---|---|
| 2009 | Exercise of stock options | 16,937 | 142,948 | 2,089,175,106 | 4,784,210,993 |
| | Exercise of stock options | 174,037 | 1,556,005 | 2,089,349,143 | 4,784,609,537 |
| | Exercise of stock options | 32,782 | 276,680 | 2,089,381,925 | 4,784,684,608 |
| | Conversions of bonds | 101,617 | 3,678,393 | 2,089,483,542 | 4,784,917,311 |
| | Share capital reduction by cancellation of shares | (101,617) | (4,928,205) | 2,089,381,925 | 4,784,684,608 |
| | Share capital increase with preferential subscription rights | 174,123,628 | 1,642,341,991 | 2,263,505,553 | 5,183,427,716 |
| | New equity issue reserved for employees of AXA (SharePlan 2009) | 26,390,246 | 332,756,023 | 2,289,895,799 | 5,243,861,380 |
| | Conversions of bonds | 45 | 1,552 | 2,289,895,844 | 5,243,861,483 |
| | Exercise of stock options | 69,280 | 566,710 | 2,289,965,124 | 5,244,020,134 |
| 2010 | Share capital reduction by cancellation of shares | (45) | (2,137) | 2,289,965,079 | 5,244,020,031 |
| | Exercise of stock options | 27,087 | 221,390 | 2,289,992,166 | 5,244,082,060 |
| | Conversions of bonds | 552 | 19,423 | 2,289,992,718 | 5,244,083,324 |
| | Share capital reduction by cancellation of shares | (552) | (25,961) | 2,289,992,166 | 5,244,082,060 |
| | New equity issue reserved for employees of AXA (SharePlan 2010) | 30,082,363 | 260,922,313 | 2,320,074,529 | 5,312,970,671 |
| | Exercise of stock options | 30,708 | 250,919 | 2,320,105,237 | 5,313,040,993 |
| 2011 | Exercise of stock options | 327,094 | 2,632,555 | 2,320,432,331 | 5,313,790,038 |
| | New equity issue reserved for employees of AXA (SharePlan 2011) | 36,713,690 | 233,119,323 | 2,357,146,021 | 5,397,864,388 |
| 31/12/2011 | Exercise of stock options | 51,499 | 414,197 | 2,357,197,520 | 5,397,982,321 |

# A APPENDICES

# APPENDIX I CHAIRMAN OF THE BOARD OF DIRECTORS' REPORT

This report presents, according to the provisions of Article L.225-37 of the French Commercial Code, the composition of the Board of Directors and the application of gender balance on the Board, the conditions of preparation and organization of the Board of Directors' work (Part 1) as well as the internal control and risk management procedures implemented by the Company (Part 2). The report also presents the principles and the rules adopted by the Board of Directors in order to determine the compensation and the advantages granted to the corporate officers (Part 3). Finally, the report indicates the Company's Corporate Governance Code of reference and specifies the provisions of that code, if any, that have not been applied by the Company and the reasons why they have not been applied (Part 4).

## Part 1 Composition and conditions of preparation and organization of the Board of Directors' work

For information on the composition of the Board of Directors and the application of the principle of gender balance on the Board, as well as on the conditions of preparation and organization of the Board of Directors' work please see Part 2 – "Corporate governance - Executive compensation, major shareholders and related matters", "Board of Directors" and "Board of Directors' Committees", Sections of this Annual Report. For information on specific limitations of the powers of the Chairman & Chief Executive Officer decided by the Board of Directors please see Part 2 – "Corporate governance – Executive compensation, major shareholders and related matters", "The Chairman & Chief Executive Officer" Section of this Annual Report.

## Part 2 Internal control and risk management procedures

In accordance with Article L.225-37 of the French Commercial Code, the Chairman of the Board of Directors is required to report annually on internal control and risk management procedures implemented by the Company.

In this context, the following report provides a summary of the AXA Group's principal internal control mechanisms and procedures that allow Management to conclude that the Group has a sound and comprehensive system of internal control well adapted to its business and the specific risks inherent to its activities. This report is not intended to provide a comprehensive description of all internal controls and procedures in place within the Company and its subsidiaries, but rather to provide an overview of the Group's principal internal control mechanisms and procedures.

In preparing this report, the Chairman of the Board of Directors has consulted, as he deemed appropriate, members of AXA's Management and has taken into account information furnished to the Board of Directors with respect to the Group's internal control environment. This report was assessed by the Audit Committee before being reviewed and approved by the Board of Directors during its meeting of March 7, 2012.

In this report, the term "Group" refers to AXA SA (the "Company") together with its direct and indirect consolidated subsidiaries.

### INTERNAL CONTROL AND RISK MANAGEMENT: OBJECTIVES

The AXA Group is engaged in the financial protection and wealth management business on a global scale. As such, it is exposed to a very wide variety of risks – insurance risks, financial market risks and other types of risks – which are described in detail in this Annual Report. Please see, in particular, Part 3 – "Regulation, risk Factors, certain disclosures about market risks and related matters" and Part 4 – "Consolidated Financial Statements" – Note 31 "Litigation".

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

These mechanisms and procedures principally include:

**(i)** the Group's corporate governance structures which are designed to ensure appropriate supervision and management of the Group's business as well as clear allocation of roles and responsibilities at the highest level;

**(ii)** management structures and control mechanisms designed to ensure that the Group senior Management has a clear view of the principal risks the Group faces and the tools necessary to analyze and manage these risks;

**(iii)** internal control over financial reporting ("ICOFR"), designed to ensure the accuracy, completeness and timeliness of the Group's consolidated financial statements and the other financial information that the Group reports to the markets; and

**(iv)** disclosure controls and procedures designed to ensure that Management has the necessary information to make fully informed disclosure decisions on a timely basis and that the Company's disclosures on material information (both financial and non-financial) to the markets are timely, accurate and complete.

These mechanisms and procedures, taken together, constitute a comprehensive control environment that Management believes is appropriate and well adapted to the Group's business.

# CORPORATE GOVERNANCE STRUCTURES

## Group Level Governance Structures

### EXECUTIVE MANAGEMENT

Executive Management oversees implementation of the internal control system and the existence and appropriateness of internal control and risk management monitoring systems within the Group.

### BOARD OF DIRECTORS

Since April 29, 2010, AXA's former dual governance structure consisting of a Management Board and a Supervisory Board was replaced by a unitary Board of Directors. This unitary board structure enhances the efficiency and reactivity of the Group's governance processes and has been carefully designed to ensure an appropriate balance of powers.

A detailed description of AXA's corporate governance structures including the composition and assignments of the Board of Directors as well as the structure and composition of the Board of Directors' Committees is set forth in Section 2.1 "Directors, senior management and employees" of this Annual Report.

The Board of Directors determines the Company's business strategy and oversees its implementation. The Board shall consider any question related to the proper functioning of the Company and take all appropriate decisions for its business. The Board of Directors shall undertake all controls and verifications it deems appropriate.

The Board of Directors has established four Committees to assist it in fulfilling its responsibilities: Audit Committee, Finance Committee, Ethics & Governance Committee and Compensation & Human Resources Committee. These Committees exercise their activities under the responsibility of the Board of Directors and report regularly to the Board of Directors on matters within the scope of their responsibility.

Executive Managers report significant internal control and risk related issues to the Audit Committee of the Board of Directors on a regular and continuing basis to ensure that the Committee and the Board of Directors have a clear view of material issues facing the Group.

### AUDIT COMMITTEE

All the Board Committees constitute an important part of the Group's overall internal control environment. However, the Audit Committee plays a particularly important role in reviewing internal control and risk related issues.

The Audit Committee, on December 31, 2011, has four members all of whom are independent in accordance with the criteria of the AFEP/MEDEF recommendations.

The scope of the Audit Committee's responsibilities is set forth in the Audit Committee Terms of Reference, approved by the Board of Directors, which define the Committee's principal duties, including the following:

- reviewing annual and half year financial statements;
- monitoring the statutory audit of AXA's annual and consolidated financial statements;
- providing for recommendations on proposals for appointment, compensation and replacement of the Statutory Auditors as well as monitoring their independence;
- overseeing the compensation of the Statutory Auditors;
- monitoring the accounting rules that apply within the Group;
- reviewing the Group's internal control systems and procedures for risk management;
- examining the program and the goals of the AXA Group's internal audit function.

For more information about the Audit Committee including its composition and the principal matters it handled in 2011, please see Section 2.1 "Directors, senior management and employees" of this Annual Report.

### Subsidiary Level Governance Structures

AXA's principal subsidiaries, whether publicly traded or not, are generally governed by:

- a board of directors or a supervisory board whose membership includes independent or non-executive directors; and
- various board committees including a compensation committee and an audit committee, whose membership include independent or non-executive directors.

Over the past years, AXA initiated a process designed to harmonize corporate governance standards throughout the Group. This effort is focused, among other matters, on standardizing, to the extent practicable, principles relating to a number of corporate governance matters including board composition and size, directors' independence criteria, board committees and their roles, and directors' fees.

The Group Governance Standards require the boards of AXA's principal subsidiaries to establish an audit committee, a compensation committee and a risk 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 the audit committee guidelines and the compensation committee standard. The Audit Committee Terms of Reference requires the audit committees of Group subsidiaries to have a significant number of independent directors in order to ensure that this committee is independent from management. The audit committees have a critical role in reviewing financial results and other financial information prepared by the management, financial reporting and control processes, critical accounting policies, particular accounting issues, key risks and systems of internal control, fraud and similar issues.

## MANAGEMENT STRUCTURES AND CONTROLS

In order to manage the various risks to which it is exposed, the AXA Group has various management structures and control mechanisms designed to ensure that Management has a clear and timely view of the principal risks facing the Group and the tools necessary to analyze and manage these risks.

These management structures and controls include the following:

### The Management Committee

AXA currently has a 7-member Management Committee which is an internal committee having for main mission to assist the Chief Executive Officer and the Deputy Chief Executive Officer in the operational management of the Group. The Management Committee does not have any formal decision making power.

AXA's Management Committee generally meets once a week to discuss and take strategic, financial and operational decisions.

For more information about the Management Committee including its composition, please see Section 2.1 "Directors, senior management and employees" of this Annual Report.

### The Executive Committee – Quarterly Business Reviews – Strategic Plan

AXA currently has an 18-member Executive Committee which is an internal committee composed of the members of AXA's Management Committee, the Chief Executive Officers of the Group's principal subsidiaries and/or business units and selected other senior executives. While the Executive Committee is an internal committee which has no formal decision making power, it plays an important role in assisting the Executive Management to effectively manage the Group's operating businesses, consider strategic initiatives and other subjects the Executive Management deems appropriate from time to time. The Executive Committee usually meets four times a year.

At the end of the first three quarters, the Management Committee conducts QBRs, during which the performance of the AXA Group is reviewed. These QBRs were introduced in 2000 to provide Management with a clear and consistent framework for: (1) reviewing operational performance and monitoring the progress of key projects using quantifiable standards of measurement defined in collaboration with the Management Committee; (2) assessing the status of Group transversal projects; and (3) exchanging ideas and information on key Group strategic orientations.

These QBRs constitute an important management control mechanism to monitor the operating performance of the Group and its principal business units on a continuing basis and to identify any new material risks or issues facing the Group in a timely manner.

During the fourth quarter, each business unit presents its strategic plan to the Group's strategic plan steering committee. The Group's strategic plan is adopted by the Management Committee and reviewed and approved by the Board of Directors.

For more information about the Executive Committee including its composition, please see Section 2.1 "Directors, senior management and employees" of this Annual Report.

## The Group Management Services [1] (GMS) Departments focused principally on internal control and risk related matters

Several GMS Departments have responsibility for managing and/or monitoring some aspects of internal control and/or risk related matters, however, the following four GMS Departments are primarily focused on these matters as part of their principal day-to-day management responsibilities:

### GROUP RISK MANAGEMENT DEPARTMENT

The role of Group Risk Management (GRM) is to identify, quantify and manage the main risks to which AXA is exposed. To this end, GRM develops and deploys a number of risk measurements, monitoring instruments and methods, including a set of standardized stochastic modelling tools.

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

As a central team, GRM coordinates risk management for the Group and is supported by local Risk Management teams within each operating unit. The types of risks covered include risks coming from the invested assets, from the insurance liabilities, asset/liability mismatch risks and operational risks.

The principal control processes that fall under the responsibility of GRM are described below:

- the local Risk Management Departments carry out regular reviews of the technical reserves established by Property & Casualty and reinsurance operating units. GRM performs regular reviews of models followed throughout the Group in order to ensure the consistency between actuarial and financial standards;
- GRM conducts a decentralized review of risk-adjusted pricing and profitability for new products prior to launch; this review is centralized for Variable Annuity products with secondary guarantees as well as for long term care products and submitted to the Management Committee. Regular reviews on existing products are performed to ensure that profitability of the new business is sustainable;
- 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;
- 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. GRM also monitors the corresponding exposures on a monthly basis, and ensures that local operating units comply with the concentration limits established by the Group;
- economic capital is estimated quarterly for each product line and operating unit and then aggregated at the Group level. This is based on a stochastic modelling approach and enables to properly assess together asset, liability and operational risks;
- GRM proposes annually to the Management Committee, with the support of AXA Global P&C and AXA Global Life, the main features of the Property & Casualty and Life reinsurance coverage program of the Group;
- GRM coordinates the activity of decentralized operational risk teams to ensure proper and consistent identification, measurement and management of the most important operational risks.

Summary findings are then presented to the Management Committee. The Board of Directors and the Audit Committee are also informed.

### PBRC (PLANNING, BUDGETS, RESULTS CENTRAL)

PBRC Department within the Group Finance Department is responsible for consolidation, management reporting and control over accounting and financial information. It works with local PBR units within Finance Departments of Group subsidiaries.

The local PBR units are responsible for producing their contribution to the Group consolidated financial statements.

PBRC's role encompasses principally the following:

- establishing and distributing both consolidation and reporting standards and instructions;
- managing the Group's financial reporting system;
- producing the consolidated financial statements and analyzing key performance indicators;
- managing the Internal Financial Control (IFC) program;
- developing and using management control tools;
- steering the European Embedded Value process;
- coordinating the production of AXA's Annual Report *(Document de Référence)* filed with the AMF;
- liaising with the Statutory Auditors and contributing to Audit Committee meetings as required; and
- steering convergence of accounting and financial reporting processes, systems and organizations for insurance activities in Europe.

*(1) Central functions at the holding Company level.*

PBRC Department is also responsible for controls relating to the preparation and processing of accounting and financial information.

Accounting and financial information is consolidated in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). As it relates to the financial statements included in the Group's 2011 Annual Report, there is no difference between IFRS as adopted by the EU applied by AXA and IFRS as adopted by the International Accounting Standards Board.

PBRC has defined and implemented a set of policies and procedures to ensure that the consolidation process leading to the consolidated financial statements is timely and accurate. This consolidation process and its related controls are based on the following:

### Definition of standards and maintenance of an information system

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

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

Finally, PBRC issues instructions to subsidiaries, giving detailed information on the consolidation process, changes in accounting standards as well as in Magnitude.

### Operating control mechanisms

At entity level, AXA subsidiaries are responsible for entering and controlling accounting and financial data that comply with the AXA Group Accounting Manual and reflect consolidation rules under IFRS accounting standards. In this respect, the Chief Financial Officer of each entity signs off on the accuracy of consolidated figures reported through Magnitude and their compliance with both the Group accounting manual and instructions.

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

### Transversal procedures

In all cases, the procedures are those described above, which generally work as follows:

- all changes in the AXA Group accounting policies are validated by PBRC experts and implemented after discussions with the Statutory Auditors;
- the main audit issues are addressed and resolved through "clearance meetings" in which local and central financial teams participate, as well as the Statutory Auditors;
- the principal options for closing the consolidated accounts are presented to the Audit Committee and then to the Board of Directors;
- the auditing of accounting and financial data is finalized at the accounts closing stage in meetings attended by local and central financial teams, as well as local and central Statutory Auditors who present the outcome of their audit work; and
- the financial statements are presented to the Management Committee, to the Audit Committee and then to the Board of Directors for closing, after hearing of the Statutory Auditors.

## GROUP LEGAL & COMPLIANCE

The Group Legal Department is responsible for identifying and managing the significant legal, regulatory and compliance risks to which the Group is exposed. It provides expertise and advice on all significant corporate legal matters at the Group level and manages the legal aspects of transactions undertaken by the Group as well as significant litigation, regulatory, and compliance matters.

The Group Legal Department is structured in three Practice Groups which are organized around the substantive matters that the department manages on a continuing basis in addition to one-off projects or issues that arise from time to time. These Practice Groups are:

- Corporate Law which covers Mergers & Acquisitions, Corporate Finance, Securities Law and Corporate Law matters;
- Corporate Governance & Company Law;
- Litigation, Regulatory & Compliance.

As part of its Compliance responsibilities, the Group Legal Department manages a wide range of compliance related matters including (i) regular reporting from Group companies on significant compliance, litigation and regulatory matters, (ii) implementation of the Group Compliance and Ethics Guide which applies to all AXA Group employees worldwide and (iii) the Group's global Anti-Money Laundering Program.

The Group Legal Department works closely with the legal departments of AXA's principal subsidiaries on legal, regulatory, and compliance matters impacting those companies. In order to optimize integration, coordination and ensure open lines of communication across the Group's global Legal & Compliance Organization, the Group General Counsel has established and chairs a Global Legal Steering Group composed of the General Counsels of AXA's principal subsidiaries. This Steering Group meets on a regular basis and serves as an effective forum for addressing transversal issues, sharing best practices and experiences in a wide variety of areas, and ensuring open lines of communication between General Counsels across the Group.

### GROUP AUDIT

Group Audit provides the Audit Committee and the Management Committee with independent and objective assurance on the comprehensiveness and effectiveness of internal controls and risk management across the Group, as well as making proposals to help improve the management of risks, enhance performance and identify business opportunities.

The Group Audit function fulfils its responsibilities as follows:

- setting standards of internal audit practice for local internal audit functions to follow;
- actively reviewing the quality and performance of the local internal audit teams across the Group to ensure that they meet AXA Group standards;
- reviewing and coordinating local internal audit resources and planning to ensure effective coverage;
- performing internal audits of the Group's Head Office activities and on any topics selected by the Group Audit Committee in any part of the Group;
- reviewing and aggregating the results of local internal audit work for the Group Audit Committee;
- providing support and guidance to the Group's Audit Committees and reviewing the performance of subsidiary audit committees and reporting on this to the Group Audit Committee.

The Group Audit function also houses the Group's Chief Internal Fraud Control Officer role and oversees the implementation of AXA's standard on internal fraud control globally.

The Group Head of Audit reports to the Group Chairman & Chief Executive Officer with a direct and unfettered line of communication to the Chairman of the Group's Audit Committee. In carrying out his/her duties, the Group Head of Audit liaises closely with the control and monitoring functions within the 2$^{nd}$ line of defence, including Group Risk Management, PBRC, Compliance and Group Legal, as well as the Statutory Auditors.

Local internal audit teams report directly to the Group Head of Audit whilst also having a direct and unfettered reporting line to their local audit committee chairman and an administrative reporting line within their local management structure. These local teams focus mainly on identifying the key risks facing their business units, and on evaluating the design and operation of the associated controls.

### GROUP RISK AND COMPLIANCE COMMITTEE

In 2008, Management established a Group Risk and Compliance Committee to ensure that the Group has:

- a comprehensive view of the various risks facing the Group on a continuing basis;
- a dedicated forum for reviewing, analyzing and prioritizing these risks;
- defined action plans to manage these risks; and
- optimal coordination and communication between the different departments managing these risks.

This internal management committee is co-chaired by the Group Chief Financial Officer and the Group Chief Operating Officer and is managed by Group Risk Management. The Committee usually meets on a quarterly basis.

The Committee is comprised of the following 11 GMS Departments, each of which is responsible for presenting to the Committee the significant risks within its scope:

1. Group Risk Management (GRM);
2. Group Corporate Finance and Treasury (DCFG);
3. Group Audit;
4. Group Legal & Compliance;
5. Group Tax;
6. Planning Budgets Results Central (PBRC);
7. Information Technology (IT)/Operational Excellence;
8. AXA Global P&C;
9. AXA Global Life;
10. Group Human Resources;
11. Group Communication and Corporate Responsibility Department.

In addition to its other activities, the Committee has undertaken a comprehensive risk mapping exercise covering the aggregate risks to which the Group is exposed including financial, solvency, insurance, operational, legal and compliance, tax, audit, human resources, and communication risks. As part of the process, priorities and action points were established for the various GMS Departments that manage these risks.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

AXA's internal control over financial reporting (ICOFR) is a process designed under the supervision of AXA's Chief Financial Officer (CFO) to provide reasonable but not absolute assurance regarding the reliability of financial reporting and the preparation of AXA's consolidated financial statements.

AXA's ICOFR includes policies and procedures that:

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

AXA has put in place a comprehensive program coordinated by PBRC, (the Internal Financial Control (IFC) programme), designed to ensure that AXA's Chief Executive Officer and Deputy Chief Executive Officer have a reasonable basis to conclude that AXA's ICOFR is effective as of the end of each year.

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

In accordance with the IFC Standard, the in-scope AXA Group companies must (i) document the significant processes and controls, as well as the rationale of how the associated risk of material misstatements due to error or fraud can be reduced to an acceptable level, (ii) test the design and operational effectiveness of key controls based on the test plans elaborated by Management with insights into risks, and (iii) remediate identified control deficiencies.

At each year-end, the in-scope AXA Group companies are required to perform an evaluation of their ICOFR as part of an internal certification process. This process involves formal sign-off by the Company's process owners and culminates with a formal certificate signed by the Company's CFO or another senior executive officer stating their conclusion as to the effectiveness of the Company's ICOFR and certain other matters.

## DISCLOSURE CONTROLS AND PROCEDURES

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

This process is based on the following four pillars:

1. CFO Sign-Off Certificates required to be submitted by all local CFOs to PBRC, together with the required subsidiary financial reporting & consolidation information,
2. IFC Management Reports required to be submitted by the CFO or another senior executive officer of every in-scope AXA Group company, as part of the IFC programme,
3. Disclosure Controls & Procedures Certificates required to be submitted by AXA Executive Committee members, regional CFOs and certain other executives (including heads of GMS Departments) pursuant to which each of these executives is required to review the Group's Annual Report and formally certify (i) the accuracy and completeness of the information in the Annual Report with respect to the companies under his/her responsibility, and (ii) the effectiveness of disclosure controls and procedures and ICOFR at companies under his/her responsibility (with specific disclosure of any significant deficiencies or material weaknesses). In addition, as part of this "sub-certification" process, these executives are required to review and comment on a number of transversal disclosures in the Annual Report relating to risk and other matters.
4. CFO sign-off on Notes to the Consolidated Financial Statements: PBRC provided regional CFOs with the contribution of the companies under their responsibility to the consolidated financial statements in order to facilitate their certification on the accuracy and completeness of the information in the Annual Report.

## CONCLUSION

The AXA Group believes it has put in place a comprehensive system of internal control procedures and mechanisms that is appropriate and well adapted to its business and the global scale of its operations.

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

## Part 3 Compensation

For information on the principles and rules adopted by the Board of Directors in order to determine the compensation and the advantages granted to the corporate officers please see Part 2 – Section 2.2 "Full disclosure on executive compensation and share ownership" of this Annual Report.

## Part 4 Corporate Governance Code of reference

Pursuant to the provisions of a French law of July 3, 2008, the Supervisory Board and the Management Board decided, in December 2008, to adopt all of the AFEP/MEDEF recommendations, including the recommendations on the compensation of executive officers dated October 2008, as AXA's Corporate Governance Code of reference.

These recommendations were consolidated in a Corporate Governance Code of Listed Corporations published by the AFEP (*Association Française des Entreprises Privées*) and the MEDEF (*Mouvement des Entreprises de France*) in April 2010 (hereafter the "AFEP/MEDEF Code"), which is available at AXA's registered office or on its website (www.axa.com) under the "Corporate Governance" Section.

AXA complies with the recommendations of the AFEP/MEDEF Code that are in line with the long-established corporate governance principles initiated by the Company. AXA applies the recommendations of the AFEP/MEDEF Code in the conditions detailed, for the most part, in Sections 2.1 "Directors, senior management and employees" and 2.2 "Full disclosure on executive compensation and share ownership" of this Annual Report describing corporate governance mechanisms and containing information about executives' compensation.

In order to take into account certain specificities of its governance practices, AXA has decided to adapt the following provisions of the AFEP/MEDEF Code:

- Section 14.2.1 of the AFEP/MEDEF Code related to the review of the accounts by the Audit Committee: for practical reasons, the review of the accounts by the Audit Committee generally occurs on the day preceding the Board of Directors' review, and not two days before as it is provided for by the AFEP/MEDEF Code. However, the Company endeavours, so far as possible, to provide the members of the Audit Committee with the required documents early enough to allow their proper examination;
- Section 20.2.3 of AFEP/MEDEF Code relative to stock options and performance shares:

**(i)** *holding of shares subsequent to subscription options or allotment of performance shares:* in 2007, the Company decided to implement strict rules pertaining to shareholding requirements for AXA's Executive Directors. This policy requires each Executive Director to hold, during the entire duration of his/her functions, a minimum number of AXA shares representing a multiple of his/her annual cash remuneration (fixed salary plus annual variable remuneration) received for the previous fiscal year. The Chairman & Chief Executive Officer is consequently required to hold the equivalent of his/her total cash remuneration multiplied by three and the Deputy Chief Executive Officer is required to hold the equivalent of his/her total cash remuneration multiplied by two AXA shares or ADS or other quoted subsidiaries of the Group are taken into account to calculate the number of shares actually held. Each Executive Director is required to meet with this minimum shareholding requirement within a period of five years from (i) January 1, 2007 or (ii) the date of his/her first appointment as Executive Director if he/she was appointed after January 1, 2007. Considering the already high level of this shareholding requirements imposed upon Executive Directors, the Board of Directors, upon recommendation of its Compensation & Human Resources Committee, has decided that it was not necessary to set higher shareholding thresholds after the initial 5-year period. For the same reasons, the Board of Directors has decided that it was not appropriate to compel Executive Directors to acquire a number of AXA shares once the compulsory holding period of their performance shares has expired;

**(ii)** *exercise of stock options:* pursuant to the AFEP/MEDEF Code, companies shall determine periods preceding the disclosure of their financial statements during which the exercise of the stock options is not allowed ("sensitive periods"). To date, the sensitive periods are determined by applying the AXA Group's Compliance and Ethics Guide. They generally begin 30 days prior to the disclosure of the annual or half-year earnings releases and 15 days prior to its quarterly financial information releases. The Compliance and Ethics Guide prohibits the sale of shares acquired subsequent to the exercise of stock options ("subscription and sale" transactions), but does not prohibit, in accordance with common practice, the simple exercise of options that is not followed by the sale of the shares acquired subsequently.

Pursuant to the provisions of Article L.225-37 of the French Commercial Code, it is specified that the conditions for the participation to Shareholders' Meetings are detailed in Section 23 of AXA's Charter (*statuts*), copies of which are available at the Paris Trade and Companies Register (*Registre du commerce et des sociétés du tribunal de commerce de Paris*). AXA's Charter is also available on the Company's website (www.axa.com). In addition, the information referred to in Article L.225-100-3 of the French Commercial Code is made public in the Report of AXA's Board of Directors which is included in this Annual Report.

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

Mazars
61, rue Henri Regnault
92400 Courbevoie

# Report of Statutory Auditors prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of AXA

## (For the year ended December 31, 2011)

*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**
25, avenue Matignon
75008 Paris

Ladies and Gentlemen,

In our capacity as Statutory Auditors of AXA, and in accordance with Article L.225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of the Board of Directors of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2011.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with the professional standards applicable in France.

### Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board of Directors' report, prepared in accordance with Article L.225-37 of the French Commercial Code.

## Other information

We attest that the Chairman's report sets out the other information required by Article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, March 14, 2012

The Statutory Auditors

| | |
|---|---|
| PricewaterhouseCoopers Audit | Mazars |
| Pierre Coll – Michel Laforce | Philippe Castagnac – Gilles Magnan |

# APPENDIX II MANAGEMENT'S ANNUAL EVALUATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

AXA's internal control over financial reporting (ICOFR) is a process designed under the supervision of AXA's Chief Financial Officer (CFO) to provide reasonable but not absolute assurance regarding the reliability of financial reporting and the preparation of AXA's consolidated financial statements.

Since its delisting from the New York Stock Exchange (NYSE) in March 2010 and deregistration with the United States Securities and Exchange Commission (SEC) in June 2010, AXA has maintained an annual Internal Financial Control (IFC) programme designed to evaluate the effectiveness of AXA's ICOFR. AXA's Statutory Auditors provide a reasonable assurance report on AXA's ICOFR each year.

AXA's IFC programme is based on AXA's IFC Standard which is an internal control and governance standard developed by AXA and used as the framework for its IFC programme.

## (a) AXA IFC Standard

AXA's IFC Standard is based on the Internal Control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The IFC Standard is designed to define the IFC scope and governance, ensure consistency and quality in AXA's financial reporting and provide an overall framework for AXA's annual IFC programme.

### (A.1) IFC SCOPE

IFC involves primarily the entities which are individually significant to AXA's consolidated financial position or results of operations, as well as the entities which provide significant services to AXA and/or its consolidated subsidiaries (the "Group").

### (A.2) IFC GOVERNANCE

Management, including AXA's Chief Executive Officer (CEO) and his deputy, is responsible for establishing and maintaining adequate ICOFR.

The IFC programme is monitored by a Steering Committee chaired by AXA's CFO and involves the Planning Budgets Results Central Department (PBRC), other relevant AXA departments and representatives from each in-scope AXA Group company. The IFC programme and the conclusion of management as to the effectiveness of AXA's ICOFR are also reviewed by AXA's Audit Committee.

### (A.3) IFC PRINCIPLES

AXA's ICOFR includes policies and procedures that:

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

In order to assess the effectiveness of ICOFR, financial reporting risks are initially identified at an AXA Group level with a focus on identifying those risks that may result in a material misstatement of AXA's consolidated financial statements not being prevented or detected in a timely manner. This top-down risk-based approach starts with AXA's consolidated financial statement line items and is used to identify in-scope AXA Group companies and processes.

In line with the COSO framework, AXA' ICOFR is organized around the following key processes and controls: Entity-Level Controls (ELC), IT ELC, Financial Statement Closing Process, Business Processes, and IT General Controls.

For every key process or control, the in-scope AXA Group companies (i) document the significant processes and controls, as well as the rationale of how the associated risk of material misstatement due to error or fraud can be reduced to an acceptable level, (ii) test the design and operational effectiveness of key controls based on the test plans elaborated by management with insights into risks, and (iii) remediate identified control deficiencies.

Outstanding control deficiencies are consolidated at the Group level, to evaluate their impact on AXA's consolidated financial statements, considering their likelihood, potential impact, compensating controls and other qualitative factors.

This evaluation process is designed to identify any control deficiencies that may rise to the level of a material weakness. A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected on a timely basis.

#### (A.4) IFC CERTIFICATION

At each year-end, the in-scope AXA Group companies are required to perform an evaluation of their ICOFR as part of an internal certification process. This process involves formal sign-off by the Company's process owners and culminates with a formal certificate signed by the Company's CFO or another senior executive officer stating their conclusion as to the effectiveness of the Company's ICOFR and certain other matters.

This internal certification process across all in-scope Group companies is designed to assist AXA SA's management in its evaluation of AXA's ICOFR and to support its conclusion as to the effectiveness of AXA's ICOFR.

### (b) Management's Annual Report on ICOFR based on AXA IFC Standard

Management conducted an evaluation of the effectiveness of AXA's ICOFR in accordance with the AXA IFC Standard as described above. Based on this evaluation, management concluded that AXA's ICOFR was effective as of December 31, 2011.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or if the degree of compliance with policies or procedures deteriorates.

### (c) Report of the Statutory Auditors on ICOFR

PricewaterhouseCoopers and Mazars have performed audit procedures in order to be able to obtain reasonable assurance as to whether management's conclusion as to the effectiveness of AXA's ICOFR based on the IFC Standard is fairly stated.

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

Mazars
61, rue Henri Regnault
92400 Courbevoie

# Report of the Statutory Auditors on Internal Control over Financial Reporting

To the Board of Directors of AXA:

As Statutory Auditors of AXA and at your request, we have performed audit procedures on AXA and its subsidiaries (the "Company") internal control over financial reporting as of December 31, 2011, in order to be able to obtain reasonable assurance as to whether AXA management's assertion included in Management's Annual Evaluation of Internal Control Over Financial Reporting that internal control is effective, is fairly stated.

The Company's management is responsible for maintaining effective internal control over financial reporting and for establishing a statement on its assessment of the effectiveness of internal control over financial reporting as of December 31, 2011. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS accounting principles. The assessment of the effectiveness of internal control is based on criteria established in the Internal Financial Control standard of AXA (the "IFC standard"), which is an internal control and governance standard developed by AXA and used as the framework for its IFC programme, as described in Management's Annual Evaluation of Internal Control Over Financial Reporting on page 423 of this Annual Report. Our responsibility is to express an opinion on the Company's management's assertion, based on our audit procedures.

We conducted our work in accordance with French professional standards and ISAE 3000 ("Assurance engagements other than audits or reviews of historical financial information"). These standards require that we plan and perform the audit procedures to obtain reasonable assurance about whether AXA management's assertion that internal control over financial reporting is effective, was fairly stated in all material respects. Our audit procedures included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit procedures provide a reasonable basis for our opinion.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company's management's assertion that internal control over financial reporting as of December 31, 2011, is effective, in all material respects, is fairly stated based on the criteria established in the IFC standard.

Neuilly-sur-Seine and Courbevoie, March 14, 2012

The Statutory Auditors

PricewaterhouseCoopers Audit
Pierre Coll – Michel Laforce

Mazars
Philippe Castagnac – Gilles Magnan

# APPENDIX III OTHER LEGAL INFORMATION

## ANNUAL INFORMATION DOCUMENT

Pursuant to Article 222-7 of the AMF General Regulations (*Règlement Général de l'Autorité des marchés financiers*), the table below sets forth all information published or otherwise made public by the Company over of the previous twelve months in one or more States that are party to the Agreement on the European Economic Area (EEA) or in one or more third countries outside the EEA in order to fulfill the legal or regulatory obligations in those countries with respect to financial securities, issuers of financial securities and markets in financial securities.

*All dates in the table below read month/day/year.*

| Information published over the previous 12 months | Where the information can be obtained |
|---|---|
| **Press releases** [(1)] | **www.axa.com** |
| AXA to close AXA APH transaction on April 1st, 2011/New management structure in Asia (03/23/2011) | |
| AXA organizes the Global Forum for Longevity (03/28/2011) | |
| AXA has completed the AXA APH transaction (04/01/2011) | |
| AXA and CARE team up for risk prevention education (04/18/2011) | |
| AXA Shareholders' Meeting convened today. AXA publishes its 2010 Activity and Corporate Responsibility Report (04/27/2011) | |
| 1Q 2011 Activity Indicators (05/05/2011) | |
| AXA to sell its Canadian operations (05/31/2011) | |
| AXA holds today an Investor Seminar on its 5-year strategic plan "Ambition AXA" (06/01/2011) | |
| Reliance Industries Limited to acquire Bharti's stake in the insurance Joint-Ventures with AXA in India (06/10/2011) | |
| Half-year 2011 Earnings - In line with Ambition AXA (08/04/2011) | |
| AXA launches its 2011 employee share offering (SharePlan 2011) (08/23/2011) | |
| The AXA Group further improves its environmental, social and governance performance (09/23/2011) | |
| AXA has completed the sale of its Canadian operations (09/26/2011) | |
| AXA Group announcement regarding AXA Private Equity (09/28/2011) | |
| Henri de Castries will be speaking at the Bank of America Merrill Lynch Conference (10/05/2011) | |
| AXA ranked top global insurance brand for 3rd consecutive year by Interbrand (10/05/2011) | |
| AXA Global P&C announces the successful placement of €180 million catastrophe bonds (10/20/2011) | |
| 9M 2011 Activity Indicators (10/27/2011) | |
| AXA announces the subscription prices for its 2011 employee share offering (SharePlan 2011) (10/28/2011) | |
| Carbon Disclosure Project launches 2011 Europe 300 report (11/22/2011) | |
| AXA Group announces the signature of a European agreement on anticipating changes (11/23/2011) | |
| Termination of negotiations between AXA, Bharti and Reliance Industries (11/25/2011) | |
| François Pierson, a member of AXA Group's Management Committee and Chairman & CEO of AXA Global P&C to retire first of the year (12/01/2011) | |
| Results of the AXA Group employee share offering in 2011 (12/12/2011) | |
| AXA International Small Business Report 2011: an evaluation of the issues currently affecting the small business community in 10 countries (12/20/2011) | |
| Thomas Buberl is appointed Chief Executive Officer of AXA Germany and will join AXA Group's Executive Committee (01/16/2012). | |
| Full Year 2011 Earnings (02/16/2012) | |

*(1) Press releases issued prior to March 23, 2011 were listed in the Annual Information Document included in the AXA 2010 Annual Report.*

| Information published over the previous 12 months | Where the information can be obtained |
|---|---|
| The AXA Group launches another free share grant to all employees worldwide (02/16/2012) | |
| Resolutions submitted to the Shareholders' Meeting of April 25, 2012 (02/17/2012) | |
| AXA teams up with the NGO CARE in order to improve access to clean drinking water and reduction of water-borne diseases in Benin (02/24/2012) | |
| AXA and HSBC to enter in a long-term partnership in Property & Casualty in Asia and Latin America (03/07/2012) | |
| Junior Achievement and AXA Group launch global youth rist education program (03/08/2012) | |
| **Bulletin of Required Legal Notices Publications (*BALO*)** | **www.journal-officiel.gouv.fr** |
| Notice of Meeting (Shareholders' Meeting to be held on 04/27/2011) (03/21/2011) | |
| 2010 annual and consolidated financial statements after Shareholders' Meeting (05/13/2011) | |
| Notice of Meeting (Shareholders' Meeting to be held on 04/25/2012) (02/17/2012) | |
| **Documents filed with the Trade Registry (*Greffe*)** | **www.infogreffe.fr** |
| Extract of the minutes of the Shareholders' Meeting of 04/27/2011 related to the renewal and appointment of members of the Board of Directors, to a modification of the Charter and to the financial authorizations | |
| Updated Charter on 04/27/2011 | |
| 2010 annual and consolidated financial statements | |
| Extract of the minutes of the Board of Directors of 08/03/2011 related to the increase of the share capital | |
| Updated Charter on 08/03/2011 | |
| Minutes of the Deputy Chief Executive Officer of 12/09/2011 related to the increase of the share capital | |
| Updated Charter on 12/09/2011 | |
| Extract of the minutes of the Board of Directors of 02/15/2012 related to increase of the share capital and to the resignation of a member of the Board of Directors | |
| Updated Charter on 02/15/2012 | |
| **Documents at the disposal of the Shareholders** | **Headquarters of the Company 25, avenue Matignon 75008 Paris - France** |
| **Shareholders' Meeting – April 27, 2011** | |
| A copy of the convening file sent to the Shareholders as well as the documents for their information (Articles R.225-81 and R.225-86 of the French Commercial Code) | |
| The Statutory Auditors' certificate on the global amount of the sums entitled to the tax cut | |
| The list of the nominative initiatives of sponsoring and patronage realized by AXA | |
| The list of the Shareholders at 16 days before the Shareholders' Meeting | |
| The list and subject of the significant current agreements | |
| The annual reports of the Board of Directors on the allocations of stock options and performance shares | |
| **Transactions on AXA shares** | **www.axa.com www.amf-france.org** |
| **Disclosure of trading in the Company's shares by the corporate officers** | |
| 03/14/2011 Isabelle Kocher | |
| 04/08/2011 Wendy Cooper | |
| 04/28/2011 Giuseppe Mussari | |
| 05/12/2011 Henri de Castries | |
| 05/13/2011 Denis Duverne | |
| 10/03/2011 Norbert Dentressangle | |
| 10/28/2011 Henri de Castries | |
| 11/16/2011 Michel Pébereau | |
| 11/23/2011 François Martineau | |
| 11/25/2011 Norbert Dentressangle | |
| 11/30/2011 Jean-Martin Folz | |
| 12/08/2011 Isabelle Kocher | |

| Information published over the previous 12 months | Where the information can be obtained |
|---|---|
| 12/09/2011 Henri de Castries | |
| 12/09/2011 Denis Duverne | |
| 12/21/2011 Denis Duverne | |
| 12/22/2011 Marcus Schenck | |
| 12/23/2011 Denis Duverne | |
| 12/27/2011 Dominique Reiniche | |
| 01/06/2012 Norbert Dentressangle | |
| 02/23/2012 Suet Fern Lee | |
| **Disclosure of trading in own shares by the Company** | **www.axa.com<br>www.amf-france.org** |
| On June 6, 2011 | |
| On January 5, 2012 | |
| **Disclosures of share ownership thresholds crossing** | **www.amf-france.org** |
| - | |
| **Official public notice of Shareholders' agreement clauses** | **www.amf-france.org** |
| AXA/Schneider Electric agreement (12/27/2011) (decision related to the non-renewal of the agreement) | |
| **Documents available on the AMF's website** | **www.axa.com<br>www.amf-france.org** |
| 2010 Annual Report (Registration Document) (03/18/2011) | |
| **Documents published abroad (20-F/6-K/25/15-F)** | **www.sec.gov** |
| - | |

## DOCUMENTS PERTAINING TO THE COMPANY

The following documents may be consulted at the AXA Group Legal Department located 21, avenue Matignon – 75008 Paris (France) until the filing of AXA's next Annual Report (*Document de Référence*):

- the Charter of the Company;
- the reports and other documents prepared by any expert at the Company's request, any part of which is included or referred to in this Annual Report;
- the parent Company financial statements as well as the consolidated financial statements of the Company for each of the two financial years preceding the publication of this Annual Report.

# APPENDIX IV STATEMENT OF THE PERSON RESPONSIBLE FOR THE ANNUAL REPORT

## STATEMENT OF THE PERSON RESPONSIBLE

I, the undersigned, having taken all reasonable care to ensure that such is the case, hereby certify that the information contained in this Annual Report is, to the best of my knowledge, in accordance with the facts and contains no material omission likely to render it misleading or inaccurate in any material respect.

I confirm that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and fairly present the assets and liabilities, the financial position and the profit or loss of the Company and its consolidated subsidiaries, and that the Board of Directors' Report, the various sections of which are mentioned on page 517 of this Annual Report, fairly presents the evolution of the business, results and financial position of the Company and its consolidated subsidiaries, and describes the principal risks and contingencies facing the Group.

The Statutory Auditors have provided me with a letter of completion of assignment, in which they confirm that they have verified the information relating to the financial position and the financial statements contained in this Annual Report and have reviewed the entire document.

The Statutory Auditors have prepared a report on the Company's financial statements for the year ended December 31, 2011 presented in this document. This report, set out in pages 457 and 458 contains an observation.

Paris, March 15, 2012

Henri de Castries

Chairman & Chief Executive Officer



## PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Denis Duverne
Deputy Chief Executive Officer in charge of Finance, Strategy and Operations
Member of the AXA Board of Directors

AXA
25, avenue Matignon, 75008 Paris, France

# APPENDIX V FINANCIAL AUTHORIZATIONS

## FINANCIAL AUTHORIZATIONS TO ISSUE SHARES OR OTHER TYPES OF SECURITIES AS OF DECEMBER 31, 2011

AXA's authorizations to issue shares or other types of securities that were valid as of December 31, 2011 are summarized in the tables below:

### Issues with preferential subscription rights for shareholders

| Securities | Maximum nominal amount in case of debt instruments *(in Euro)* | Maximum nominal amount of the capital increase *(in Euro)* | Term | Expiration date |
|---|---|---|---|---|
| Capitalization of reserves, earnings or premiums | – | 1 billion [(a)] | 26 months | June 27, 2013 |
| Ordinary shares and other securities giving a claim to ordinary shares of the Company through subscription, conversion, exchange, redemption, presentation of a warrant or otherwise | 6 billion [(c)] | 2 billion [(d)] | 26 months | June 27, 2013 |

### Issues without preferential subscription rights for shareholders

| Securities | Maximum nominal amount in case of debt instruments *(in Euro)* | Maximum nominal amount of the capital increase *(in Euro or in percentage of the share capital)* | Term | Expiration |
|---|---|---|---|---|
| Ordinary shares or securities giving a claim to ordinary shares of the Company through subscription, conversion, exchange, redemption, presentation of a warrant or otherwise [(b)] | 6 billion [(c)] | 1 billion | 26 months | June 27, 2013 |
| Ordinary shares or securities giving access to the capital, reserved for employees | – | 150 million [(e)] | 18 months | October 27, 2012 |
| Ordinary shares reserved for a specific category of beneficiaries in connection with offerings for employees | – | 150 million [(e)] | 18 months | October 27, 2012 |
| Performance shares (*actions gratuites*) [(f)] | – | 1% [(g)] | 38 months | June 27, 2014 |
| Restricted shares (*actions gratuities*) [(f)]/ Plan for all employees | – | 0.4% [(h)] | 38 months | June 27, 2014 |
| Shares issued in connection with the exercise of stock options | – | 2% [(i)] | 38 months | June 27, 2014 |

*(a) Independent ceiling.*
*(b) Including the issue of ordinary shares or securities (i) in the event of private investments or through public offers, (ii) in the event of public exchange offers initiated by the Company, (iii) in consideration for contributions-in-kind for up to 10% of the Company's share capital, or (iv) as result of securities issue by subsidiaries of AXA.*
*(c) The aggregate nominal value of debt instruments associated with the issue of securities with or without preferential subscription rights may not exceed the global upper limit of €6 billion. This upper limit is separate and distinct from the limit on issuances of debt securities and does not give a claim on the Company's share capital (ceiling of €2 billion).*
*(d) The aggregate nominal value of the capital increase with or without preferential subscription rights may not exceed €2 billion in nominal value.*
*(e) Common and independent ceiling.*
*(f) Existing shares and/or newly issued shares.*
*(g) At the date on which performance shares are granted by the Board of Directors.*
*(h) At the date on which restricted shares are granted by the Board of Directors.*
*(i) At the date on which stock options are granted by the Board of Directors.*

## NEW FINANCIAL AUTHORIZATIONS

The following authorizations to issue shares or securities giving a claim on ordinary shares of the Company require the shareholders' consent. They will be submitted to the Shareholders' Meeting for approval on April 25, 2012:

### Issues without preferential subscription rights for shareholders

| Securities | Maximum nominal amount in case of debt instruments *(in Euro)* | Maximum nominal amount of the capital increase *(in Euro)* | Term | Expiration |
|---|---|---|---|---|
| Ordinary shares or securities giving access to the capital, reserved for employees | – | 135 million [(a)] | 18 months | October 25, 2013 |
| Ordinary shares in favour of a specific category of beneficiaries in connection with offerings for employees | – | 135 million [(a)] | 18 months | October 25, 2013 |

*(a) Common and independent ceiling.*



## USE IN 2011 OF THE VARIOUS FINANCIAL AUTHORIZATIONS PERTAINING TO CAPITAL INCREASES

### Equity issue reserved for employees

By virtue of the authorization granted by the Shareholders' Meeting of April 27, 2011 ($19^{th}$ resolution), the Board of Directors increased the Company's share capital, through the issue of shares to the benefit of Group employees under the SharePlan 2011 program. The shareholders waived their preferential subscription rights to facilitate this offering to employees. In the countries that met the legal and tax requirements for participation in SharePlan, two investment options were offered in 2011:

- the traditional plan, offered in 41 countries;
- the leveraged plan, offered in 38 countries.

More than 26,000 employees in 42 countries took part in SharePlan 2011, and participating employees invested a total of more than €332 million, as follows:

- €19.1 million in the traditional plan; and
- €313.5 million in the leveraged plan.

In connection with the 2011 SharePlan offering in December 2011, AXA issued a total of approximately 37 million new shares each with a par value of €2.29, all of which were entitled to dividends for 2011.

### Stock options / Performance shares

#### STOCK OPTIONS

In 2011, by virtue of the authorization granted by the shareholders at the Shareholders' Meeting of April 22, 2008 ($17^{th}$ resolution) 9,129,162 stock options giving the right to their beneficiaries to subscribe or to acquire existing or newly issued AXA shares, have been granted by the AXA Board of Directors.

#### PERFORMANCE SHARES

In 2011, by virtue of the authorization granted by the shareholders at the Shareholders' Meeting of April 22, 2008 ($16^{th}$ resolution) 2,056,780 performance shares were granted by the AXA Board of Directors.

# APPENDIX VI AXA PARENT COMPANY FINANCIAL STATEMENTS

## Board of Directors' Report

### ACCOUNTING PRINCIPLES

Since January 1, 2011, the Company has applied hedge accounting rules to financial instruments purchased to hedge foreign-exchange risk in equity securities but whose value has been booked in euros since the purchase date applying the historic cost rule. This exchange-rate hedging is carried out through derivatives or through debts denominated in foreign currencies. This change in method is justified by improved financial reporting, since the application of hedge accounting fully reflects AXA SA's intentions, and by a change in the financial and regulatory context, since a proposed regulation by France's accounting standards authority (ANC) will allow hedge accounting to be used for instruments used in a hedge relationship.

The change in method had a positive impact of €1,592 million on shareholders' equity as at January 1, 2011 through a decrease in the exchange-rate risk provisions by the same amount.

On a comparable basis, the 2010 result would have reached €1,688 million applying a decrease in realized foreign-exchange losses by €1,040 million and a decrease in the allowance related to the exchange-rate risk provision by €1,136 million.

### NET INCOME

Net income for the fiscal year ended December 31, 2011 was €8,649 million, compared to a net loss of €488 million for the year ended December 31, 2010 and a 2010 profit of €1,688 million on a comparable basis. This result is mainly explained by a €4,922 million gain on the disposal of the Australian and Canadian businesses, a reduced foreign-exchange loss of €329 million compared to €1,522 million in 2010 on a comparable basis, and a €1,113 million profit due to receivables from carry back compared to €197 million in 2010.

AXA continued to manage its exposure to exchange-rate risk in 2011 by unwinding hedge positions amounting to USD4.6 billion and CHF1.4 million.

**Dividends received from subsidiaries** amounted to €4,307 million, and include in 2011 €1,086 million exceptional dividends out of which €826 million representing the cash proceeds from the disposal of shares in Taikang Life by AXA Leben AG and €260 million paid by the company Vinci following the repayment of a loan granted to AXA Canada. The exceptional dividends of 2010 amounted to €1,334 million following the partial disposal of the UK Life & Savings business to Resolution Ltd. Excluding these exceptional dividends, dividends received from subsidiaries increased by €524 million.

Dividends received from insurance companies totaled €2,868 million, an increase of €448 million, mainly due to the following factors:

- a €1,064 million dividend from AXA France Assurance, representing an increase of €212 million, arising from higher statutory profit;
- €867 million in dividends received from the Northern, Central and Eastern Europe region, compared with €728 million in 2010;
- €376 million of dividends paid by the Mediterranean and Latin American region as opposed to €168 million in 2010.

The increase in dividends paid by the Northern, Central and Eastern Europe region and the Mediterranean and Latin American region was due to a rise in statutory profits in 2010 and the policy, implemented in 2010, of giving priority to dividends over loan reimbursements.

Dividends received from companies located mainly in Asia, Australia and Canada totaled €501 million, versus €520 million in 2010.

Dividends received from financial subsidiaries and other holding companies rose by €76 million to €353 million, as opposed to €277 million in 2010. They included €139 million of dividends paid by Finance Solutions, Group financing and cash management company, and €192 million from AXA Investment Managers versus €101 million in 2010.

**Net financial expenses**, including interest expenses net of interest income from loans and investments, totaled €994 million, around €200 million lower than the 2010 figure of €1,195 million.

Financial charges amounted to €1,407 million, up €109 million, owing mainly to €120 million discount related to the assignment of a tax receivable.

Financial income increased by €309 million to €412 million, due to:

- a €107 million increase in miscellaneous income resulting from the recognition of a €36 million gain on cancelled shares following the merger into AXA SA of its wholly-owned subsidiaries AXA Participation II and Colisée Excellence, and €57 million of exceptional dividend following the closing of the securitization program, and

- a €198 million net profit on swaps in 2011, compared with a net loss of €31 million in 2010. The resulting €229 million improvement was mainly due to €84 million received in 2011 from the unwinding of CAD interest-rate swaps following the disposal of AXA's Canadian activities. Excluding this latter payment, financial charges were stable in 2011.

**Operating expenses** fell by €10 million to €320 million, mainly as a result of the Group's cost-cutting policy.

**Capital operations** resulted in a profit of €3,676 million in 2011, versus a loss of €1,778 million in 2010 on a comparable basis, and broke down as follows:

- disposal gains of €4,922 million in 2011, including a €3,418 million gain on the sale of shares in AXA Asia Pacific Holdings to Australia Mutual Provident and a €1,504 million gain on the sale of the Canadian businesses;
- a €329 million foreign-exchange loss resulting from the euro's depreciation against currencies including the Japanese yen and the Swiss franc, along with the renewal of hedges that matured or were unwound during the year;
- other allowances for provisions for contingent liabilities totaled €1,086 million. Of this, €786 million corresponded to unrealized losses on derivatives including €530 million for the mark-to-market revaluation of an intra-group equity swap intended to hedge an equity position, the annual allowance of €104 million for provisions for bond redemption premiums, and a €125 million allowance due to the restructuring of the participation in Bharti AXA Life Insurance Co.Ltd. In 2010, an allowance of €445 million had been booked, including €214 million related to the mark-to-market revaluation of the equity swap and €101 million in respect of the annual allowance for provisions for redemption premiums on subordinate bonds;
- net exceptional items included a €134 million profit on the unwinding of equity derivative positions.

The **corporate income tax** benefit amounted to €2,002 million, compared with €944 million in 2010. It mainly included €1,113 million of tax benefit linked to carryback receivables, €759 million of tax receivable from members of the tax consolidation group in France and a €235 million release of the provision for the risk of tax repayments.

## BALANCE SHEET

At December 31, 2011, total assets were €75,124 million, versus €67,948 million at December 31, 2010.

### Assets

**Intangible assets** totaled €383 million. They mainly included the AXA brand contributed by FINAXA as part of the merger in 2005 and valued at €307 million based on brand royalties billed to Group subsidiaries and to the Mutuelles AXA, and €58 million relating to the capitalization of software costs.

**Investments in subsidiaries** net of valuation allowances amounted to €63,453 million, versus €57,317 million at year-end 2010, representing an increase of 6,136 million. Developments in 2011 included the following:

- the acquisition of Asian activities previously held by AXA Asia Pacific Holdings for €7,146 million;
  The Company wishes to transfer its stake in its Asian life and non-life insurance businesses to AXA ASIA, in which it is the sole shareholder. The goal is for AXA ASIA to eventually become the new holding company for the AXA Group's Asian activities. As part of this internal restructuring, AXA SA transferred shares in the following entities to AXA ASIA in December 2011: AXA China Region Limited, AXA Financial Services (Singapore) Pte. Ltd, AXA General Insurance Hong Kong Ltd. and AXA Insurance Singapore Ltd, for a value of €5,263 million;
  the restructuring would have to continue on the year 2012;
- the removal of shares in AXA Asia Pacific Holdings and AXA Canada at their book value of €930 million;
- and the cancellation of €455 million of AXA Participation II shares following the merger into AXA SA of its wholly-owned subsidiary AXA Participation II.

**Receivables from subsidiaries** amounted to €711 million, down from €2,065 million at end-2010. The decrease of €1,354 million resulted mainly from the reimbursement of the £730 million loan granted to the company Beaujon in 2010 and the repayment of AUD711 million of loans by AXA Asia Pacific Holdings.

**Loans** amounted to €810 million, and consisted mainly of a $1 billion credit facility granted to shareholders in RESO Garantia and guaranteed by these shareholders' interests in RESO Garantia.

**Other financial assets** amounted to €4,117 million, versus €3,497 million in 2010, with the €620 million increase mainly attributable to margin calls paid to bank counterparties under collateral agreements linked to the management of derivative instruments which amounted to €3,972 million for the year ended 2011.

**Tax receivables** increased by €291 million owing to the €331 million carry-back receivable booked.

**Miscellaneous receivables** totaled €561 million, including €351 million of tax receivable from entities belonging to the French tax consolidation group and €147 million of financial income receivable.

**Marketable securities** totaled €49 million, a decrease of €151 million resulting from the termination of the liquidity agreement on AXA SA shares.

**Cash and cash equivalents** totaled €2,990 million representing an increase by €982 million, arising from the disposal of the Canadian businesses and from the increase in dividends received, partly offset by net reinvestment in Asian businesses and changes in margin calls paid to bank counterparties under collateral agreements.

**Cash instruments** totaled €654 million and chiefly comprised €260 million in premiums for share call options, €327 million in premiums paid for Swiss franc and Japanese yen hedging strategies, as well as €48 million of call options acquired in 2007 to neutralize the dilutive impact of the 2017 subordinated convertible bonds.

**Unrealized foreign exchange losses** amounted to €852 million, of which €512 million related to the deferred recognition of exchange-rate losses in line with the principles of hedge accounting. This item reflects unrealized losses on receivables and debts denominated in foreign currencies arising from their revaluation at the balance-sheet closing exchange rate.

### Liabilities

**Shareholders' equity,** before net income for the period and after the payment of dividends relating to the prior year, totaled €31,852 million. This represented an increase of €1,936 million, including rises of €1,592 million with respect to the aforementioned change in accounting method and €333 million through a capital increase reserved for employees.

**Other shareholders' equity** included undated deeply subordinated notes amounting to €6,341 million as opposed to €6,233 million in 2010, the difference being due to €108 million of exchange-rate effects.

**Provisions for contingent liabilities** amounted to €4,549 million, and mainly consisted of €1,840 million of currency risk provisions, €911 million for redemption premiums on subordinated bonds, €1,091 million in provisions corresponding to the mark-to-market revaluation of derivative instruments and €412 million in provisions for the possible repayment of tax savings to subsidiaries belonging to the French tax consolidation group. The €880 million reduction results mainly from the reclassification of €1,592 million of provisions for exchange-rate risks as shareholders' equity, as a result of the change in accounting method, partly offset by allowances with respect to unrealized losses on derivatives.

**Subordinated debt** totaled €7,030 million, up from €6,996 million in 2010. There was a €84 million increase relating to exchange-rate effects, partly offset by €50 million of loan repayments.

**Financial debt** stood at €15,243 million, versus €16,166 million at December 31, 2010:

- **Bonds** amounted to €6,761 million, an increase of €75 million arising from exchange-rate effects,
- **Borrowings from and payable to banks** totaled €5,712 million, representing a decrease of €63 million due to €20 million of Euro Medium Term Note redemptions and a €43 million decrease in outstanding commercial paper (€2,530 millions), which is primarily used to finance margin calls under collateral agreements, protecting the Company's from counterparty risk on derivative instruments,
- **Payables to subsidiaries**, which amounted to €2,758 million, a fall of €936 million. This decrease relates mainly to the cancellation of €455 million of loans granted by the companies Colisée Excellence and AXA Participation II following the merger into AXA SA, and to a €453 million partial reimbursement of a loan granted by AXA Versicherungen AG.

**Unrealized foreign exchange gains** amounted to €1,071 million in 2011, down from €1,190 million at December 31, 2010. This item reflects the positive effects derived from the revaluation of foreign-currency denominated assets and liabilities at the balance sheet closing exchange rate. This item declined compared with 2010 owing mainly to increases in the US dollar and sterling exchange rates, which had an adverse impact on liabilities.

## OTHER INFORMATION

In accordance with Article L.225.102-1 of French Commercial Code, disclosures related to the Company's executive compensation appear in Part 2 - Section 2.2. "Full disclosure on executive compensation and share ownership".

Supplier invoices to be paid at December 31, 2011 amounted to €10 million which €8 million are due within three months and €2 million are due between three and six months (application of Article D.441-4 of the French Commercial Code). At December 31, 2010, it amounted to €4 million which is due within three months.

## ACQUISITION OF EQUITY INTERESTS

In 2011, AXA did not acquire any significant equity interests within the meaning of Article L.233-6 of the French Commercial Code.

# BALANCE SHEET

## Assets

| *(in Euro million)* | | December 31, 2011 Gross carrying value | Amortizations and provisions | Net carrying value | Net carrying value as at December 31, 2010 |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| **INTANGIBLE ASSETS** | | **390** | **7** | **383** | **322** |
| **TANGIBLE ASSETS** | | | | | |
| Land | | - | - | - | - |
| Buildings and other fixed assets | | 1 | - | 1 | 70 |
| **FINANCIAL ASSETS** | | | | | |
| Investments in subsidiaries | | 64,450 | 997 | 63,453 | 57,317 |
| Receivables from subsidiaries | | 712 | 1 | 711 | 2,065 |
| Other financial assets | | 4,173 | 55 | 4,118 | 3,497 |
| Loans | | 810 | - | 810 | 803 |
| | **I** | **70,536** | **1,060** | **69,476** | **64,074** |
| **CURRENT ASSETS** | | | | | |
| **OPERATING RECEIVABLES** | | | | | |
| Tax receivables | | 496 | - | 496 | 205 |
| Receivables and subsidiaries' current accounts | | 562 | 1 | 561 | 326 |
| Marketable securities | | 57 | 8 | 49 | 200 |
| Cash instruments | | 654 | - | 654 | 425 |
| Cash and cash equivalents | | 2,990 | - | 2,990 | 2,008 |
| Prepaid expenses | | 10 | - | 10 | - |
| | **II** | **4,769** | **9** | **4,760** | **3,164** |
| **PREPAYMENTS AND ACCRUED INCOME** | | | | | |
| Deferred charges | | 262 | 229 | 33 | 40 |
| Bond redemption premiums | | 3 | - | 3 | 3 |
| Unrealized foreign exchange losses | | 852 | - | 852 | 667 |
| **TOTAL ASSETS** | | **76,422** | **1,298** | **75,124** | **67,948** |

## Liabilities

| *(in Euro million)* | | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | |
| CAPITAL | | | |
| Ordinary shares | | 5,398 | 5,313 |
| CAPITAL IN EXCESS OF NOMINAL VALUE | | - | - |
| Issue premiums | | 18,851 | 18,615 |
| Merger and contribution premiums | | 1,060 | 1,060 |
| RESERVES | | | |
| Legal reserve | | 540 | 524 |
| Specific reserves for long term capital gains | | 2,016 | 2,016 |
| Other reserves | | 1,794 | 1,795 |
| Retained earnings | | 2,162 | 2,656 |
| Tax driven provision | | 31 | 23 |
| Net income for the financial year | | 8,649 | (488) |
| | **I** | **40,501** | **31,514** |
| OTHER SHAREHOLDERS' EQUITY | | | |
| Undated subordinated notes | | 6,341 | 6,233 |
| | **II** | **6,341** | **6,233** |
| **PROVISIONS FOR CONTINGENT LIABILITIES** | **III** | **4,549** | **5,429** |
| **LIABILITIES** | | | |
| SUBORDINATED DEBT | | **7,030** | **6,995** |
| FINANCIAL DEBT | | **15,243** | **16,166** |
| OPERATING PAYABLES | | | |
| Tax payables | | 1 | 1 |
| Social payables | | 1 | 1 |
| OTHER PAYABLES | | | |
| Debt on fixed assets | | 183 | 183 |
| Other | | 188 | 216 |
| Cash instruments | | - | - |
| Deferred income | | 16 | 20 |
| | **IV** | **22,662** | **23,582** |
| PREPAYMENTS AND ACCRUED EXPENSE | | | |
| Unrealized foreign exchange gains | | 1,071 | 1,190 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **75,124** | **67,948** |

## INCOME STATEMENT

| *(in Euro million)* | | 2011 | 2010 |
|---|---|---|---|
| **I. RESULT ON ORDINARY ACTIVITIES** | | | |
| FINANCIAL & OPERATING REVENUES | | | |
| Dividends received from subsidiaries | | 4,307 | 4,031 |
| Revenues on short-term investments | | 412 | 103 |
| Other revenues | | 9 | 7 |
| | I | **4,728** | **4,141** |
| OPERATING EXPENSES | | - | - |
| External expenses and other expenses | | (307) | (321) |
| Tax expenses | | (1) | (1) |
| Payroll and compensation | | (7) | (6) |
| Interest expense | | (1,407) | (1,298) |
| Allowances for depreciation of buildings and deferred charges | | (14) | (9) |
| | II | **(1,736)** | **(1,635)** |
| Operating profit | (III = I + II) | **2,992** | **2,506** |
| **Contribution on common operations** | **IV** | **-** | **-** |
| FINANCIAL OPERATIONS ON SECURITIES | | - | - |
| Reversals to provisions for marketable securities | | - | 3 |
| Net income on sale of short-term securities | | (13) | 13 |
| Allowances to provisions for marketable securities | | (8) | - |
| Investment result on securities | V | **(21)** | **16** |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAX** | **(VI = III + IV + V)** | **2,971** | **2,522** |
| **II. RESULT ON CAPITAL OPERATIONS** | | **-** | **-** |
| Proceeds from the sale of fixed assets | | 7,833 | 485 |
| Releases of provisions for contingent liabilities | | 29 | 189 |
| Releases of equity securities provisions | | 89 | 119 |
| Foreign exchange result | | (329) | (3,698) |
| Net book value on the sale of fixed assets | | (2,814) | (486) |
| Allowances to provisions for contingent liabilities | | (1,086) | (445) |
| Allowances to equity shares provisions | | (91) | (259) |
| Exceptional result | | 45 | 141 |
| | VII | **3,676** | **(3,954)** |
| INCOME TAX BENEFIT/(EXPENSE) | VIII | **2,002** | **944** |
| **III. NET INCOME FOR THE FINANCIAL YEAR** | **VI + VII +VIII** | **8,649** | **(488)** |

## FINANCIAL RESULTS OF THE COMPANY OVER THE PAST FIVE YEARS

| | December 31, 2007 | December 31, 2008 | December 31, 2009 | December 31, 2010 | December 31, 2011 |
|---|---|---|---|---|---|
| **1 - CLOSING BALANCE SHEET SUMMARY** | | | | | |
| a) Capital - Ordinary shares (in Euro million) | 4,719 | 4,784 | 5,244 | 5,313 | 5,398 |
| b) Ordinary shares (numbers in million) | 2,061 | 2,089 | 2,290 | 2,320 | 2,357 |
| c) Bonds convertible into ordinary shares (numbers in million) | 7 | 7 | 7 | 7 | 7 [(a)] |
| **2 - INCOME STATEMENT SUMMARY (IN EURO MILLION)** | - | - | - | - | - |
| a) Gross revenues before sales tax | 2,628 | 3,171 | 3,134 | 4,134 | 4,719 |
| b) Pre-tax income from continuing operations, before depreciation, amortization and releases | 1,420 | 1,561 | 1,568 | 2,529 | 2,992 |
| c) Income tax expense/benefit | 40 | 835 | (154) | 944 | 2,002 |
| d) Net after-tax income after depreciation, amortization and releases | 1,765 | (1,253) | 3,953 | (488) | 8,649 |
| e) Net dividend distribution | 2,473 | 836 | 1,259 | 1,601 | 1,626 |
| **3 - PER SHARE DATA (IN EURO)** | - | - | - | - | - |
| a) After tax income, before depreciation, amortization and releases | 1.08 | 0.90 | 1.25 | 0.69 | 3.98 |
| b) After tax income, after depreciation, amortization and releases | 0.86 | (0.60) | 1.73 | (0.21) | 3.67 |
| c) Net dividend per share | 1.20 | 0.40 | 0.55 | 0.69 | 0.69 [(b)] |

*(a) Since January 1, 2007, AXA's 2017 bonds can still be converted, but any dilutive impact created by the issuance of new shares resulting from the conversion of the bonds is neutralized by the automatic exercise of call options on the AXA shares which have been put in place.*

*(b) Dividend of €0.69 per share proposed to the Shareholders' Meeting of April 25, 2012, based on 2,357,197,520 outstanding ordinary shares.*

## STATEMENT OF CASH-FLOWS

| *(in Euro million)* | December 31, 2011 | December 31, 2010 |
|---|---|---|
| **CASH INFLOWS** | | |
| Profit on ordinary activities before tax | 2,971 | 2,522 |
| Result on capital operations before tax | 3,676 | (3,954) |
| Income tax expense/benefit | 2,002 | 944 |
| Changes in reserves and amortization | 752 | 2,089 |
| **Cash flow for the year** | **9,401** | **1,601** |
| Increases in shareholders' equity | 336 | 330 |
| New borrowings | - | 4,746 |
| Sale or decrease in fixed assets | - | - |
| ■ Tangible fixed assets | - | - |
| ■ Financial assets | 4,398 | 2,304 |
| **TOTAL CASH INFLOWS** | **14,135** | **8,981** |
| **CASH OUTFLOWS** | **-** | **-** |
| Dividends paid out during the year | 1,598 | 1,254 |
| Repayments of financial debt | 1,389 | 4,578 |
| Purchase of fixed assets | - | - |
| ■ Tangible fixed assets | - | 39 |
| ■ Financial assets | 9,445 | 3,144 |
| Reduction of capital | - | - |
| **TOTAL CASH OUTFLOWS** | **12,432** | **9,015** |
| Change in working capital | 1,703 | (34) |
| Short-term equivalents | - | - |
| **Change in:** | **-** | **-** |
| ■ Operating receivables | 498 | 345 |
| ■ Operating payables | 26 | (120) |
| ■ Cash and cash equivalent | 1,179 | (259) |
| **TOTAL** | **1,703** | **(34)** |

## SUBSIDIARIES AND PARTICIPATING INTERESTS

| *(in Euro million)* | 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)** | | | | |
| **AXA ASIA** | 5,266 | - | 100.00% | 5,275 |
| 21, avenue Matignon - 75008 PARIS | | | | |
| **AXA CHINA** | 133 | (17) | 51.00% | 68 |
| 23, avenue matignon - 75008 PARIS | | | | |
| **AXA EQUITY AND LAW PLC** | 1 | 2,826 | 99.96% | 1,133 |
| 5 Old Broad Street - LONDON EC2N 1AD - England | | | | |
| **AXA FRANCE ASSURANCE** | 452 | 4,137 | 100.00% | 4,315 |
| 26, rue Drouot - 75009 PARIS | | | | |
| **AXA GENERAL INSURANCE** | 106 | (9) | 94.13% | 186 |
| 395-70, Shindaebang-dong, Dongjak-gu - SEOUL - South Coréan | | | | |
| **AXA GLOBAL DISTRIBUTORS** | 96 | (29) | 100.00% | 96 |
| Wolfe Tone House, Wolfe Tone Street - DUBLIN 1 - Irland | | | | |
| **AXA GLOBAL LIFE** | 11 | 12 | 91.92% | 82 |
| 40, rue du Colisée - 75008 PARIS | | | | |
| **AXA GLOBAL P&C** | 137 | 47 | 100.00% | 175 |
| 9, avenue de Messine - 75009 PARIS | | | | |
| **AXA GROUP SOLUTIONS** | - | 71 | 100.00% | 123 |
| 23, avenue Matignon - 75008 PARIS | | | | |
| **AXA HOLDING AS** | 141 | (19) | 50.00% | 97 |
| Meclisi Mebusan cadn° 15 - Salipazari | | | | |
| 80040 ISTANBUL - Turkey | | | | |
| **AXA HOLDINGS BELGIUM** | 453 | 2,161 | 100.00% | 5,318 |
| 25, Boulevard du Souverain - 1170 BRUXELLES - Belgium | | | | |
| **AXA HOLDING MAROC** | 213 | 47 | 100.00% | 229 |
| 120-122, avenue Hassan II - 21000 CASABLANCA - Morocco | | | | |
| **AXA INVESTMENT MANAGERS** | 53 | 478 | 74.10% | 1,379 |
| Cœur Défense - Tour B - La Défense 4 - 100 Esplanade du | | | | |
| Général de Gaulle - 92932 Paris La Défense | | | | |
| **AXA ITALIA SPA** | 624 | 148 | 98.24% | 715 |
| Via léopardi, 15 - 20123 MILAN - Italy | | | | |
| **AXA JAPAN HOLDING COMPANY LIMITED** | 2,090 | 1,747 | 78.84% | 3,234 |
| NBF Platinium Tower 1-17-3 Shirokane - Minato-ku | | | | |
| 108 - 8020 TOKYO - Japan | | | | |

*(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.*

| Net Book Value of securities held | Loans and cash advances given by the company still outstanding | Guarantees and commitments given by the company under commitments made by subsidiary/ participation | Last closing revenues available [(a)] | Last closing result available | Dividends received | Closing date and other observations |
|---|---|---|---|---|---|---|
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 5,275 | - | - | 45 | 22 | - | Dec 31. 2011 |
| 68 | - | - | - | 7 | - | Dec 31. 2011 |
| 1,133 | - | - | - | - | - | Dec 31. 2011 |
| 4,315 | - | - | 1,121 | 1,104 | 1,064 | Dec 31. 2011 |
| 186 | - | - | 347 | (5) | - | Dec 31. 2011 |
| 41 | - | - | 3 | (26) | - | Dec 31. 2011 |
| 25 | 10 | - | 47 | 1 | - | Dec 31. 2011 |
| 175 | - | - | 1,795 | 16 | 14 | Dec 31. 2011 |
| 74 | - | - | 218 | (2) | - | Dec 31. 2011 |
| 97 | - | - | 28 | 27 | 13 | Dec 31. 2011 |
| 5,318 | - | 144 | 212 | 198 | 200 | Dec 31. 2011 |
| 229 | - | - | 72 | 70 | - | Dec 31. 2011 |
| 1,379 | 220 | 137 | 73 | 247 | 192 | Dec 31. 2011 |
| 715 | - | - | 65 | 63 | 108 | Dec 31. 2011 |
| 3,234 | - | - | 650 | 772 | 383 | Sept 30.2011 |

| (in Euro million) | Share capital | Other shareholders' equity | Percentage of capital held | Gross Book Value of securities held |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| **AXA LIFE EUROPE** | 100 | 1,155 | 100.00% | 1,259 |
| Wolfe Tone House - Wolfe Tone Street - DUBLIN - Irland | | | | |
| **AXA LIFE INSURANCE COMPANY LTD** | 6 | 1 | 100.00% | 90 |
| 151, Gloucester Road - Wan Chai - HONG KONG | | | | |
| **AXA MEDITERRANEAN HOLDING** | 111 | 2,007 | 100.00% | 2,651 |
| Calle monseñor Palmer numéro 1 - PALMA DE MALLORCA - Balearic Islands | | | | |
| **AXA PORTUGAL COMPANHIA DE SEGUROS** | 37 | 51 | 83.01% | 72 |
| Praca Marquês de Pombal, 14 - LISBONNE 1050 - Portugal | | | | |
| **AXA REINSURANCE IRELAND** | 72 | 248 | 100.00% | 325 |
| Wolfe Tone House - Wolfe Tone Street - DUBLIN - Irland | | | | |
| **AXA TECHNOLOGY SERVICES** | 25 | 6 | 99.78% | 73 |
| Les collines de l'Arche - 76 route de la Demi Lune 92057 PARIS LA DEFENSE | | | | |
| **AXA UK PLC** [(b)] | 1,829 | 4,120 | 53.12% | 4,556 |
| 5 Old Broad Street - LONDON EC2N 1AD - England | | | | |
| **AXA VERSICHERUNGEN AG** | 139 | 1,608 | 100.00% | 5,171 |
| General Guisan-str,40 - CH-8401 Winterthur - Swizerland | | | | |
| **BHARTI AXA LIFE INSURANCE COMPANY LTD** | 238 | (109) | 50.00% | 96 |
| Saint Louis Business Centre Port-Louis MAURITIUS | | | | |
| **CFP MANAGEMENT** | 9 | 38 | 100.00% | 184 |
| 21, avenue Matignon - 75008 PARIS | | | | |
| **COLISEE RE** | 319 | 223 | 100.00% | 843 |
| 40, rue du Colisée - 75008 PARIS | | | | |
| **FINANCE SOLUTIONS** | 270 | 2,300 | 100.00% | 2,703 |
| 1, Allée Scheffer - L-2520 Luxembourg | | | | |
| **HOLDING VENDOME 3** | 159 | (159) | 100.00% | 159 |
| 21, avenue Matignon - 75008 PARIS | | | | |
| **NATIONAL MUTUAL INTERNATIONAL Pty LIMITED** | 216 | (2,601) | 100.00% | 1,857 |
| Level 4 - 143 York Street - SIDNEY NSW 2010 - Australia | | | | |
| **OUDINOT PARTICIPATIONS** | 9,150 | 3,657 | 100.00% | 12,299 |
| 21, avenue Matignon - 75008 PARIS | | | | |
| **PORTMAN INSURANCE LIMITED** | 24 | 46 | 100.00% | 109 |
| 140, Frenchurch Street - LONDON EC3M 6BL - England | | | | |
| **PT AXA LIFE INDONESIA** | 9 | 20 | 80.00% | 182 |
| Ratu Plaza office Building 2nd Floor, Jl.Jend Sudirman N°9 - JAKARTA - Indonesia | | | | |
| **SOCIETE BEAUJON** | 31 | 779 | 99.99% | 892 |
| 21, avenue Matignon - 75008 PARIS | | | | |
| **VINCI B.V.** | 1,439 | 1,281 | 100.00% | 4,285 |
| Graadt van Roggenweg 500 - Postbus 30800 3503 AP UTRECHT - Netherlands | | | | |

*(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.*

| Net Book Value of securities held | Loans and cash advances given by the company still outstanding | Guarantees and commitments given by the company under commitments made by subsidiary/ participation | Last closing revenues available [(a)] | Last closing result available | Dividends received | Closing date and other observations |
|---|---|---|---|---|---|---|
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1,253 | - | 1,290 | - | (6) | - | Dec 31. 2011 |
| 7 | - | - | - | - | - | Dec 31. 2010 |
| 2,651 | - | 9 | 332 | (127) | 245 | Dec 31. 2011 |
| 72 | - | - | 346 | 2 | 1 | Dec 31. 2011 |
| 319 | - | - | - | 1 | - | Dec 31. 2011 |
| 33 | - | 194 | 109 | 3 | 3 | Dec 31. 2011 |
| 4,556 | 120 | 2,125 | - | (78) | - | Dec 31. 2011 |
| 5,171 | - | 613 | 2,637 | 417 | 1,323 | Dec 31. 2011 |
| 15 | - | - | - | - | - | Dec 31. 2011 |
| 51 | 10 | - | 1 | 2 | 13 | Dec 31. 2011 |
| 626 | - | 31 | (1) | 77 | 37 | Dec 31. 2011 |
| 2,703 | - | - | 164 | 144 | 139 | Dec 31. 2011 |
| - | - | - | - | - | - | Dec 31. 2011 |
| 1,857 | - | - | 18 | 2,608 | 11 | Dec 31. 2011 |
| 12,299 | - | - | - | - | - | Dec 31. 2011 |
| 84 | - | 13 | - | 14 | 9 | Dec 31. 2011 |
| 182 | - | - | 14 | 5 | - | Dec 31. 2011 |
| 892 | 46 | 150 | 29 | (16) | - | Dec 31. 2011 |
| 4,285 | - | - | 320 | 331 | 334 | Dec 31. 2011 |

| *(in Euro million)* | Share capital<br>1 | Other shareholders' equity<br>2 | Percentage of capital held<br>3 | Gross Book Value of securities held<br>4 |
|---|---|---|---|---|
| **2) Participating interests (10 to 50%-owned)** | | | | |
| AXA KONZERN AG | 80 | 1,110 | 34.63% | 2,120 |
| Colonia Allee, 10-20 - 51067 KOLN - Germany | | | | |
| AXA LIFE INSURANCE CORPORATION | 6 | 43 | 45.00% | 149 |
| 12/F Philippine Axa Life Center - Sen Gil Puyat Avenue, corner Tindalo St | | | | |
| Makati City - Philippines 1200 | | | | |
| RESO GARANTIA (RGI Holdings B.V.) | - | 281 | 39.34% | 805 |
| Ul, Svetlanskaya, 250/1, Vladivostok,Primorsky Territory | | | | |
| Far Eastern federal district, 690000 Russian Federation | | | | |
| Sub-total A | | | | **63,305** |
| **B. GENERAL INFORMATION ABOUT OTHER UNITS AND PARTICIPATING INTERESTS** | | | | |
| 1) Subsidiaries not shown in section A | | | | |
| a) French subsidiaries (total) | | | | 187 |
| b) Foreign subsidiaries (total) | | | | 136 |
| 2) Participating interests not shown in section A | | | | |
| a) in french companies (total) | | | | 39 |
| b) in foreign companies (total) | | | | 105 |
| **TOTAL (A+B)** | | | | **63,772** |

(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.*

| Net Book Value of securities held | Loans and cash advances given by the company still outstanding | Guarantees and commitments given by the company under commitments made by subsidiary/ participation | Last closing revenues available [(a)] | Last closing result available | Dividends received | Closing date and other observations |
|---|---|---|---|---|---|---|
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 2,120 | - | - | 174 | 96 | 62 | Dec 31. 2011 |
| 149 | - | - | 171 | 14 | 3 | Dec 31. 2011 |
| 805 | - | 150 | - | 38 | 30 | Dec 31. 2011 |
| **62,394** | **406** | **4,856** | **9,030** | **6,019** | **4,184** | |
| 172 | 23 | 10 | - | - | 3 | |
| 114 | - | - | - | - | 9 | |
| 35 | - | - | - | - | - | |
| 62 | 25 | - | - | - | 1 | |
| **62,777** | **454** | **4,866** | **9,030** | **6,019** | **4,197** | |

A

# Notes to the financial statements as at December 31, 2011

## Change in accounting principles

Since January 1, 2011, the Company has applied hedge accounting rules to financial instruments purchased to hedge foreign-exchange risk in equity securities but whose value has been booked in euros since the purchase date applying the historical cost convention. This exchange-rate hedging is carried out through derivatives or through debts denominated in foreign currencies. This change in method is justified by improved financial reporting, since the application of hedge accounting fully reflects AXA SA's intentions, and by a change in the financial and regulatory context, since a proposed regulation by France's accounting standards authority (ANC) will allow hedge accounting to be used for instruments used in a hedge relationship.

The change in method had a positive impact of €1,592 million on shareholders' equity as at January 1, 2011 through a decrease in the exchange-rate risk provisions by the same amount.

On a comparable basis, the 2010 result would have reached €1,688 million applying a decrease in realized foreign-exchange losses by €1,040 million and a decrease in the allowance related to the exchange-rate risk provision by €1,136 million.

## Net income

Net income for the fiscal year ended December 31, 2011 was €8,649 million, compared to a net loss of €488 million for the year ended December 31, 2010 and a 2010 profit of €1,688 million on a comparable basis. This result is mainly explained by a €4,922 million gain on the disposal of the Australian and Canadian businesses, a reduced foreign-exchange loss of €329 million compared to €1,522 million in 2010 on a comparable basis, and a €1,113 million profit due to receivables from carry back compared to €197 million in 2010.

## 1. HIGHLIGHTS

The significant account movements are presented in the tables in these notes.

## 2. ACCOUNTING PRINCIPLES

### 2.1. General principles

The financial statements as at December 31, 2011 are prepared and presented in accordance with the provisions of the 1999 Chart of Accounts (PCG 99-03).

The change in method at January 1, 2011 regarding the hedge accounting rules to hedge foreign-exchange risk applicable to investments in subsidiaries and affiliates has been presented in introduction of this note.

Since January 1, 2005, AXA has applied regulations 2002-10 relating to depreciation and amortization of assets, as amended by CRC regulation 2003-07, and 2004-06 relating to the definition, recognition and measurement of assets. Application of these regulations has had no impact on the Company's financial statements.

In accordance to CRC regulation 2008-15, treasury shares are recorded in "Marketable securities". At December 31, 2011, 979,168 shares were allocated to hedging purposes, representing €17 million.

The application of CRC regulation 2008-15 dated December 4, 2008 relating to the accounting treatment of stock options (subscription and purchase) and performance shares/units (free shares granted to employees and subject to performance conditions) had no impact on the Company's financial statements.

Find below a summary of options and performances shares granted in 2011 and 2010 to Board of Directors paid by AXA SA:

Stocks options, performance shares and performance units plans are described in Part 2 – Section 2.2 "Full disclosure on executive compensation and share ownership" of this Annual Report.

| *(in Euro)* | Year 2011 | | Year 2010 | |
|---|---|---|---|---|
| | Value of options granted during the year | Value of performance shares and performance units granted during the year | Value of options granted during the year | Value of performance shares granted during the year |
| Henri de Castries | 429,550 | 947,430 | 554,400 | 1,137,240 |
| Denis Duverne | 351,450 | 775,170 | 443,520 | 909,792 |
| François Pierson [(1)] | 195,250 | 430,650 | 355,740 | 729,729 |
| Nicolas Moreau | 171,820 | 378,972 | 244,934 | 379,080 |

*(1) Mr. François Pierson decided to retire as of January 1, 2012.*

## 2.2. Presentation of the financial statements

### BALANCE SHEET

Intangible assets include concessions, patents and brands, software as well as goodwill of mergers.

Tangible assets include investments in real estate, split between land and buildings, as well as fixtures and fittings.

Financial assets consist in (i) investments in and receivables from subsidiaries and affiliates and (ii) other financial assets and loans.

Securities are classified using the following criteria:

- investments in subsidiaries and affiliates are securities representing at least 10% of the share capital of the issuing company plus those which AXA deems held for the long term;
- other financial assets comprise securities representing less than 10% of the share capital and which are not investments in subsidiaries and affiliates.

### INCOME

The income statement distinguishes between ordinary operations and capital operations:

- ordinary operations include dividends, revenues from other investments, financial expenses, operating expenses and income from transactions in investments;
- capital operations include gains or losses on the disposal of investments in subsidiaries and affiliates and portfolio management investments, impairment charges and reversals in respect of these securities and related receivables, gains and losses arising from exchange rate movements, charges and reversals of provisions for risks and charges, and exceptional income and expense;
- disposals of investments in subsidiaries and affiliates are measured using the weighted average unit cost method.

To improve the transparency of the financial statements, (i) charges and releases of provisions for exchange rate risk are recognized in foreign exchange result, and (ii) charges and reversals of provisions for tax repayment risk are recognized in income tax benefit/expense.

## 2.3. Intangible assets

Intangible assets amounted to €383 million, and mainly included the AXA brand contributed by FINAXA as part of the merger in 2005 and valued at €307 million based on brand royalties billed to Group subsidiaries and to the Mutuelles AXA.

## 2.4. Tangible assets

Tangible assets are recognized at acquisition cost or transfer value. Buildings are depreciated using the straight line method over fifty years, and fitting work is depreciated over five or ten years as appropriate.

## 2.5. Financial assets

Financial assets are measured at acquisition cost or transfer cost. At the balance sheet date, the acquisition cost is compared with the fair value, and the lower of these two values is then recognized in the balance sheet.

The fair value of investments in subsidiaries and affiliates is their going concern value for the firm. This may be determined as a function of either their share price or their shareholders' equity, including unrealized gains, and prospects for the subsidiary.

This multi-criteria analysis reflects the long-term nature of AXA's ownership in these subsidiaries and excludes factors relating to short-term market volatility. Net book value is compared with the going concern value, which is the value of the assets and expected profits of existing and new business, taking into account the entity's future prospects. The value of future profits is estimated on the basis of calculations of the European Embedded Value of the Life & Savings business published by the Group, or similar calculations for other activities.

For other investments, the fair value is the share price for listed securities and the likely trading value for unlisted securities.

## 2.6. Receivables

Receivables are measured at nominal value. An impairment provision is charged in the event of risk of non-recovery.

## 2.7. Marketable securities

At the balance sheet date, the acquisition cost is compared with the fair value, which corresponds to the exit value for SICAV and FCP mutual funds and to the average share price over the last month before the balance sheet date for the other securities.

## 2.8. Prepayments and accrued income

Deferred charges correspond to debt issue costs, which are spread over the lifetime of the issue or for a maximum of 10 years when the debt has no predetermined maturity.

## 2.9. Subordinated bonds

AXA SA has issued two subordinated bonds:

- 2.5% bonds, maturity January 1, 2014: 9,185,581 bonds with a par value of €165 and a redemption value of €230.88 were in circulation at December 31, 2011. The redemption premium amounts to €606 million;
- 3.75% bonds, maturity January 1, 2017: 6,613,129 bonds with a par value of €165.50 and a redemption value of €269.16 were in circulation at December 31, 2011. The redemption premium amounts to €688 million.

These bonds have been recognized using the single transaction approach. The redemption premium, being the difference between the value at par and the redemption value of the bond issue, was not recognized as a liability at the time of the bond issue. Redemption premiums have been amortized since 2002 and will be until maturity of the issue, using the compound interest method. The yield to maturity used is the rate which enables future payment of the redemption premium, assuming the two bonds were issued on January 1, 2002, namely 2.84% for the 1999 issue and 3.29% for the 2000 issue.

The charge for the year ending December 31, 2011 amounted to €103 million, and the existing provision at December 31, 2011 is €911 million. The unamortized balance of €383 million was recognized as an off-balance sheet commitment.

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 General Meetings of 2014 convertible bondholders accepted the amendment. As a result, holders who did not convert their bonds by January 26, 2007 received €16.23 per bond on January 31, 2007.

The General Meeting of 2017 bondholders did not approve the amendment. As a result, to fully neutralize the dilution impact of the 2017 convertible bonds, AXA bought call options on AXA shares with an automatic exercise mechanism from a bank counterparty for a total cash amount equivalent to the payment proposed to bondholders. This €96 million premium is to be amortized over the residual ten-year term of the bond. At December 31, 2011, the remaining amount to be amortized was €48 million.

## 2.10. Employee benefits

Employee benefit liability is reviewed to ensure it covers future retirement benefit obligations and post-retirement benefits. Pursuant to this review, the employee benefit liability amounted to €11 million at December 31, 2011.

## 2.11. Unrealized foreign exchange gains/ losses

Foreign currency receivables and liabilities are adjusted at the balance sheet date exchange rate. The matching item for this adjustment is a translation variance asset account when the difference is an unrealized loss, and a translation variance liability account when it is an unrealized gain. These items do not flow through the income statement but a provision for foreign exchange risk is made to recognize unrealized losses relating to the translation variance asset.

When a loan or borrowing generates an unrealized translation loss, but is hedged, a provision for unhedged risk is registered.

## 2.12. Derivative products

- Interest rate swaps: these transactions are recognized by applying the accrued interest method. A distinction is made in the income statement and balance sheet between income from the principal transaction, which is the subject of the swap, and the net income from the swap transaction. The nominal value of the swaps serving as bases for interest rate swaps is recognized off-balance sheet.
- Derivative products qualifying as hedges against foreign exchange risk (exchange rate or currency swaps, currency futures) are recognized off-balance sheet as a reciprocal liability and receivable commitment. For currency options, the premium paid on acquisition is recognized as an asset on the balance sheet in the 'cash instruments' account. When the option is exercised, the premium is recorded in the income statement. The same is true when the option is not exercised at term. For option sales, a provision for risks and charges is recognized to take into account the unrealized loss. Other derivative instruments are recognized off-balance sheet at their nominal value. Unrealized losses arising from the estimated market value of these financial instruments give rise to recognition of a provision for foreign exchange loss when the hedge accounting can not be applied.

- Equity derivative products: equity option rights paid or received are posted in a suspense account on payment or receipt of funds. At the balance sheet date, if the option has not been exercised, the rights received, representing possible income, are not recognized in the income statement. A provision is created against rights paid if it is likely, given market trends, that the option will not be exercised. When the option is exercised, this represents an addition to the acquisition price of the underlying instrument and an addition to the sale price when the option is sold.

### 2.13. Other shareholders' equity

Undated deeply subordinated notes are classified as "Other shareholders' equity" when, like for ordinary shares, there is no contractual obligation to remit cash or any other financial assets.

Other shareholders' equity included €6,341 million of undated subordinated notes at December 31, 2011, versus €6,233 million at December 31, 2010, representing an increase of €108 million mainly due to exchange rate fluctuation impact.

### 2.14. Provisions for contingent liabilities

The Company is the head of a French tax consolidation regime group. The tax consolidation regime provides that tax savings should be recognized directly in the Company's financial statements. However, a provision for the return of tax savings is recognized when there is a high probability that the benefit will accrue to subsidiaries as a result of the prospect of future taxable income resulting from the Group's strategic planning.

## 3. NOTES TO THE BALANCE SHEET

### 3.1. Movements in intangible assets

This account includes the AXA brand, transferred by FINAXA at the time of the merger, and valued at €307 million. It also includes €15 million of goodwill recognized following the complete transfer of assets and liabilities between Société de Gestion Civile Immobilière (SGCI) and the Company and €58 million relating to the capitalization of software costs.

### 3.2. Movements in financial assets (before provisions)

| *(in Euro million)* | Gross value at December 31, 2010 | Acquisitions | Disposals | Gross value at December 31, 2011 |
|---|---|---|---|---|
| Investments in subsidiaries | 58,285 | 7,902 [a] | 1,737 [a] | 64,450 |
| Receivables from subsidiaries | 2,072 | 4,700 [b] | 6,061 [b] | 711 |
| Other financial assets | 3,538 | 1,253 [c] | 619 | 4,172 |
| Loans | 818 | 51 | 59 | 810 |
| **TOTAL** | **64,713** | **13,906** | **8,476** | **70,143** |

*(a) Of which:*
- *The acquisition of Asian activities previously held by AXA Asia Pacific Holdings for €7,146 million;*
  *the Company wishes to transfer its stake in its Asian life and non-life insurance businesses to AXA ASIA, in which it is the sole shareholder. The goal is for AXA ASIA to eventually become the new holding company for the AXA Group's Asian activities. As part of this internal restructuring, AXA SA transferred shares in the following entities to AXA ASIA in December 2011: AXA China Region Limited, AXA Financial Services (Singapore) Pte. Ltd, AXA General Insurance Hong Kong Ltd. and AXA Insurance Singapore Ltd, for a value of €5,263 million;*
  *the restructuring would have to continue on the year 2012;*
- *The removal of shares in AXA Asia Pacific Holdings and AXA Canada at their book value of €930 million;*
- *And the cancellation of €455 million of AXA Participation II shares following the merger into AXA SA.*

*(b) The net decrease of €1,361 million mainly resulting from the reimbursement of the £730 million loan granted to the company Beaujon in 2010 and the repayment of AUD711 million of loans by AXA Asia Pacific Holdings.*

*(c) The increase is mainly due to margin calls paid to bank counterparties relating to collateral agreements linked to derivative instruments' management.*

## 3.3. Movement in provisions for impairment of financial assets

| *(in Euro million)* | Provisions at December 31, 2010 | Allowances | Releases | Provisions at December 31, 2011 |
|---|---|---|---|---|
| Investments in subsidiaries | 968 | 76 | 47 | 997 |
| Receivables from subsidiaries | 7 | | 6 | 1 |
| Other financial assets | 41 | 36 | 22 | 55 |
| Loans | 15 | - | 15 | - |
| **TOTAL** | **1.031** | **112** | **90** | **1.053** |

## 3.4. Statement of receivables by maturity

| *(in Euro million)* | Gross value | Less than 1 year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|
| Receivables on affiliates | 711 | 645 | - | 66 |
| Tax receivables | 496 | 496 | - | - |
| Loans | 810 | 779 | - | 31 |
| Miscellaneous receivables and currents accounts with subsidiaries | 562 | 562 | - | - |
| **TOTAL** | **2.579** | **2.482** | **-** | **97** |

## 3.5. Miscellaneous receivables and subsidiaries' current accounts

| *(in Euro million)* | |
|---|---|
| Income receivable | 22 |
| Miscellaneous debtors | 30 |
| Accrued interest on swaps | 125 |
| Subsidiaries' current accounts | 385 |
| **TOTAL** | **562** |

## 3.6. Expenses payable over more than one period

| *(in Euro million)* | Gross value | Amount amortised at December 31, 2010 | Charge for the period | Net value at December 31, 2011 |
|---|---|---|---|---|
| Bond issue expenses | 111 | 100 | 1 | 10 |
| Other debt issue expenses | 80 | 51 | 6 | 23 |
| Investment acquisition expenses | 71 | 71 | | - |
| **TOTAL** | **262** | **222** | **7** | **33** |

Starting January 1, 2007, acquisition expenses on investments in affiliates are capitalized (included in the purchase price) and are subject to amortization over five years.

## 3.7. Unrealized foreign exchange losses

Amounted to €852 million, up €185 million, of which €512 million related to the deferred recognition of exchange-rate losses in line with the principles of hedge accounting.

## 3.8. Share capital

AXA's share capital is represented by 2,357,197,520 shares with a par value of €2.29, giving a total value of €5,397,982,321.80 at December 31, 2011.

## 3.9. Movement in shareholders' equity

| *(in Euro million)* | Year ending December 31, 2010 | Year ending December 31, 2011 |
|---|---|---|
| Net income | (488) | 8,649 |
| Per share | (0.21) | 3.67 |
| Movement in shareholders' equity compared with opening balance | (1,405) | 8,987 |
| Per share | (0.61) | 3.81 |
| Proposed dividend | 1,601 | 1,626 [a] |
| Per share | 0.69 | 0.69 [a] |

*(a) Proposed to Shareholders' Meeting of April 25, 2012.*

| *(in Euro million)* | |
|---|---|
| **Equity at December 31, 2010** | **31,514** |
| Capital increase for employees | 333 |
| Exercise of equity instruments | 3 |
| Dividends paid out | (1,598) |
| Net income for the period | 8,649 |
| Change in method at January 1, 2011 | 1,592 |
| Tax driven provision | 8 |
| **Equity at December 31, 2011** | **40,501** |

## 3.10. Other shareholders' equity

Other shareholders' equity amounted to €6,341 million, compared to €6,233 million at the end of 2010.

| *(in Euro million)* | Value at December 31, 2010 | Issues | Translation variance/accrued interests | Value at December 31, 2011 |
|---|---|---|---|---|
| Undated deeply Subordinated Notes (nominal) | 6,120 | - | 110 | 6,230 |
| Accrued interests | 113 | - | (2) | 111 |
| **TOTAL** | **6,233** | | **108** | **6,341** |

## 3.11. Provisions for contingent liabilities

| *(in Euro million)* | Value at beginning of period | Allowances for the period | Releases for the period (provisions used) | Releases for the period (provisions not used) | Value at end of period |
|---|---|---|---|---|---|
| Provisions for deferred taxes | 677 | 26 | - | 235 | 468 [a] |
| Provision for foreign exchange losses | 3,560 | - | - | 1,720 [b] | 1,840 |
| Other provisions for risks | 385 | 973 [c] | - | 28 | 1,330 |
| Amortisation of convertible bond redemption premiums | 807 | 104 | - | - | 911 |
| **TOTAL** | **5,429** | **1,103** | **-** | **1,983** | **4,549** |

*(a) The €468 million provision for deferred taxes includes a €412 million provision for the possible repayment of tax savings to subsidiaries belonging to the French tax consolidation group.*

*(b) This amount mainly consisted of the rises of €1,592 million with respect to the aforementioned change in accounting method.*

*(c) This is mainly allocations under unrealized losses on derivatives.*

## 3.12. Subordinated debt

| *(in Euro million)* | Value at December 31, 2011 | Less than one year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|
| Undated subordinated debt | 691 | - | - | 691 |
| Undated subordinated EMTN | 915 | - | - | 915 |
| Subordinated bonds 2.5% 2014 | 1,516 | - | 1,516 | - |
| Convertible Subordinated bonds 3.75% 2017 | 1,094 | - | - | 1,094 |
| Redeemable subordinated bond 6.75% 2020 (€) | 1,300 | - | - | 1,300 |
| Redeemable subordinated bond 8.60% 2030 ($) | 966 | - | - | 966 |
| Redeemable subordinated bond 7.125% 2020 (£) | 389 | - | - | 389 |
| Other subordinated debt | 10 | - | - | 10 |
| Accrued interests | 149 | 149 | - | - |
| **TOTAL** | **7,030** | **149** | **1,516** | **5,365** |

Subordinated debt totaled €7,030 million as opposed to €6,995 million in 2010 owing a €84 million increase relating to exchange-rate effects, partly offset by €50 million of loan repayments.

The perpetual subordinated notes are undated bonds. The Company has the option of deferring payment of the coupons under certain conditions. Nonetheless, the coupons must be paid when these conditions cease to be met or on redemption of the instruments. When payment is deferred for an extended period, the coupons remain payable by law. Similarly, in the absence of dividends being paid, unpaid coupons accumulated over the years will be recognized as payable upon liquidation, if any. These instruments are classified as debt on the basis of this contractual obligation to pay the coupons.

## 3.13. Financing debt

| *(in Euro million)* | Value at December 31, 2011 | Less than one year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|
| Euro Medium Term Notes | 3,066 | 366 | 2,700 | - |
| Medium Term Negotiable Notes | 30 | 30 | - | - |
| Bonds | 6,719 | 2,880 | 2,891 | 948 |
| Loans granted by Group entities | 2,744 | 810 | 630 | 1,304 |
| Commercial paper | 2,530 | 2,530 | - | - |
| Deposits under collateral agreements | 12 | 12 | - | - |
| Accrued interests | 142 | 142 | - | - |
| **TOTAL** | **15,243** | **6,770** | **6,221** | **2,252** |

Financing debt totaled €15,243 million as opposed to €16,166 million in 2010 mainly relating to the cancellation of €455 million of loans granted by the companies Colisée Excellence and AXA Participation II following the merger into AXA SA, and to a €453 million partial reimbursement of a loan granted by AXA Versicherungen AG.

### 3.14. Statement of operating payables

| *(in Euro million)* | Value | Less than 1 year | 1 to 5 years |
|---|---|---|---|
| Debt on fixed assets [(a)] | 183 | 183 | - |
| Other payables, including tax and social payables [(b)] | 189 | 189 | - |
| **TOTAL** | **372** | **372** | |

*(a) Debt relating to non-current assets totaled €183 million and included shares issued by entities but not yet fully paid, including €75 million for AXA Life Europe and €54 million each for AXA Italia and AXA Reinsurance Ireland.*

*(b) Of which €172 million of expenses payable.*

### 3.15. Unrealized foreign exchange gains

Amounted to €1,071 million at year-end 2011, down from €1,190 million at December 31, 2010. This item reflects the positive effects derived from the revaluation of foreign-currency denominated assets and liabilities at the balance sheet closing exchange rate. This item declined compared with 2010 owing mainly to increases in the US dollar and sterling exchange rates, which had an adverse impact on liabilities.

## 4. NOTES TO THE STATEMENT OF INCOME

A

### 4.1. Executive remuneration

- Directors' fees allocated to members of the Board of Directors K€1,200
- Other remuneration (net of recharging) K€4,734

The Company had 4 employees at the balance sheet date.

### 4.2. Income tax

| *(in Euro million)* | Income before tax | Tax benefit/ expense* | Net income |
|---|---|---|---|
| Ordinary income | 2,972 | (a) | 2,972 |
| Income from capital operations | 3,675 | - | 3,675 |
| Income tax expense | - | 2,002 [(b)] | 2,002 |
| **TOTAL** | **6,647** | **2,002** | **8,649** |

** A positive sign indicates tax benefit.*

*(a) Dividends received from investments in subsidiaries are under the fiscal "parent-subsidiary" regime and are tax-exempt.*

*(b) The corporate income tax benefit amounted to €2,002 million, compared with €944 million in 2010. It mainly included €1,113 million of tax benefit linked to carryback receivables, €759 million of tax receivable from members of the tax consolidation group in France and a €235 million release of the provision for the risk of tax repayments.*

# 5. OFF-BALANCE SHEET COMMITMENTS

## 5.1. Summary of off-balance sheet commitments

| *(in Euro million)* | Notional value (Commitments given) | Market value |
|---|---|---|
| **FINANCIAL FUTURES INSTRUMENTS** | **187,274** | **(3,345)** |
| **Foreign exchange Forward** | **3,222** | **35** |
| **Swaps** | **98,956** | **(3,696)** |
| Interest rate swaps | 53,226 | (264) |
| Equity swap | 1,956 | (789) |
| Foreign Exchange swaps (short term) | 12,616 | (82) |
| Cross Currency swaps (long term) | 29,539 | (2,526) |
| Credit Default swaps | 1,619 | (35) |
| **Options** | **85,096** | **316** |
| Caps | 1,902 | 2 |
| Foreign Exchange Options | 75,586 | 317 |
| Equity options | 5,503 | 3 |
| Indice options | 2,100 | (6) |
| Floor | 5 | - |
| **Other commitments** | **Commitments given** | **Commitments received** |
| **Credit facilities (authorize**d but not drawn) | **1,390** | **12,471** |
| **Internal group guarantees and securities** | | |
| Commitments to buy back shares and bonds from Group entities | 42 | - |
| Other commitments | 13,229 | 1,468 |
| of which financial guarantees given to Group entities | 7,929 | 696 |
| **Subordinated convertible bond redemption premium** (see § 2.9 of this note) | **383** | - |

## 5.2. Commitments in respect of shareholder pacts

### CROSS-SHAREHOLDING AGREEMENTS

AXA has entered into cross-shareholding agreements with BNP Paribas and Schneider Electric which are described hereafter.

#### Agreement with the BNP Paribas Group

On August 5, 2010, and after authorization by the AXA Board of Directors of August 3, 2010, the AXA Group and the BNP Paribas Group entered into an agreement that replaces the prior agreement between them dated December 15, 2005.

The 2010 agreement maintains the option for each party to repurchase its shares in the event of a hostile change of control of the other party.

In force for a period of three years starting from August 5, 2010, this agreement is renewable automatically for successive periods of one year there after, unless one of the two parties decides to terminate the agreement earlier, in which case the terminating party is required to give three months notice prior to the next renewal date.

The agreement was made public by the AMF on August 9, 2010.

#### Agreement with the Schneider Group

On May 15, 2006, and after authorization by the AXA Supervisory Board of December 21, 2005, the AXA Group, the Mutuelles AXA 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 AXA ordinary shares. The number of shares held under this cross-shareholding agreement is adjusted as needed to reflect the impact of certain capital transactions, including, but not limited to: free allotments of stock or of exchange of stocks of the same company (stock splits, stock grouping, etc.). In addition, the agreement includes an option for each party to repurchase its shares in the event of a hostile change of control of the other party.

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

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

AXA and Schneider Electric informed the AMF of their decision not to renew their May 15, 2006 agreement. The termination of this agreement was published by the AMF on December 27, 2011. The current agreement will expire in the term planned by the agreement, i.e. on May 15, 2012.

## 6. SENSITIVITY

By virtue of its business, AXA SA is mainly exposed to interest rate and exchange rate risks.

The table below shows an estimate of changes in the fair value of debt, loans and hedging instruments in the event of a 1% rise in the interest rate curve or a 10% depreciation of the Euro.

| | Change in fair value | |
|---|---|---|
| **Sensitivity** | **Interest rates: +100 bps** | **Depreciation of the Euro : 10%** |
| Debt [a] | -2.5 % [1] | 2.9 % [2] |
| Loans [b] | -2.3 % [1] | 1.0 % [2] |
| Derivatives [c] | 9.3 % [1] | -38.2 % [2] |

*(a) External debt (excluding intra-group debt) before hedging.*
*(b) Loans are net of internal refinancing.*
*(c) Both eligible and not eligible derivatives under IFRS.*
*(1) A 100 bps rise in interest rates leads to a 2.5% decrease in the fair value of debt, a 2.3% decrease in the fair value of loans, and a 9.3% increase in the fair value of derivatives.*
*(2) A 10% depreciation of the Euro leads to a 2.9% increase in the fair value of debt, a 1.0% increase in the fair value of loans and a 38.2% decrease in the fair value of derivatives.*
*The information on fair value presented above should be used with care:*

- *since these estimates are based on the use of measurements such as interest rates and spreads at the balance sheet date; such measurements may fluctuate over time;.*
- *and because there are a number of possible ways to perform these calculations.*

The information used for calculating the fair value of financing debt is market prices at the end of the period, using (i) market rates for each currency, (ii) AXA's average spread by maturity and for the main currencies, distinguishing between subordinated debt and senior debt, and (iii) options included in issue contracts, such as issuer redemption options.

This note does not omit any material commitment or any which might become material in the future.

# 7. OTHER INFORMATIONS

## 7.1. Affiliated companies

**Affiliated companies (consolidated entities) (value net of provisions for impairment)** *(in Euro million)*

| | |
|---|---|
| **Investments** | 63,227 |
| Of which: | |
| ■ AXA Asia | 5,275 |
| ■ AXA Konzern AG | 2,120 |
| ■ AXA Italia SPA | 715 |
| ■ AXA France Assurance | 4,315 |
| ■ AXA UK Plc | 4,556 |
| ■ AXA Holdings Belgium | 5,318 |
| ■ Oudinot Participations | 12,299 |
| ■ AXA Japan Holding Company Limited | 3.234 |
| ■ Vinci BV | 4,285 |
| ■ Colisée RE | 626 |
| ■ AXA Equity & Law Plc | 1,133 |
| ■ AXA Mediterranean Holding | 2,651 |
| ■ AXA Versicherungen AG | 5,171 |
| ■ AXA Belgium | 610 |
| ■ Reso Garantia | 805 |
| ■ AXA Investment Managers | 1,379 |
| ■ AXA Life Europe | 1,253 |
| ■ Finance Solutions | 2,703 |
| ■ Beaujon | 892 |
| ■ National Mutual International Pty LTD | 1,857 |
| Receivables towards related companies | 1,964 |
| Payables toward related companies | 10,887 |
| **Financial income and expense in respect of affiliates** | |
| Financial expense | 416 |
| Financial income | 4,255 |

## 7.2. Related parties

None of the transactions operated by related parties, that are still outstanding at year end or that occurred during the course of the year, account for the distinctive characteristics of transactions to be disclosed in accordance with the ANC regulations n° 2010-02 and 2010-03 as made official by the decision as of December 29, 2010 and announced in the Journal Officiel as of December 31, 2010.

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

Mazars
61, rue Henri Régnault
92400 Courbevoie

# Report of Statutory Auditors on the Company's financial statements

## (For the year ended December 31, 2011)

*This is a free translation into English of the Statutory Auditors' report issued in French and which is provided solely for the convenience of English 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 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 statutory financial statements of the Company.*

*This report, together with the Statutory Auditors' report addressing financial and accounting information in the Chairman'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 of **AXA SA**
25, avenue Matignon
75008 Paris

In compliance with the assignment entrusted with us by your General Meeting, we hereby submit our report for the year ended December 31, 2011 on:

- the audit of the financial statements of AXA SA, as attached to the present report;
- the justifications of our assessments;
- the specific verifications and information required under French law.

The above mentioned financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

### I – Opinion on the Company's financial statements

We conducted our audit in accordance with the professional standards applicable in France, which require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that the elements and information we gathered constitute an adequate and appropriate basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities as of December 31, 2011 and of the results of operations for the year then ended, in accordance with accounting rules and principles applicable in France.

Without qualifying our opinion expressed above, we draw your attention to the paragraph "change in accounting principles" in the note of the annual financial statements which discloses the change in accounting method concerning the application of hedge accounting rules to financial instruments purchased to hedge foreign-exchange risk in equity securities but whose value has been booked in euros since the purchase date applying the historical cost convention.

## II – Justifications of our assessments

The on-going economic downturn and related uncertainties, the evolution of the financial crisis as well as the development of the sovereign debt crisis of certain eurozone members (in particular Greece) continue this year to give rise to specific circumstances for the preparation of the financial statements, in particular with respect to the accounting estimates.In the context of these economic and financial uncertainties, and in accordance with Article L.823-9 of the French Commercial Code requiring Statutory Auditors to justify their assessment, we bring to your attention the following matters:

- financial assets are recorded using the methods applying to each category and described in paragraph 2.5 of the notes to the financial statements.

  We have assessed whether the impairment tests performed by the Company, depending on the invested assets situation and the volatility of financial markets, are appropriate and we also assessed the reasonableness of the resulting provisions. Regarding investments, for which impairment is based on the value-in-use and the intent to hold, we have assessed the data used in order to determine the value-in-use of the main investments in the portfolio and obtained confirmation of the intent to hold.

- in accordance with the policies described in paragraph 2.9 of the notes to the financial statements, liabilities are recorded at the year-end for redemption premiums on convertible bonds issued by the Company whenever the prevailing stock price is lower than the discounted redemption value of the underlying note. We have assessed the reasonableness of the assumptions used for calculation, having regards the stock market volatility and the maturities of outstanding convertible bonds issued by the Company;

- derivatives used by your Company are assessed pursuant to the rules contained in paragraph 2.12 of the notes to the financial statements. We have checked that the implementation of a hedge accounting, as the case may be, was documented and that the effects of the change in accounting policy mentioned above were properly disclosed (notes 3.7, 3.9 and 3.11 of the annual financial statements). In the other cases, we verified that adequate provisions for the unrealized losses were recorded.

These assessments were made in the context of our audit of the 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 verifications and information

In addition, we have carried out the specific verifications required by law, in accordance with the professional standards applicable in France.

We have no matter to report regarding the fairness of the Board of Directors' report and the documents addressed to the shareholders concerning the Company's financial situation and financial statements, and their consistency with the financial statements.

Regarding the information provided in application of the provisions of Article L.225-102-1 of the French Commercial Code on the compensation and benefits paid to AXA executives as well as commitments made to them, we have verified their consistency with the financial statements or with the data underlying the preparation of the financial statements and, if applicable, with the elements gathered by the Company from entities controlling the Company or controlled by the Company. On the basis of this work, we confirm the accuracy and fairness of this information.

As required by law, we have verified that the information pertaining to equity and controlling interests of the Company, to the identity of holders of share capital or voting rights and to reciprocal participations has been duly disclosed in the aforementioned Board of Directors' report.

Neuilly-sur-Seine and Courbevoie, March 14, 2012

The Statutory Auditors

| PricewaterhouseCoopers Audit | Mazars |
|---|---|
| Pierre Coll – Michel Laforce | Philippe Castagnac – Gilles Magnan |

# APPENDIX VII GROUP EMBEDDED VALUE

"Embedded Value" (EV) is a valuation methodology often used for long term insurance business. It attempts to measure the present value of cash available to shareholders now and in the future and accordingly is presented net of taxes and minority interests. "European Embedded Value" (EEV) is a refinement of this methodology based on Principles issued by the CFO Forum of European insurers, which AXA adopted during 2005. AXA publishes EEV only for its Life & Savings business.

The Group EV of AXA is the sum of the Life & Savings EEV and the other businesses Tangible Net Asset Value (TNAV). Other businesses include Property & Casualty, Asset Management, Banking, International Insurance, and Holdings and Other Companies segments.

The Group EV is not an estimate of AXA's "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.

The following information is an extract from, and should be read in connection with, the "Embedded Value 2011 Report" which is available on AXA Group website under Investor Relations/ Results and Reports/Earning presentations.



| *(in Euro million - Group share)* | Life & Savings EEV | Other businesses | Group EV 10/11 | Group EV 09/10 |
|---|---|---|---|---|
| **Opening Group EV** | **40,476** | **(6,324)** | **34,152** | **30,422** |
| Modeling changes and opening adjustments | 964 | (1,257) | (293) | (106) |
| **Adjusted opening Group EV** | **41,440** | **(7,581)** | **33,859** | **30,316** |
| Operating return | 4,757 | 1,588 | 6,345 | 7,156 |
| Current year investment experience | (7,361) | (640) | (8,001) | (2,228) |
| **Total return** | **(2,604)** | **949** | **(1,656)** | **4,928** |
| internal dividends payment | (1,694) | 1,694 | - | - |
| Dividend paid by the Group | - | (1,601) | (1,601) | (1,259) |
| Capital flows | 221 | (221) | - | - |
| Exchange rate movements impact | 781 | (400) | 382 | (193) |
| Acquired/ Disinvested business and others | 9 | 80 | 89 | (25) |
| Change in shares issued and treasury shares | - | 475 | 475 | 385 |
| **CLOSING GROUP EV** | **38,154** | **(6,606)** | **31,548** | **34,152** |
| Operating return on Group EV | 11% | | 19% | 24% |
| **TOTAL RETURN ON GROUP EV** | **-6%** | | **-5%** | **16%** |

**Operating return on Group EV** remained significant at 19% in 2011 compared to 24% in 2010, the decrease being driven by the higher opening value in 2011 compared to 2010, and a significant operating return in Life & Savings in 2010.

**Total return on Group EV** decreased to -5% in 2011 compared to 16% in 2010. The main driver of lower return was the lower investment experience, reflecting certain deteriorated market conditions.

## LIFE & SAVINGS EEV

Life & Savings EEV is the sum of two elements:

- "Adjusted Net Asset Value" (ANAV) which measures the current balance sheet wealth;
- "Value of Inforce" (VIF) which measures the present value of future shareholder profits for the business currently in the portfolio, adjusted for the cost of holding capital that cannot be distributed while the business is in force.

The Life & Savings ANAV is derived by aggregating the local regulatory (statutory) balance sheets and reconciling with the Life & Savings IFRS shareholders' equity with the following main adjustments:

- addition of unrealized capital gains/losses not included in shareholders' equity;
- elimination of the value of intangibles;
- elimination of unrealized capital gains/losses included in the projection of future cash-flows (VIF);
- adjustment for the differences between AXA's consolidated accounting basis and local regulatory bases.

The table below shows the reconciliation of Life & Savings IFRS shareholders' equity to Life & Savings ANAV:

| *(in Euro million - Group share)* | 2011 |
|---|---|
| **Life & Savings IFRS shareholders' equity** | **42,272** |
| Net unrealized capital gains/losses not included in IFRS shareholders' equity | 1,337 |
| Elimination of intangible assets | (20,428) |
| Unrealized capital gains/losses projected in the VIF other Stat-GAAP adjustments | (2,125) |
| **Life & Savings Adjusted Net Asset Value (ANAV)** | **21,056** |

Life & Savings EEV is obtained by adding the Life & Savings VIF to the Life & Savings ANAV:

| *(in Euro million - Group share)* | 2010 | 2011 |
|---|---|---|
| ANAV | 20,389 | 21,056 |
| VIF | 20,087 | 17,097 |
| **Life & Savings EEV** | **40,476** | **38,154** |

"Life & Savings New Business Value" (NBV) measures the value of new business sold during the year. It includes the VIF on new business, as well as 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 the new business volume which includes 100% of sales of regular recurring premium business and 10% of sales of single premium business. The "APE Margin" is the ratio of NBV to APE.

"Life & Savings Present Value of Expected Premium" (PVEP) is a measure of the 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 Euro million - Group share)* | 2010 | 2011 | Change | Change on a comparable basis |
|---|---|---|---|---|
| Annual Premium Equivalent | 5,780 | 5,733 | -1% | -1% |
| Present Value of Expected Premiums (PVEP) | 57,794 | 56,481 | -2% | -1% |
| New business Value (NBV) | 1,290 | 1,444 | 12% | 1% |
| **NBV/APE** | **22%** | **25%** | **2.9 PT** | **0.4 PT** |
| **NBV/PVEP** | **2%** | **3%** | **0.3 PT** | **0.1 PT** |

*Change on a comparable basis: at constant exchange rate, methodology and scope.*

The Life & Savings VIF calculation by 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 Euro 1 of value. Mechanically, this can be described as assuming that, in the future, all assets will earn the risk-free rate (referred to as the "reference rate" in the Embedded Value methodology) defined by the current market. 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 Euro 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 a 2.0% average inflation rate was assumed in 2011 (2.0% in 2010);
- 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 necessary amount to obtain a AA rating at each entity level;
- a weighted average tax rate of 31.0% was assumed in 2011 (31.6% in 2010);
- consistent with previous years, AXA used, at end 2011, reference rates which included, where applicable, liquidity premia over the swap curves for some of its entities.

As described above, the Life & Savings VIF valuation under AXA's market-consistent framework does not depend on assumed future asset returns, but rather on the reference rate described above. The Life & Savings VIF valuation 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 2010 and 2011 used in determining the IDRs:

| FI Return | | Equity Return | | Cash Return | | Real Estate Return | |
|---|---|---|---|---|---|---|---|
| 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| 5.2% | 4.7% | 6.8% | 5.9% | 4.3% | 4.0% | 6.3% | 5.9% |

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 | | NB IDR | |
|---|---|---|---|
| 2010 | 2011 | 2010 | 2011 |
| 6.88% | 10.41% | 5.29% | 5.17% |

The following table presents a detailed analysis of the movement of the Life & Savings EEV between 2010 and 2011:

| *(in Euro million - Group share)* | EEV 2010/2011 |
|---|---|
| **Opening Life & Savings EEV** | **40,476** |
| Modeling changes and opening adjustments | 964 |
| **Adjusted opening Life & Savings EEV** | **41,440** |
| Operatiing performance from existing business | 3,312 |
| Expected existing business contribution | 2,906 |
| Operational experience changes | 456 |
| Operational assumptions changes | (49) |
| New Business Value | 1,444 |
| **Operating Return on Life & Savings EEV** | **4,757** |
| Current year investment experience | (7,361) |
| **Total return on Life & Savings EEV** | **(2,604)** |
| Exchange rate movements impact | 781 |
| Others (incl. Life & Savings EEV of acquired/ disinvested business) | 9 |
| Capital flows | (1,472) |
| **CLOSING LIFE & SAVINGS EEV AT DECEMBER 31** | **38,154** |

**Modeling changes and opening adjustments** of €964 million reflects various refinements, as well as the net impact of selling Australia & Zealand operations to AMP Group, and buying minority shares in Hong Kong and South East Asian entities. The proceeds of this operation are shown in the Other businesses segment of the Group EV.

**Operating performance from existing business** considers the movements in EEV relating to the business inforce at the beginning of the year, excluding the investment impacts that are shown below. The total operating performance of €3,312 million is analyzed in several components:

- **expected existing business contribution** of €2,906 million is the expected contribution from existing business assuming assets earned the rates in the illustrative investment scenarios used to calculate IDR for the prior year;
- **operational experience changes** of €456 million is the impact of actual versus expected experience for items like mortality, expenses, lapse rates, etc.;
- **operational assumptions changes** of €-49 million is the impact on VIF of changes in future assumptions for items like mortality, expenses, lapse rates, etc.

**2011 New Business Value** of Euro 1,444 million reflects the strain (first year loss) and VIF impacts described above.

**Operating Return on Life & Savings EEV** of €4,757 million is the sum of the New Business Value and the operating performance from existing business. It represents 11% of the adjusted opening Life & Savings EEV.

**Current year investment experience** of €-7,361 million includes (i) the variance in experience during 2011 from the one expected in the illustrative real world investment scenario at the end of 2010, and (ii) the change in value created by reflecting year-end 2011 yield curves and investment conditions in the EEV rather than those of year-end 2010.

**Total Return on Life & Savings EEV** (before currency effects and capital flows) of €-2,604 million combines the Operating Return with the Investment impacts. It represents -6% of the adjusted opening Life & Savings EEV.

**Exchange rate movements impact** of €781 million reflects the evolution of foreign currencies versus the Euro, not taking into account the mitigating impact of the currency hedging program implemented by AXA SA.

**Capital flows** of €-1,472 million reflect net transfers into the Life & Savings segment in 2011 including dividends paid, received and capital injections.

**Closing Life & Savings EEV** of €38,154 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/disinvested business and the exchange rate impact.

## LIFE & SAVINGS EUROPEAN EMBEDDED VALUE SENSITIVITIES

The sensitivities of 2011 Life & Savings EEV and NBV to changes in major assumptions were as follows:

| **Life & Savings sensitivities** *(in Euro million - Group share)* | EEV 2011 | NBV 2011 [(a)] |
|---|---|---|
| Upward parallel shift of 100 basis points in reference interest rates | 1,231 | (17) |
| Downward parallel shift of 100 basis points in reference interest rates | (3,456) | (103) |
| 10% higher value of equity markets at start of projection | 959 | 54 |
| 10% lower value of equity markets at start of projection | (1,031) | (59) |
| 10% higher value of real estate at start of projection | 493 | 12 |
| 10% lower value of real estate at start of projection | (514) | (17) |
| overall 10% decrease in the lapse rates | 621 | 121 |
| Overall and permanent decrease of 10% in expenses | 1,539 | 132 |
| 5% lower mortality rate for annuity business | (498) | (7) |
| 5% lower mortality rate for life business | 818 | 49 |
| Upward shift of 25% of the volatility on equity markets | (654) | (38) |
| Upward shift of 25% of the volatility on bonds | (1,084) | (91) |
| 50 basis points higher in credit spreads | (1,674) | (33) |
| 50 basis points lower in credit spreads | 1,615 | 31 |

*(a) The NBV sensitivities shown this template assumed a shock "aftersale". It indicates how the new business written in 2011 would have been affected by an economic shock after sale but prior to year-end.*

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

Mazars
Exaltis – 61, rue Henri Regnault
92400 Courbevoie

# Report on 2011 Embedded Value

To AXA Chief Financial Officer

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

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

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

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

Our work included the following procedures:

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

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

Based on our work, we have no observations regarding:

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

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

PricewaterhouseCoopers Audit
Michel Laforce, Stéphane Kuypers

Mazars
Gilles Magnan, Maxime Simoen

# APPENDIX VIII SHAREHOLDERS' MEETING APRIL 25, 2012

## Agenda

### ORDINARY RESOLUTIONS

#### First resolution

Approval of the Company's financial statements for the fiscal year 2011 - parent only

#### Second resolution

Approval of the consolidated financial statements for the fiscal year 2011

#### Third resolution

Earnings appropriation for the fiscal year 2011 and declaration of a dividend of €0.69 per share

#### Fourth resolution

Statutory Auditors' special report on regulated agreements

#### Fifth resolution

Re-appointment of Mr. François Martineau as director

#### Sixth resolution

Appointment of Mr. Stefan Lippe as director

#### Seventh resolution

Appointment of Mrs. Doina Palici-Chehab to the Board of Directors upon proposal of the employee shareholders of the AXA Group

#### Eighth resolution
**(not approved by the Board of Directors)**

Appointment of Mrs. Fewzia Allaouat to the Board of Directors upon proposal of the employee shareholders of the AXA Group

#### Ninth resolution
**(not approved by the Board of Directors)**

Appointment of Mr. Olivier Dot to the Board of Directors upon proposal of the employee shareholders of the AXA Group

#### Tenth resolution
**(not approved by the Board of Directors)**

Appointment of Mr. Herbert Fuchs to the Board of Directors upon proposal of the employee shareholders of the AXA Group

#### Eleventh resolution
**(not approved by the Board of Directors)**

Appointment of Mr. Denis Gouyou-Beauchamps to the Board of Directors upon proposal of the employee shareholders of the AXA Group

#### Twelfth resolution
**(not approved by the Board of Directors)**

Appointment of Mr. Thierry Jousset to the Board of Directors upon proposal of the employee shareholders of the AXA Group

#### Thirteenth resolution
**(not approved by the Board of Directors)**

Appointment of Mr. Rodney Koch to the Board of Directors upon proposal of the employee shareholders of the AXA Group

#### Fourteenth resolution
**(not approved by the Board of Directors)**

Appointment of Mr. Emmanuel Ramé to the Board of Directors upon proposal of the employee shareholders of the AXA Group

#### Fifteenth resolution

Re-appointment of PricewaterhouseCoopers Audit as incumbent Statutory Auditor

#### Sixteenth resolution

Appointment of Mr. Yves Nicolas as alternate Statutory Auditor

#### Seventeenth resolution

Authorization granted to the Board of Directors in order to purchase ordinary shares of the Company

## EXTRAORDINARY RESOLUTIONS

### Eighteenth resolution

Delegation of power granted to the Board of Directors for the purpose of increasing the share capital by issuing ordinary shares or securities giving a claim to the Company's ordinary shares, reserved for employees enrolled in the employer-sponsored Company savings plan

### Nineteenth resolution

Delegation of power granted to the Board of Directors for the purpose of increasing the share capital of the Company by issuing ordinary shares, without preferential subscription rights, in favor of a specific category of beneficiaries

### Twentieth resolution

Authorization granted to the Board of Directors to reduce the share capital through the cancellation of ordinary shares

### Twenty-first resolution

Modification of the Bylaws regarding agreements for ongoing business operations conducted in a usual way

### Twenty-second resolution

Modification of the Bylaws regarding the electronic signature

### Twenty-third resolution

Authorization to comply with all formal requirements in connection with this Meeting

# Report of the AXA Board of Directors on proposed resolutions

To the shareholders of AXA:

We have convened you to this Ordinary and Extraordinary Shareholders' Meeting to submit a number of resolutions for your consideration pertaining to:

- The approval of the AXA annual and consolidated financial statements for the year ended December 31, 2011 and determination of the dividend (I);
- The approval of a regulated agreement (II);
- The re-appointment of Mr. François Martineau as member of the Board of Directors and the appointment of two new directors, one of them upon proposal of the employee shareholders of the AXA Group (III);
- The re-appointment of PricewaterhouseCoopers Audit as incumbent Statutory Auditor and the appointment of Mr. Yves Nicolas as new alternate Statutory Auditor (IV);
- The renewal of the authorizations granted to the Board of Directors related to the share repurchase program and to the cancellation of shares (V);
- The renewal of the delegations of power granted to the Board of Directors in order to issue ordinary shares or securities giving a claim to ordinary shares of the Company through the employee savings plans (VI);
- The approval of several modifications of the Company's Bylaws in order to comply with the new provisions of the law of May 17, 2011 and the Decree of November 9, 2011 (VII).

## I – Approval of the annual financial statements

### ORDINARY RESOLUTIONS 1 TO 3

The first items on the agenda pertain to the approval of AXA's annual financial statements (resolution 1) and consolidated financial statements (resolution 2). AXA's annual financial statements for the year ended December 31, 2011 show a profit of €8,649 million, compared to a loss of €488 million for the preceding fiscal year. The consolidated financial statements for the fiscal year 2011 show a net income Group share of €4,324 million, compared to €2,749 million for the preceding fiscal year. For further information on AXA's 2011 financial statements as well as the evolution of the Company's business during 2011 and since the beginning of 2012, please refer to the Board of Directors' report included in the 2011 Annual Report (*Document de Référence*) filed with the AMF (*Autorité des marchés financiers*) on March 15, 2012 which is made available in accordance with applicable laws and regulations, in particular on AXA's website (www.axa.com).

The purpose of resolution 3 is to determine the allocation of earnings for the fiscal year 2011 which shows a profit of €8,649 million. The income available for appropriation, after allocation of an amount of €11,793.27 to the legal reserve amounts to €10,810,318,559.39, and consists in earnings for €8,648,637,185.26 and in prior retained earnings for €2,161,681,374.13. The Board of Directors has decided to propose the payment of a dividend of €0.69 per share this year, representing a global distribution of €1,626,466,288.80. The balance of income available for appropriation, *i.e.* €9,183,852,270.59, would be allocated to the retained earnings. It is specified that treasury shares held by the Company on the date the dividends are made available for payment do not give right to a dividend, you are therefore being asked to allocate the amounts corresponding to unpaid dividends for such shares to retained earnings.

This dividend would be paid out on May 9, 2012 and the ex-dividend date would be May 4, 2012.

The proposed dividend entitles eligible recipients to the 40% tax relief set forth in paragraph 2° of Article 158.3 of the French General Tax Code (*Code Général des Impôts*). It applies to all individuals deemed to be French residents for tax purposes and amounts to €0.28 per share. For information purposes only, it is reminded that Article 117 *quater* of the French General Tax Code, provides that individuals who are deemed to be French residents for tax purposes, and whose income is eligible for the 40% tax relief may, barring certain exceptions, opt for a 21% flat deduction at the source, calculated on the basis of the gross amount of income received.

Exercising the option for a flat deduction at the source is binding and must be renewed, at the latest, upon each payment. This option would however lead to the loss of the 40% tax relief mentioned hereinbefore and of the lump-sum abatement of €1,525 or €3,050 depending on marital status. The flat deduction at the source shall be completed on the date of the dividend payout.

The welfare taxes (*CSG*, *CRDS*, welfare deduction and additional contributions) due by the persons who are deemed to be French residents for tax purposes are, in any case, paid on the date of the dividend payout.

Pursuant to the provisions of Article 243 *bis* of the French General Tax Code, the table below summarizes dividend payout information, with and without the 40% tax relief, for the previous three fiscal years.

| | Fiscal year 2008 | Fiscal Year 2009 | Fiscal Year 2010 |
|---|---|---|---|
| Dividend per share | €0.40 | €0.55 | €0.69 |
| Dividend with tax relief | €0.40 | €0.55 | €0.69 |
| Dividend without tax relief | 0 | 0 | 0 |

Furthermore, consequently to the merger into your Company of its wholly-owned subsidiary AXA Participations 2 which took place during the first semester of 2011 through a winding-up process (Article 1844-5 paragraph 3 of the French Civil Code), AXA agreed to absorb into its balance sheet the special reserve for long-term capital gains (*réserve spéciale des plus-values à long terme*) of AXA Participations 2 for an amount of €300,293,069. As a consequence, you are being asked to approve the proposal of your Company's Board of Directors to affect to the special reserve for long-term capital gains an amount of €300,293,069 drawn from the reserve in case of contingencies (*réserve pour éventualités diverses*).

## II – Approval of a regulated agreement

### ORDINARY RESOLUTION 4

In resolution 4, you are being asked to approve, based on the Statutory Auditors' special report, the contribution in kind agreement between your Company and AXA ASIA signed on November 16, 2011. This plan was implemented in order for your Company to transfer to its wholly-owned subsidiary AXA ASIA, participating interests in Life and Property & Casualty businesses of the Group in Asia. This internal corporate reorganization follows the completion of the repurchase by your Company, on April 1st, 2011, of its Asian Life, Savings and Retirement businesses held by its former subsidiary AXA Asia Pacific Holdings Limited (Australia and New-Zealand excluded), transferred on the same date to AMP Limited.

The Statutory Auditors' special report also mentions the agreements and commitments referred to as "regulated agreements" previously approved and which remained in force in 2011. These agreements and commitments as well as the contribution in kind agreement between your Company and AXA ASIA are presented in the Statutory Auditors' special report included in the 2011 Registration Document (*Document de Référence*) filed with the AMF (*Autorité des marchés financiers*), and made available in accordance with applicable laws and regulations, in particular on AXA's website (www.axa.com).

## III – Re-appointment of a member of the Board of Directors and appointment of two new directors, one of them upon proposal of the employee shareholders of the AXA Group

### ORDINARY RESOLUTIONS 5 TO 14

#### Re-appointment of Mr. François Martineau (resolution 5)

You are being asked to approve the re-appointment of Mr. François Martineau as member of the Board of Directors, whose term of office expires at the end of this Shareholders' Meeting, for a four-year term, Pursuant to Article 10 of the Company's Bylaws. If re-appointed, his term of office would expire at the end of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year. A short biography of Mr. François Martineau appears in the exhibits to this report.

#### Appointment of a new member of the Board of Directors (resolution 6)

The Board of Directors, upon recommendation of its Ethics & Governance Committee, has decided to propose the appointment of Mr. Stefan Lippe as director for a period of four years, pursuant to Article 10 of the Company's Bylaws. His term of office would expire at the end of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year. Mr. Stefan Lippe's (56 years old) candidacy was selected due to his large experience of the insurance business acquired through thirty years within the Swiss Re Group where he became a member of the Executive Committee as of 2001 and Chief Executive Officer from 2009 to the beginning of 2012. The Board of Directors furthermore assessed the independence of Mr. Stefan Lippe on the basis of the recommendations contained in the AFEP/MEDEF Code and determined that Mr. Lippe could be considered as independent. A short biography of Mr. Stefan Lippe appears in the exhibits to this report.

#### Appointment of a member of the Board of Directors upon recommendation of the employee shareholders of the AXA Group (resolutions 7 to 14)

The term of office of Ms. Wendy Cooper, who is currently serving as member of the Board of Directors representing the employee shareholders, will expire at the close of this Meeting. You are therefore being asked, through resolutions 7 to 14, to appoint a new employee shareholder representative upon proposal of the employee shareholders of the AXA Group.

In accordance with applicable laws and regulations and the Company's Bylaws, at the end of 2011 and in early 2012, the Company conducted the process of consulting the AXA Group employee shareholders, via a direct consultation (the "direct" process) as well as a consultation of the members of the supervisory boards of the FCPEs (*Fonds Communs de Placement d'Entreprise*) with indirect voting rights (the "indirect" process).

Once these consultations were completed, eight candidates were selected under the "direct" process (for each of these candidates, the percentage of votes received during the voting process is indicated): Mrs. Fewzia Allaouat (4.97%), Mr. Olivier Dot (5.49%), Mr. Herbert Fuchs (4.45%), Mr. Denis Gouyou-Beauchamps (3.61%), Mr. Thierry Jousset (8.57%), Mr. Rodney Koch (9.53%), Mrs. Doina Palici-Chehab (46.89%) and Mr. Emmanuel Ramé (12.32%).

Under the "indirect" process, no candidacies were submitted.

The proposed appointment of each candidate is the subject of a separate resolution, and you are being asked to vote on each one of them. A short biography of each candidate may be found in the exhibits to this report.

It falls within the competence of the Board of Directors to issue an opinion on every proposed resolution submitted to the shareholders. As a consequence, the Board of Directors has decided to recommend that the shareholders vote in favor of resolution 7 ("*Appointment of Mrs. Doina Palici-Chehab to the Board of Directors upon proposal of the employee shareholders of the AXA Group")* and to reject resolutions 8 to 14. This recommendation was issued by the Board of Directors after its Ethics & Governance Committee issued a positive opinion on the appointment of Mrs. Doina Palici-Chehab to serve as member of the Board of Directors.

The Board of Directors believes that Mrs. Doina Palici-Chehab is the best candidate to serve as employee shareholder representative to the AXA Board of Directors. She received strong support from the employee shareholders with direct voting rights during the preliminary phase for selection of candidates, collecting approximately 47% of the votes cast. Mrs. Doina Palici-Chehab (54 years old), has nearly thirty years of experience in the insurance sector and in particular twenty-two years within the AXA Group in Germany, France and India. Currently Chief Executive Officer of AXA Business Services in India (2,500 employees), she was head of Group reinsurance from 2000 to 2010 within AXA Global P&C (formerly "AXA Cessions"). The Board of Directors could benefit from Mrs. Doina Palici-Chehab's experience of the insurance sector, her knowledge of the Group as well as her very international profile. Furthermore, Mrs. Doina Palici-Chehab's appointment as director would help maintain the proportion of women within the Board, considering the expiry of Ms. Wendy Cooper's term of office.

The Board of Directors also recommends that the shareholders vote in favor of only one of resolutions 7 to 14, and that they reject the others, because the Bylaws of your Company request the appointment of only one member of the Board designated upon recommendation of the employee shareholders. However it should be noted that in the event several resolutions numbered from 7 to 14 receive more votes in favor than the majority of all the votes cast by the shareholders present at the Meeting or duly represented, only the resolution receiving the highest number of votes in favor would be considered as having passed; the other resolutions in the aforementioned series being considered as rejected.

## IV – Re-appointment of PricewaterhouseCoopers Audit as incumbent Statutory Auditor and appointment of a new alternate Statutory Auditor

### ORDINARY RESOLUTIONS 15 AND 16

The term of office of PricewaterhouseCoopers Audit as incumbent Statutory Auditor and the term of office of Mr. Patrick Frotiée as alternate Statutory Auditor expire at the end of this Shareholders' Meeting. Consequently, the Board of Directors, upon recommendation of its Audit Committee, proposes to:

- re-appoint PricewaterhouseCoopers Audit as incumbent Auditor for a term of six years. This term of office would expire at the end of the Shareholders' Meeting called in 2018 to approve the financial statements of the preceding fiscal year;
- appoint Mr. Yves Nicolas as alternate Statutory Auditor for a term of six years. The term of office of Mr. Yves Nicolas would expire at the end of the Shareholders' Meeting called in 2018 to approve the financial statements of the preceding fiscal year.

## V – Authorizations enabling the Company to buy its own shares and, as the case may be, to cancel these shares

### ORDINARY RESOLUTION 17 AND EXTRAORDINARY RESOLUTION 20

The Board of Directors requests that the shareholders once again authorize it to purchase up to 10% of the Company's outstanding share capital, or 5% of the total number of shares constituting the share capital in the case of shares acquired by the Company for the purpose of holding them for subsequent payment or tender in a merger, spin-off or contribution, it being specified that the purchases of the Company's ordinary shares may not, under any circumstances, result in the Company holding more than 10% of the ordinary shares representing its share capital.

These shares may be acquired for the purpose of: a) (i) hedging stock options or other share allocations offered to employees or executive officers of the AXA Group, (ii) granting for free or assigning shares, pursuant to applicable law, to present or former employees, executive officers, and general insurance agents enrolled in any employee savings plan sponsored by the Company or the AXA Group pursuant to applicable law, in particular Articles L.3332-1 *et seq.* of the French Labor Code, or (iii) granting free shares to employees or executive officers of the Company or the AXA Group pursuant to the provisions of Articles L.225-197-1 *et seq.* of the French Commercial Code, b) optimizing the liquidity of the AXA share through a liquidity contract that complies with the *Association française des marchés financiers* (AMAFI) Code of Ethics approved by the *Autorité des marchés financiers* (AMF), c) holding shares for the purpose of subsequent payment or in exchange in the event of potential external growth operations, in accordance with the market practice accepted by the AMF, d) delivering shares upon exercise of rights attached to securities representing debt instruments giving a claim on the Company's share capital, e) cancelling some or all of these shares, provided that the shareholders, in an extraordinary resolution, approve resolution 20 allowing the Board of Directors to reduce the capital through the cancellation of the shares acquired pursuant to a share repurchase program, or f) in general, performing all operations relating to hedging operations or any other admissible operation or to be subsequently admissible by the laws and regulations in force, provided that the shareholders are informed beforehand, by any means admitted by the regulations, in the event the Board of Directors wishes to use this share repurchase authorization for any objective that has not been expressly listed above.

The maximum unit price of purchase may not exceed €35, excluding expenses.

The acquisition, sale or transfer of these shares may be completed and paid for by all appropriate means in accordance with applicable laws and regulations.

The Board of Directors may also, in accordance with applicable laws and regulations, reallocate repurchased shares with regard to one or several objectives of the program, or transfer repurchased shares, it being specified that these reallocations and transfers may concern shares repurchased pursuant to previous authorizations.

The Board of Directors recommends that this authorization, which would replace and render null and void the unused portion of the authorization granted by the Shareholders' Meeting of April 27, 2011, under resolution 8, be granted for a period of 18 months, starting from the date of this Shareholders' Meeting.

Under resolution 20, the Board of Directors also requests this Shareholders' Meeting to grant full authority, for a period of 18 months, to the Board of Directors, with the right to sub-delegate as provided by law, to reduce the Company's share capital through the cancellation, in one or several times, of the shares acquired by the Company by virtue of Article L.225-209 of the French Commercial Code, within the limit of 10% of the Company's share capital in any given 24-month period.

This resolution would replace and render null and void the unused portion of the authorization granted by the Shareholders' Meeting of April 27, 2011, under resolution 24.

## VI – Delegations of power granted to the Board of Directors for the purpose of issuing ordinary shares or securities giving a claim to ordinary shares of the Company in the context of a Company savings plan

### EXTRAORDINARY RESOLUTIONS 18 AND 19

In resolution 18, you are being asked to delegate to the Board of Directors, for a period of 18 months, with the right to sub-delegate as provided by law, the power to issue, as provided in Articles L.225-129 *et seq*., and L.225-138-1 of the French Commercial Code and Articles L.3332-1 *et seq.* of the French Labor Code, ordinary shares or securities giving a claim to the Company's ordinary shares reserved for present or former employees, executive officers and general insurance agents of the Company or the AXA Group, within the limit of €135 million in nominal amount. This decision entails the express waiver by the shareholders of their preferential rights to subscribe to the shares or securities, if necessary freely granted, issued by virtue of this delegation, for the benefit of such employees, executive officers or general insurance agents, as well as their rights to subscribe to the shares issued in the context of the issue of such securities.

The issue price of the shares to be issued in accordance with applicable laws and regulations shall not be more than 20% lower than the average quoted price of the AXA share on NYSE Euronext Paris over the twenty trading days preceding the day on which the Board of Directors formally sets the opening date of the subscription period.

The Board of Directors may consequently, if it deems appropriate, reduce or suppress the aforementioned discount in particular in order to take into consideration the new international accounting standards, or locally applicable legal, accounting, fiscal or social provisions in the countries of certain beneficiaries.

Additional information on the use by the Board of Directors of the authorization to issue shares or securities giving claims to the Company's share capital in the context of the Company savings plan approved by the Shareholders' Meeting of April 27, 2011 are presented in section 2.2 "Full disclosure on executive compensation and share ownership" *(Employee shareholders*) and in Appendix VIII (*Supplemental report by the Deputy Chief Executive Officer (Capital increase reserved for the employees of the AXA Group)*) of the 2011 Annual Report filed with the AMF (*Autorité des marchés financiers*) which is made available in accordance with applicable laws and regulations, in particular on AXA's website (www.axa.com).

In the continuity of resolution 18, you are being asked, in resolution 19, to delegate to the Board of Directors, for a period of 18 months, with the right to sub-delegate as provided by law, the power to carry out one or several capital increases reserved for (i) employees, executive officers and general insurance agents of the companies or economic interest groups affiliated with the Company pursuant to Article L.225-180 of the French Commercial Code and Articles L.3344-1 and L.3344-2 of the French Labor Code and incorporated outside of France; (ii) and/or mutual funds or other company savings plans invested in securities in the Company, as a legal entity or otherwise, whose shareholders or unit holders are the persons described in (i) of this paragraph; (iii) and/or any bank or any entity held by such bank which, at the Company's request, participates in the implementation of a structured offer for the persons mentioned in (i) of this paragraph.

The purpose of such capital increase would be to allow the employees, executive officers or general agents of the AXA Group residing in certain countries to benefit, taking into account locally applicable regulatory or fiscal restrictions, from structures that are as similar in terms of economic profile as possible to those offered to the other employees of the Group in the context of the implementation of resolution 18.

The nominal amount of the capital increase that may result from the implementation of this delegation shall not exceed €135 million, provided that this limit is common to resolutions 18 and 19, so that the amount of the capital increase that may result from the implementation of resolutions 18 and 19 may not exceed the nominal amount of €135 million.

The issue price of the new shares to be issued under resolution 19 shall not be more than 20% lower than the average quoted price of the AXA share on NYSE Euronext Paris over the twenty trading days preceding the day on which the Board of Directors formally sets the opening date of the subscription period, nor higher than this average, and the Board of Directors may reduce or suppress the 20% discount hereabove mentioned if it deems appropriate in order, specifically, to comply with locally applicable legal, accounting, fiscal and social regulations in the countries of certain beneficiaries.

In the event this delegation is used, the Board of Directors and the Statutory Auditors shall establish supplementary reports, in accordance with applicable laws.

## VII – Modification of the Bylaws

### EXTRAORDINARY RESOLUTIONS 21 AND 22

Pursuant to Law n° 2011-525 of May 17, 2011 ("*Loi de simplification et d'amélioration de la qualité du droit*"), public limited companies (*sociétés anonymes*) no longer have the obligation to disclose agreements falling into the scope of Article L.225-38 of the French Commercial Code but which are related to ongoing business operations conducted in a usual way.

In order for your Company's Bylaws to comply with the provisions of this law of May 17, 2011, you are asked, through resolution 21 to modify Article 21 of your Company's Bylaws in order to delete any indication regarding the communication process related to agreements for ongoing business operations conducted in a usual way.

Furthermore, Decree n° 2011-1473 of November 9, 2011 regarding communication means in corporate law simplified the legal provisions related to the electronic signature of mail voting forms and proxies issued in the context of general meetings of public limited companies. You are therefore being asked, through resolution 22, to adapt Article 23 of the Bylaws of your Company to the new provisions of Articles R.225-77 and R.225-79 of the French Commercial Code.

## Formalities

### RESOLUTION 23

Resolution 23 proposed for your approval is for the purpose of granting full authority to carry out all formal publication, filing and other requirements as the case may be, following this Shareholders' Meeting.

# SUPPLEMENTAL REPORT BY THE DEPUTY CHIEF EXECUTIVE OFFICER (CAPITAL INCREASE RESERVED FOR EMPLOYEES OF THE AXA GROUP)

The Board of Directors decided, in its meeting on June 16, 2011, on the principle and the timetable for a new increase in the capital of the Company through the issue of a maximum of 65,502,183 shares of the Company reserved for the employees of the French and foreign entities of the AXA Group ("SharePlan 2011").

In compliance with the delegation, pursuant to the provisions of Articles L.225-129 *et seq*, L.225-138 I and II and L.225-138-1 of the French Commercial Code and Articles L.3332-1 *et seq* of the French Labor Code, granted to the Board of Directors by the nineteenth resolution of the Shareholders' Meeting of the Company on April 27, 2011 and the delegation of power granted to me by the Board of Directors in its meeting of June 16, 2011 with the agreement of the Chief Executive Officer, I, the undersigned have applied such delegation to establish in my decision of October 28, 2011 the definitive terms and conditions to be applied to this operation.

It is hereby reiterated that this delegation granted by the Shareholders' Meeting on April 27, 2011 was granted to the Board of Directors for a period of 18 months from the date of such Meeting to increase the share capital, in one or several offerings, at its sole discretion, through the issue of shares reserved to (i) present and former employees, corporate officers and general insurance agents enrolled in the Employee Stock Purchase Plan (PEEG) sponsored by AXA entities in France and (ii) present and former employees enrolled in the International Employee Stock Purchase Plan (PIAG) sponsored by AXA entities the registered offices of which are located outside France, (hereafter collectively referred to as the "Employees"), limited to a maximum nominal amount of €150 million.

The delegation by the Shareholders' Meeting as set forth above shall be carried out with the preferential subscription rights of the shareholders being waived in favor of the employees of the Group enrolled in an employee savings plan for shares or securities to be issued and with a waiver of their preferential subscription rights to those shares to which the securities issued may grant rights.

## 1. Definitive conditions of the operation

In addition to the traditional subscription formula for the capital increase offered to the employees, an investment leverage formula will be offered by the Group. In the context of this investment leverage formula, several compartments of the Employee Stock Ownership Funds (FCPE) were created, for French and foreign residents.

In the context of the investment leverage formula, the holders of FCPE units will be the beneficiaries of a mechanism that allows them to limit their personal contribution to 10% of the subscription price for all of the shares that are subscribed to for their own account; the remaining 90% is financed by the additional contribution made by the banking partner in the transaction. Under a swap agreement entered into by the FCPE, the net asset value of their units at the time of liquidation at the term of the FCPE, or in any event provided for under law at the time of any early redemption prior to this date, will be equal to the amount of their personal contribution guaranteed in euros and a percentage of any gain on all of the shares they subscribed to through the FCPE.

Regulations applicable to the FCPE, authorized by the *Autorité des marchés financiers* on July 1st, 2011, define more completely the parameters applicable to this operation.

In compliance with applicable legal provisions, the Board of Directors in its meeting of June 16, 2011, decided that the issue prices for the new shares would correspond to the following:

- for the traditional formula, 80% of the arithmetical average of the opening price for AXA shares traded on Compartment A of NYSE Euronext Paris, over the 20-day trading period ending on the last trading day prior to the decision of the Deputy Chief Executive Officer setting the dates for the retraction/subscription period;
- for the investment leverage formula, 86.40% of the arithmetical average of the opening price for AXA shares traded on Compartment A of NYSE Euronext Paris, over the 20-day trading period ending on the last trading day prior to the decision by the Deputy Chief Executive Officer setting the dates for the retraction/subscription period.

And consequently I, the undersigned, in my decision of October 28, 2011:

1. find that the average of the opening price for AXA shares traded on Compartment A of NYSE Euronext Paris for the period from September 30, 2011 (inclusive) to October 27, 2011 (inclusive) is **10.53 euros**, after rounding down to the nearest eurocent (hereinafter the "Reference Price");
2. decide that, for the traditional formula, the unit subscription price for new shares offered in the context of the increase in share capital reserved for Employees will be equal to **8.43 euros**, *i.e.* 80% of the Reference Price;
3. decide that, for the investment leverage formula, the unit subscription price for new shares offered in the context of the increase in share capital reserved for Employees will be equal to **9.10 euros**, *i.e.* 86.40% of the Reference Price.

I, the undersigned decide to set the dates for the retraction/subscription period for the SharePlan 2011 operation from November 3, 2011 (inclusive) to November 7, 2011 (inclusive).

The date of establishment of the increase in the share capital is set for December 9, 2011. In accordance with the provisions of Article L.225-138-1 of the French Commercial Code, the number of newly issued shares will correspond to the number of shares actually subscribed by the beneficiaries and will be known at the end of the retraction/subscription period.

## 2. Effects of the proposed issue

The effect of the issue of a maximum of 65,502,183 new shares on the holdings in the share capital of a shareholder owning 1% of the capital of AXA (1) and who does not subscribe to the increase in the share capital is as follows:

| Holding of the shareholder in the share capital | |
|---|---|
| Prior to the issue | 1.00% |
| After the issue of the maximum number of 65,502,183 new shares | 0.97% |

In addition, the effect of this issue on the interest in consolidated shareholders' equity on June 30, 2011, for a shareholder holding one AXA share and not subscribing to the increase in capital is as follows:

- in the event where the entire offer is subscribed to under the traditional formula:

| Interest in consolidated shareholders' equity on June 30, 2011 *(per share)* | |
|---|---|
| Prior to the issue | 20 euros |
| After the issue of the maximum number of 65,502,183 new shares | 19.69 euros |

- in the event where the entire offer is subscribed to under the investment leverage formula:

| Interest in consolidated shareholders' equity on June 30, 2011 *(per share)* | |
|---|---|
| Prior to the issue | 20 euros |
| After the issue of the maximum number of 65,502,183 new shares | 19.70 euros |

(1) *The capital of AXA is determined based on the number of shares constituting the share capital declared by the Company to the Autorité des marchés financiers (AMF) on October 10, 2011, i.e. 2,320,445,452 shares.*

It is hereby reiterated that the numbers stated herein are calculated based on the theoretical maximum number of shares that can be issued in the context of the increase in share capital that is the subject of this report. For informational purposes only, under the SharePlan 2010 operation, a total number of 30,082,363 shares was subscribed to as follows: 1,965,084 new shares under the traditional formula, and 28,117,279 new shares under the investment leverage formula.

Taking into account the issue price and the volume of the operation, this should not have any significant effect on the share's market value.

In compliance with the provisions of Article R.225-116 of the French Commercial Code, this report is available to the shareholders at the registered office of the Company and the shareholders will be informed of it at the next Shareholders' Meeting.

Made on October 28, 2011,

**Denis Duverne**
**Deputy Chief Executive Officer**

# Reports of the Statutory Auditors

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

Mazars
61, rue Henri Régnault
92400 Courbevoie

## SPECIAL REPORT OF STATUTORY AUDITORS ON THE CAPITAL INCREASE RESERVED FOR EMPLOYEES ENROLLED IN THE EMPLOYER-SPONSORED COMPANY SAVINGS PLAN

### (Extraordinary Shareholders' Meeting on April 25, 2012 – 18th resolution)

*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**
25, avenue Matignon
75008 Paris

Ladies and Gentlemen,

In our capacity as Statutory Auditors of AXA, and in accordance with Articles L.225-135 *et seq.* and L.228-92 of the French Commercial Code, we hereby submit our report on the proposed capital increase without preferential subscription rights, up to a nominal amount of €135 million, by issuing ordinary shares or other securities with a claim to the share capital of the Company, reserved for current or former employees, executive officers and general insurance agents of your Company and affiliated companies or economic interest groups within the meaning of Article L.225-180 of the French Commercial Code and articles L.3344-1 and L.3344-2 of the French Labour Code who are enrolled in AXA's employer-sponsored Company savings plan(s), on which you are being asked to deliberate and vote.

The Board of Directors' report specifies that this maximum amount (€135 million) is common to the capital increases that may be carried out pursuant to this resolution and the 19th resolution.

This capital increase is being submitted to your approval pursuant to Articles L.225-129-6 of the French Commercial Code and L.3332-18 *et seq.* of the French Labour Code.

On the basis of its report, your Board of Directors proposes that you grant it, over a period of 18 months and with the right to sub-delegate, the power to set the terms of such capital increase and that you waive your preferential subscription rights on any shares or securities granting a claim to shares to be issued.

Your Board of Directors is required to prepare a report in accordance with Articles R.225-113 *et seq.* of the French Commercial Code. Our role is to express our opinion as to the fairness of the figures resulting from the financial statements, on the proposal for suppression of the preferential subscription rights and on other information pertaining to the issue contained in this report.

We performed our work in accordance with the standards of our profession applicable in France. These standards require that we verify the fairness of the information contained in the Board of Directors' report and the fairness of the terms and conditions under which the issue price is being determined.

Notwithstanding subsequent review of the terms and conditions under which any of these capital increases may be decided, we have nothing to report concerning the methods used to set the issue price of securities to be issued, as disclosed in the Board of Directors' report.

Since the amount of the issue price is not set, we do not express any opinion as to the final terms and conditions under which the capital increase will be carried out, and consequently, as to the proposal for suppression of the preferential subscription rights.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare a complementary report, as the case may be, when your Board of Directors will make use of this authorization.

Neuilly-sur-Seine and Courbevoie, March 14, 2012

The Statutory Auditors

| | |
|---|---|
| PricewaterhouseCoopers Audit | Mazars |
| Pierre Coll – Michel Laforce | Philippe Castagnac – Gilles Magnan |

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

Mazars
61, rue Henri Régnault
92400 Courbevoie

# REPORT OF THE STATUTORY AUDITORS ON THE CAPITAL INCREASE WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS, RESERVED FOR A CATEGORY OF BENEFICIARIES

## (Extraordinary Shareholders' Meeting on April 25, 2012 – 19th resolution)

*This is a free translation into English of the Statutory Auditors' report issued in the French language and which 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**
25, avenue Matignon
75008 Paris

Ladies and Gentlemen,

In our capacity as Statutory Auditors of AXA, and in accordance with the terms of our assignment pursuant to Articles L.225-135 *et seq.* of the French Commercial Code, we hereby submit our report on the proposed increase of the share capital without preferential subscription rights, up to a maximum nominal amount of €135 million, and reserved for a category of beneficiaries, on which you are being asked to deliberate and vote.

The Board of Directors' report specifies that this maximum amount (€135 million) is common to the capital increases that may be carried out pursuant to this resolution and the 18th resolution.

This capital increase is being submitted to your approval pursuant to Articles L.225-129-6 of the French Commercial Code.

Acting on the basis of its report, your Board of Directors proposes that you grant it, over a period of 18 months and with the right to sub-delegate, the power to set the terms of such capital increase and that you waive your preferential subscription rights on the shares to be issued.

Your Board of Directors is required to prepare a report in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code. We are required to give our opinion on the fairness of the figures resulting from the financial statements, on the proposal for suppression of the preferential subscription rights and on other information pertaining to the issue contained in this report.

We performed our work in accordance with the standards of our profession applicable in France. Those standards require that we plan and perform procedures to verify the fairness of the information provided in the Board of Directors' report and the fairness of the terms and conditions under which the issue price is being determined.

Notwithstanding subsequent review of the final terms under which the proposed capital increase may be conducted, we have no particular observations to make with respect to the methods used to determine the issue price that are described in the Board of Directors' report.

To the extent that the amount of the issue price is not set, we do not express any opinion as to the final terms according to which the capital increase will be carried out, and consequently, as to the proposal for suppression of the preferential subscription rights.

In accordance with Article R.225-116 of the French Commercial Code, we will submit a complementary report, as the case may be, when your Board of Directors will make use of this delegation.

Neuilly-sur-Seine and Courbevoie, March 14, 2012

The Statutory Auditors

PricewaterhouseCoopers Audit
Pierre Coll – Michel Laforce

Mazars
Philippe Castagnac – Gilles Magnan

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

Mazars
61, rue Henri Régnault
92400 Courbevoie

# REPORT OF THE STATUTORY AUDITORS ON THE REDUCTION OF THE SHARE CAPITAL THROUGH THE CANCELLATION OF ORDINARY SHARES

## (Extraordinary Shareholders' Meeting on April 25, 2011 – 20th resolution)

*This is a free translation into English of the Statutory Auditors' report issued in the French language and which 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**
25, avenue Matignon
75008 Paris

Ladies and Gentlemen,

In our capacity as Statutory Auditors of AXA and as required under the provisions of Article L.225-209 of the French Commercial Code in the event of a reduction of capital by cancellation of purchased shares, we hereby submit this report on our assessment of the reasons and conditions pertaining to the proposed capital reduction.

The Board of Directors requests you to give it, with the right to sub-delegate for a period of 18 months as of the date of this Shareholders' Meeting, full authority so as to cancel the shares purchased under any share repurchase program up to a maximum of 10% of the share capital per 24-month period.

We performed our work in accordance with the standards of our profession applicable in France. These standards require that we verify whether the reasons and the conditions of the capital reduction, which does not impair the equality between the shareholders, are appropriate.

We have no matter to report concerning the reasons and the conditions of the proposed capital reduction.

Neuilly-sur-Seine and Courbevoie, March 14, 2012

The Statutory Auditors

PricewaterhouseCoopers Audit
Pierre Coll – Michel Laforce

Mazars
Philippe Castagnac – Gilles Magnan

# Proposed resolutions submitted by the AXA Board of Directors

## ORDINARY RESOLUTIONS

### First resolution

**Approval of the Company's financial statements for the fiscal year 2011 - parent only**

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, and having reviewed the Board of Directors' report and the Statutory Auditors' report on the Company's financial statements,

acknowledge that the change in the accounting method, with retroactive effect as of January 1st, 2011 as described in the appendix to the financial statements, reflects a decrease of the provision for exchange rate risk of €1,591,530,000 and accordingly, an increase of the retained earnings from €570,151,374.13 to €2,161,681,374.13,

hereby approve the financial statements of AXA (the "Company") for the fiscal year ended on December 31, 2011 as presented, together with the transactions reflected therein or referred to in the aforementioned reports.

### Second resolution

**Approval of the consolidated financial statements for the fiscal year 2011**

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, and having reviewed the Board of Directors' report and the Statutory Auditors' report on the consolidated financial statements,

hereby approve the Company's consolidated financial statements for the fiscal year ended December 31, 2011 as presented, together with the transactions reflected therein or referred to in the aforementioned reports.

### Third resolution

**Earnings appropriation for the fiscal year 2011 and declaration of a dividend of €0.69 per share**

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, upon recommendation of the Board of Directors, and after acknowledging that the earnings of the fiscal year 2011 amount to €8,648,648,978.53:

- resolve to draw from these earnings, in accordance with the legal provisions, and to allocate to the legal reserve an amount of €11,793.27;
- note that earnings for the fiscal year ended December 31, 2011 increased by prior-year retained earnings bring the income available for appropriation to an amount of €10,810,318,559.39;
- hereby resolve to allocate the income available for appropriation as follows:
  - payment of a dividend for an amount of €1,626,466,288.80,
  - retained earnings for an amount of €9,183,852,270.59,
- resolve to allocate to the special long-term capital gain reserve (*réserve spéciale des plus-values à long terme*) an amount of €300,293,069 drawn from the reserve in case of contingencies (*réserve pour éventualités diverses*), the Company having agreed, following the merger with its wholly-owned subsidiary AXA Participations 2 which took place during the first semester of 2011, to absorb into its balance sheet the special reserve for long-term capital gains which appeared in AXA Participations 2's liabilities.

The shareholders further resolve that a dividend of €0.69 per share shall be made available for payment on May 9, 2012 for each of the 2,357,197,520 existing shares earning dividends on January 1st, 2011.

Pursuant to paragraph 2° of Article 158.3 of the French General Tax Code (*Code Général des Impôts*), all individuals deemed to be French residents for tax purposes are eligible for a 40% tax relief on the dividend, *i.e.* €0.28 per share, provided that the option for a flat deduction at source as provided under Article 117 *quater* of the French General Tax Code has not been exercised in relation to these dividends or other earnings received during the same fiscal year.

Save the dividend referred to hereinbefore, no other earnings, whether or not eligible to the above-mentioned 40% tax relief, are distributed pursuant to this Shareholders' Meeting.

For information, the following dividends per share, dividends with tax relief, and dividends without tax relief, were granted for the preceding three fiscal years.

| | Fiscal year 2008 | Fiscal year 2009 | Fiscal year 2010 |
|---|---|---|---|
| Dividend per share | €0.40 | €0.55 | €0.69 |
| Amount with tax relief | €0.40 | €0.55 | €0.69 |
| Amount without tax relief | 0 | 0 | 0 |

Considering the shares held by the Company do not give right to dividends, the amounts corresponding to unpaid dividends for such shares shall be allocated to retained earnings at the time the dividends are made available for payment. The total amount of the dividend shall be adjusted considering the number of shares held by the Company on the date the dividend is made available for payment.

## Fourth resolution

### Statutory Auditors' special report on regulated agreements

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, and on the basis of the Statutory Auditors' special report on regulated agreements as set forth in Article L.225-38 of the French Commercial Code, hereby approve the new agreement described therein.

## Fifth resolution

### Re-appointment of Mr. François Martineau as director

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, and having reviewed the Board of Directors' report, re-appoint Mr. François Martineau, whose term of office expires at the close of this Shareholders' Meeting, as director, for a term of four years, in accordance with Article 10 of the Bylaws. His term of office will expire at the close of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year.

## Sixth resolution

### Appointment of Mr. Stefan Lippe as director

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, and having reviewed the Board of Directors' report, appoint Mr. Stefan Lippe as director for a term of four years, in accordance with Article 10 of the Bylaws. His term of office will expire at the close of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year.

## Seventh resolution

### Appointment of Mrs. Doina Palici-Chehab to the Board of Directors upon proposal of the employee shareholders of the AXA Group

The Shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, having reviewed the Board of Directors' report and upon proposal of the employee shareholders of the AXA Group,

- hereby appoint Mrs. Doina Palici-Chehab to the Board of Directors for a term of four years which will expire at the end of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year in accordance with Article 10 of the Bylaws;
- resolve that (i) if several of the seventh to the fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, the resolution receiving the highest number of votes "in favor" shall be considered as the sole resolution adopted and the other resolutions would accordingly be deemed rejected by this Shareholders' Meeting; and that (ii) if none of the seventh to fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, none of the candidates elected by the employee shareholders shall be appointed to the Board of Directors by the Shareholders' Meeting.

## Eighth resolution
(not approved by the Board of Directors)

### Appointment of Mrs. Fewzia Allaouat to the Board of Directors upon proposal of the employee shareholders of the AXA Group

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, having reviewed the Board of Directors' report and upon proposal of the employee shareholders of the AXA Group,

- hereby appoint Mrs. Fewzia Allaouat to the Board of Directors for a term of four years which will expire at the end of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year in accordance with Article 10 of the Bylaws;
- resolve that (i) if several of the seventh to the fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, the resolution receiving the highest number of votes "in favor" shall be considered as the sole resolution adopted and the other resolutions will accordingly be deemed rejected by this Shareholders' Meeting; and that (ii) if none of the seventh to fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, none of the candidates elected by the employee shareholders shall be appointed to the Board of Directors by this Shareholders' Meeting.

## Ninth resolution
### (not approved by the Board of Directors)

### Appointment of Mr. Olivier Dot to the Board of Directors upon proposal of the employee shareholders of the AXA Group

The Shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, having reviewed the Board of Directors' report and upon proposal of the employee shareholders of the AXA Group,

- hereby appoint Mr. Olivier Dot to the Board of Directors for a term of four years which will expire at the end of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year in accordance with Article 10 of the Bylaws;
- resolve that (i) if several of the seventh to the fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, the resolution receiving the highest number of votes "in favor" shall be considered as the sole resolution adopted and the other resolutions will accordingly be deemed rejected by this Shareholders' Meeting; and that (ii) if none of the seventh to fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, none of the candidates elected by the employee shareholders shall be appointed to the Board of Directors by this Shareholders' Meeting.

## Tenth resolution
### (not approved by the Board of Directors)

### Appointment of Mr. Herbert Fuchs to the Board of Directors upon proposal of the employee shareholders of the AXA Group

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, having reviewed the Board of Directors' report and upon proposal of the employee shareholders of the AXA Group,

- hereby appoint Mr. Herbert Fuchs to the Board of Directors for a term of four years which will expire at the end of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year in accordance with Article 10 of the Bylaws;
- resolve that (i) if several of the seventh to the fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, the resolution receiving the highest number of votes "in favor" shall be considered as the sole resolution adopted and the other resolutions will accordingly be deemed rejected by this Shareholders' Meeting; and that (ii) if none of the seventh to fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, none of the candidates elected by the employee shareholders shall be appointed to the Board of Directors by this Shareholders' Meeting.

## Eleventh resolution
### (not approved by the Board of Directors)

### Appointment of Mr. Denis Gouyou-Beauchamps to the Board of Directors upon proposal of the employee shareholders of the AXA Group

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, having reviewed the Board of Directors' report and upon proposal of the employee shareholders of the AXA Group,

- hereby appoint Mr. Denis Gouyou-Beauchamps to the Board of Directors for a term of four years which will expire at the end of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year in accordance with Article 10 of the Bylaws;
- resolve that (i) if several of the seventh to the fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, the resolution receiving the highest number of votes "in favor" shall be considered as the sole resolution adopted and the other resolutions will accordingly be deemed rejected by this Shareholders' Meeting; and that (ii) if none of the seventh to fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, none of the candidates elected by the employee shareholders shall be appointed to the Board of Directors by this Shareholders' Meeting.

## Twelfth resolution
### (not approved by the Board of Directors)

### Appointment of Mr. Thierry Jousset to the Board of Directors upon proposal of the employee shareholders of the AXA Group

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, having reviewed the Board of Directors' report and upon proposal of the employee shareholders of the AXA Group,

- hereby appoint Mr. Thierry Jousset to the Board of Directors for a term of four years which will expire at the end of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year in accordance with Article 10 of the Bylaws;
- resolve that (i) if several of the seventh to the fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, the resolution receiving the highest number of votes "in favor" shall be considered as the sole resolution adopted and the other resolutions will accordingly be deemed rejected by this Shareholders' Meeting; and that (ii) if none of the seventh to fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, none of the candidates elected by the employee shareholders shall be appointed to the Board of Directors by this Shareholders' Meeting.

## Thirteenth resolution
### (not approved by the Board of Directors)

### Appointment of Mr. Rodney Koch to the Board of Directors upon proposal of the employee shareholders of the AXA Group

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, having reviewed the Board of Directors' report and upon proposal of the employee shareholders of the AXA Group,

- hereby appoint Mr. Rodney Koch to the Board of Directors for a term of four years which will expire at the end of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year in accordance with Article 10 of the Bylaws;
- resolve that (i) if several of the seventh to the fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, the resolution receiving the highest number of votes "in favor" shall be considered as the sole resolution adopted and the other resolutions will accordingly be deemed rejected by this Shareholders' Meeting; and that (ii) if none of the seventh to fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, none of the candidates elected by the employee shareholders shall be appointed to the Board of Directors by this Shareholders' Meeting.

## Fourteenth resolution
### (not approved by the Board of Directors)

### Appointment of Mr. Emmanuel Ramé to the Board of Directors upon proposal of the employee shareholders of the AXA Group

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, having reviewed the Board of Directors' report and upon proposal of the employee shareholders of the AXA Group,

- hereby appoint Mr. Emmanuel Ramé to the Board of Directors for a term of four years which will expire at the end of the Shareholders' Meeting called in 2016 to approve the financial statements of the preceding fiscal year in accordance with Article 10 of the Bylaws;
- resolve that (i) if several of the seventh to the fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, the resolution receiving the highest number of votes "in favor" shall be considered as the sole resolution adopted and the other resolutions will accordingly be deemed rejected by this Shareholders' Meeting; and that (ii) if none of the seventh to fourteenth resolutions receive a number of votes "in favor" superior to the majority of voting rights held by attending or represented shareholders, none of the candidates elected by the employee shareholders shall be appointed to the Board of Directors by this Shareholders' Meeting.

## Fifteenth resolution

### Re-appointment of PricewaterhouseCoopers Audit as incumbent Statutory Auditor

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, and having reviewed the Board of Directors' report, hereby re-appoint PricewaterhouseCoopers Audit as incumbent Statutory Auditor for six fiscal years. Its term of office will expire at the end of the Shareholders' Meeting called in 2018 to approve the financial statements of the preceding fiscal year.

## Sixteenth resolution

### Appointment of Mr. Yves Nicolas as alternate Statutory Auditor

The Shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, and having reviewed the Board of Directors' report, hereby appoint Mr. Yves Nicolas as alternate Statutory Auditor for six fiscal years in replacement of Mr. Patrick Frotiée whose term of office expires at the end of this Shareholders' Meeting. The term of office of Mr. Yves Nicolas will expire at the end of the Shareholders' Meeting called in 2018 to approve the financial statements of the preceding fiscal year.

## Seventeenth resolution

### Authorization granted to the Board of Directors in order to purchase ordinary shares of the Company

The Shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, and having reviewed the Board of Directors' report:

1) Hereby authorize the Board of Directors, with the right to sub-delegate as provided by law, in accordance with the provisions of Articles L.225-209 *et seq.* of the French Commercial Code, Articles 241-1 to 241-6 of the *Autorité des marchés financiers* (AMF) General Regulations (*Règlement Général de l'AMF*), the Commission Regulation n° 2273/2003 of December 22, 2003 and the market practices accepted by the AMF, to purchase, in one or several times and when it deems appropriate, a number of ordinary shares of the Company that may not exceed:

   - 10% of the total number of shares constituting the Company's share capital at any given time,
   - or 5% of the total number of shares constituting the Company's share capital if the shares are purchased by the Company with the purpose of holding them for subsequent payment or tender in a merger, spin-off or contribution.

   These percentages are applicable to an adjusted number of shares, where appropriate, depending on the transactions that may affect the share capital after the date of this Shareholders' Meeting.

   The purchases of the Company's ordinary shares may not, under any circumstances, result in the Company holding more than 10% of the ordinary shares representing its share capital.

**2)** Resolve that these ordinary shares may be acquired for the following purposes:

a) (i) hedging stock options or other share allocations offered to some or all eligible employees or executive officers of the Company and/or affiliated entities or economic interest groups as defined in Article L.225-180 of the French Commercial Code, (ii) granting for free or assigning shares to some or all present or former employees, executive officers and general insurance agents enrolled in any employee savings plan sponsored by the Company or the AXA Group pursuant to applicable law, in particular Articles L.3332-1 *et seq.* of the French Labor Code, or (iii) granting free shares to employees or executive officers of the Company in accordance with the provisions of Article L.225-197-1 of the French Commercial Code and/or its affiliated entities or economic interest groups in accordance with the provisions of Article L.225-197-2 of the French Commercial Code;

b) optimizing the liquidity of the AXA ordinary share through a liquidity contract that complies with the *Association française des marchés financiers* (AMAFI) Code of Conduct approved by the AMF, and entered into with an investment service provider, in accordance with the market practice accepted by the AMF, provided that, for the calculation of the 10% limit provided for in paragraph 1) of this resolution, the number of such repurchased shares will be equal to the purchased shares minus the number of shares resold within the duration of this resolution;

c) holding the shares for the purpose of subsequent payment or exchange in the context of potential external growth transactions, in accordance with the market practice accepted by the AMF;

d) delivering the shares upon exercise of the rights attached to securities corresponding to debt instruments giving a claim to the Company's share capital through repayment, conversion, exchange, presentation of a warrant or in any other manner;

e) cancelling some or all the shares, provided that this Shareholders' Meeting, approves the twentieth resolution allowing the Board of Directors to reduce the capital through the cancellation of the shares acquired pursuant to a share repurchase program; or

f) more generally, performing all operations relating to hedging operations or any other admissible operation or to be subsequently admissible, by the laws and regulations in force.

**3)** Resolve that the maximum purchase price per share shall not exceed, excluding charges, €35 (or the equivalent of this amount on the same date in any other currency).

The Board of Directors may, however, in the event of transactions concerning the Company's share capital, and in particular in case of a change in the ordinary share's nominal value, a capital increase through capitalization of reserves followed by the issue and the free allotment of shares, a stock split or re-bundling of shares, adjust the maximum purchase price referred to above in order to take into account the impact of such transactions on the value of the share. For information purposes, on February 15, 2012, without taking into consideration the shares already held, the maximum global amount that may be allocated by the Company to the ordinary share repurchase upon this resolution would be €8,250,191,320, corresponding to 235,719,752 ordinary shares acquired at the maximum unit price, excluding charges, of €35 determined hereinabove and on the basis of the share capital on February 15, 2012.

**4)** Resolve that the acquisition, assignment or transfer of these shares may be carried out and paid by all appropriate means in accordance with applicable laws and regulations, including through open market transactions or private agreements, over-the-counter and in particular through block trades, specifically by using options or other financial derivatives or warrants, or more generally, by using securities granting rights to shares of the Company, at such time as the Board of Directors deems appropriate, excluding times of public offerings concerning the Company shares.

**5)** The shareholders grant all powers to the Board of Directors, with the right to sub-delegate as provided by law, in order to, in accordance with applicable legal and regulatory provisions, carry out all authorized reallocations of repurchased shares for the purposes of the program or any of its objectives, or their assignment, on or off market, it being specified that such reallocations and assignments may apply to shares repurchased upon authorizations concerning prior programs.

All powers are thus granted to the Board of Directors, with the right to sub-delegate, in order to implement this authorization, to specify, if need be, the terms and conditions thereof in accordance with applicable regulation and this resolution, and in particular to execute all share trading orders, enter into all agreements including for the purpose of complying with record-keeping requirements on buy and sell transactions, file all required disclosures with the AMF or any other organization, establish any document, in particular information documents, comply with all formal, legal and other requirements and more generally, take all necessary or appropriate measures in connection therewith.

The Board of Directors shall inform the shareholders, as provided by law, of any transaction performed under this authorization.

This delegation replaces and renders null and void the unused portion of the delegation granted by the shareholders at their meeting of April 27, 2011, under the eighth resolution. It is granted for a period of 18 months, starting from the date of this Meeting.

## EXTRAORDINARY RESOLUTIONS

### Eighteenth resolution

**Delegation of power granted to the Board of Directors for the purpose of increasing the share capital by issuing ordinary shares or securities giving a claim to the Company's ordinary shares, reserved for employees enrolled in the employer-sponsored Company savings plan**

The shareholders, having fulfilled the quorum and majority requirements pertaining to extraordinary general shareholders' meetings, having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with the law, and in particular the provisions of Articles L.225-129 *et seq*. and L.225-138-1 of the French Commercial Code and Articles L.3332-1 *et seq.* of the French Labor Code,

**1)** Decide on the principle of the capital increase and delegate to the Board of Directors, with the right to sub-delegate as provided by law, the power to increase the share capital, in one or several times, within the timeframe, conditions and proportions it will determine at its own discretion, through the issue of ordinary shares or securities giving a claim to the Company's ordinary shares reserved to current or former employees, executive officers and general insurance agents of the Company and its affiliated companies or economic interest groups within the meaning of Article L.225-180 of the French Commercial Code and Articles L.3344-1 and L.3344-2 of the French Labor Code, who are enrolled in the Company or the AXA Group employer-sponsored company savings plan(s). The issue of shares may be paid in cash or through the capitalization of reserves, earnings or premiums in case of free allotment of shares or securities giving a claim to the capital as a grant ("*abondement*") and/or discount.

The total nominal amount of the capital increases that may be carried out by virtue of this resolution shall not exceed €135 million, it being specified that this maximum amount is common to the capital increases that may be carried out pursuant to this resolution and the nineteenth resolution herein below. Where appropriate, the nominal value of the ordinary shares to be issued by virtue of this resolution in order to safeguard the rights of owners of securities or other rights giving a claim to the Company's share capital, as required by law and applicable contractual terms providing for other cases of adjustment, shall be added to these upper limits.

**2)** Resolve to waive the preferential subscription rights of shareholders in favor of members of an employer-sponsored Company savings plan, with respect to ordinary shares and securities to be issued, possibly for free allotment, by virtue of this resolution. Furthermore, this resolution entails a waiver by the shareholders of their preferential subscription rights on ordinary shares to which the securities issued by virtue of this authorization may give a claim.

**3)** Resolve that the issue price of the ordinary shares or securities to be issued by virtue of this resolution will be set in accordance with Articles L.3332-18 *et seq.* of the French Labor Code, provided that, pursuant to the above-mentioned Articles, the maximum discount set shall not exceed 20% of the average quoted price of the AXA share on NYSE Euronext Paris over the twenty trading days preceding the day on which the Board of Directors, or its delegatee, formally sets the opening date of the subscription period. The shareholders expressly authorize the Board of Directors to reduce or cancel the aforementioned discount, as it deems appropriate, in particular in order to take into consideration the international accounting standards, or, *inter alia*, locally applicable legal, accounting, tax or social provisions in the countries of certain beneficiaries.

**4)** Authorize the Board of Directors to freely grant ordinary shares or securities giving an immediate or deferred claim to the Company's share capital, as a substitute for all or part of the discount and/or the grant ("*abondement*") as the case may be, provided that the total benefit resulting from the discount and/or the grant ("*abondement*") may not exceed the applicable legal or regulatory limits.

**5)** Resolve that the characteristics of any other securities giving a claim to the share capital of the Company shall be determined by the Board of Directors, or its delegatee, in accordance with the conditions set by applicable laws and regulations.

**6)** Grant the Board of Directors full authority, subject to the limits and conditions stipulated hereinbefore, to determine the terms and conditions of such transactions, to defer the implementation of the capital increase and specifically to:

- resolve that the issues may be subscribed directly by eligible beneficiaries or through mutual funds;
- reduce, if need be, the scope of companies participating in the offer as compared to the scope of companies eligible for the employer-sponsored Company savings plan;
- determine the terms and conditions of the issues to be carried out by virtue of this authorization, in particular as regard to dividend earning, full payment, subscription price of ordinary shares or securities giving a claim to the capital, in accordance with applicable laws and regulations;
- determine the opening and closing dates of the subscription period;

- set the deadline for full payment of the subscribed ordinary shares or other securities giving a claim to the capital;
- take all necessary measures in order to safeguard the rights of owners of securities or other rights giving a claim to shares of the Company, in accordance with the laws and regulations, and if applicable, the contractual terms providing for other cases of adjustment;
- record the completion of the capital increase, within the limit of the number of shares or other securities giving a claim to the capital to be subscribed and amend the Bylaws accordingly;
- at its sole discretion and as it deems appropriate, charge the expenses related to the capital increases to the amount of the resulting premiums, and deduct from this amount the sums required to bring the legal reserve to one-tenth of the new share capital after each increase;
- carry out all formal, legal and other requirements and obtain all authorizations necessary to the completion and the proper execution of such issues.

The Board of Directors may delegate, to any person authorized by law, full authority to carry out the capital increases mentioned in this resolution, as well as the authority to postpone them, to the extent and in accordance with the terms and conditions that it may define beforehand.

This authorization replaces and renders null and void the unused portion of the authorization granted by the shareholders at their Meeting of April 27, 2011, under the nineteenth resolution. It is granted for a period of 18 months, starting from the date of this Meeting.

## Nineteenth resolution

### Delegation of power granted to the Board of Directors for the purpose of increasing the share capital of the Company by issuing ordinary shares, without preferential subscription rights, in favor of a specific category of beneficiaries

The shareholders, having fulfilled the quorum and majority requirements pertaining to extraordinary general shareholders' meetings, and having reviewed the Board of Directors' report and the Statutory Auditors' special report, and pursuant to the provisions of Articles L.225-129 *et seq.* and L.225-138 of the French Commercial Code,

**1)** Decide on the principle of the capital increase and delegate to the Board of Directors, with the right to sub-delegate as provided by law, the power to increase the share capital of the Company, in one or several times, by issuing ordinary shares, within the limit of a nominal amount of €135 million, these issues being reserved for the category of beneficiaries defined hereinafter, provided that this limit is common to the capital increases that may be carried out pursuant to this resolution and the eighteenth resolution hereinabove.

**2)** Resolve to waive the preferential subscription rights of the shareholders on the shares issued by virtue of this resolution and to reserve the subscription rights to the category of beneficiaries meeting the following characteristics: (i) the eligible employees, executive officers and general insurance agents of the companies or economic interest groups affiliated with the Company pursuant to Article L.225-180 of the French Commercial Code and Articles L.3344-1 and L.3344-2 of the French Labor Code and incorporated outside of France, (ii) and/or mutual funds or other employee savings plans or share plan entities invested in shares of the Company, as a legal entity or otherwise, whose shareholders or unit holders are the persons described in (i) of this paragraph, (iii) and/or any bank or any entity held by such bank, which, at the request of the Company, participates in the implementation of a structured offer to the persons mentioned in (i) of this paragraph. This structured offer shall be similar, in terms of economic profile, to the offer implemented, in particular by virtue of a capital increase carried out pursuant to the eighteenth resolution submitted to this Shareholders' Meeting.

**3)** Resolve that the issue price of the new shares to be issued pursuant to this authorization (i) shall not be more than 20% lower than the average quoted price of the AXA share on NYSE Euronext Paris over the twenty trading days preceding the day on which the Board of Directors, or its delegatee, sets the opening date of the subscription to a capital increase carried out by virtue of the eighteenth resolution adopted by this Shareholders' Meeting, nor higher than this average, and, (ii) shall not be more than 20% lower than an average quoted price of the AXA share on NYSE Euronext Paris over the twenty trading days preceding the day on which the Board of Directors, or its delegatee, sets the opening date of the subscription to a capital increase reserved to a beneficiary included in the category defined hereinbefore, provided that the structured offer referred to in paragraph (iii) of point 2) of this resolution would not be established concurrently to a capital increase carried out by virtue of the eighteenth resolution adopted by this Shareholders' Meeting, nor higher than this average. The Board of Directors may reduce or cancel the 20% discount hereabove mentioned, if it deems appropriate, in order to take into account locally applicable legal, social, tax or accountancy regulatory rules in the countries of certain beneficiaries.

**4)** Resolve that the Board of Directors will have full powers, with the right to sub-delegate as provided by law, to implement this delegation, including postponing or delaying such, and specifically to:

- determine the date and the issue price of the new shares to be issued, as well as the other terms and conditions of the issues, including, the date – even retroactive – on which the shares to be issued will earn dividends, and the terms of payment of such shares;
- set the list of beneficiaries of the suppression of the preferential subscription rights within the categories above defined, as well as the number of shares to be subscribed by each of them;
- charge, on the share premiums, if need be, all expenses related to the capital increases, as well as all sums required in order to bring the legal reserve to one-tenth of the new share capital after each increase;

- take all necessary measures for the furtherance of the issues;
- record the completion of the capital increases resulting from this resolution and amend the Bylaws accordingly, carry out all formal, legal and other requirements, and obtain all authorizations necessary to the completion and the proper execution of such issues.

This authorization replaces and renders null and void the unused portion of the authorization granted by the Shareholders at their Meeting of April 27, 2011, under the twentieth resolution. It is granted for a period of 18 months, starting from the date of this Meeting.

## Twentieth resolution

### Authorization granted to the Board of Directors to reduce the share capital through the cancellation of ordinary shares

The Shareholders, having fulfilled the quorum and majority requirements pertaining to extraordinary general shareholders' meetings, and having reviewed the Board of Directors' report and the Statutory Auditors' special report and pursuant to the provisions of Article L.225-209 of the French Commercial Code,

**1)** Authorize the Board of Directors to cancel, in one or several times, all or a portion of the ordinary shares acquired by the Company and/or that it may acquire in the future pursuant to any authorization granted by an Ordinary Shareholders' Meeting pursuant to Article L.225-209 of the French Commercial Code, up to a maximum amount of 10% of the Company's share capital for any 24-month period, provided that such 10% limit applies to an adjusted number of shares, where appropriate, depending on the transactions affecting the share capital after the date of this Shareholders' Meeting, and to reduce the share capital accordingly.

**2)** Resolve that the Board of Directors will have full powers, with the right to sub-delegate as provided by law, to implement this resolution and specifically to:

- establish the definitive amount of such capital reduction(s), determine the terms and conditions of such reduction(s), and duly record such reduction(s);
- charge the difference between the book value of the cancelled ordinary shares and their nominal value on any available premiums and reserves, including the legal reserve up to a maximum of 10% of the cancelled capital;
- amend the Bylaws accordingly;
- complete all formalities and declarations necessary with all authorities, and more generally do all that is necessary.

This authorization replaces and renders null and void the unused portion of the authorization granted by the Shareholders at their Meeting of April 27, 2011, under the twenty-fourth resolution. It is granted for a period of 18 months, starting from the date of this Shareholders' Meeting.

## Twenty-first resolution

### Modification of the Bylaws regarding agreements for ongoing business operations conducted in a usual way

The Shareholders, having fulfilled the quorum and majority requirements pertaining to extraordinary general shareholders' meetings and having reviewed the Board of Directors' report, resolve to amend the provisions of Article 21 "Regulated agreements" of the Bylaws in order to comply with the new legal provisions regarding agreements for ongoing business operations conducted in a usual way resulting from Law n° 2011-525 of May 17, 2011 (the "*loi de simplification et d'amélioration de la qualité du droit*"). Consequently, Article 21 drafted as follows:

*"Any agreement that is entered into, either directly or through another person, between the Company and a member of its Board of Directors, its Chief Executive Officer, one of its Deputy Chief Executive Officers or a shareholder holding a percentage of the voting power above the applicable threshold (if such shareholder is a legal entity, the company that controls it within the meaning of Article L.233-3 of the French Commercial Code) must be submitted to the prior approval of the Board of Directors.*

*The same procedure shall stand for agreements in which one of the persons mentioned in the preceding paragraph has an indirect interest, as well as agreements entered into between the Company and another company, if a director, the Chief Executive Officer or a Deputy Chief Executive Officer of the Company has an ownership interest in the latter; is an unlimited partner, manager or trustee; is a member of its supervisory board; or, in general, is a director and/or officer therein.*

*The foregoing provisions do not apply to agreements for ongoing business operations conducted in a usual way. However, the existence of such agreements shall be disclosed by the interested person to the Chairman of the Board of Directors, except for agreements which purpose or financial commitments have no material significance for any party. The list of agreements and their purpose shall in turn be disclosed by the Chairman to the members of the Board of Directors and to the Statutory Auditors of the Company."*

shall from now on be drafted as follows:

*"Any agreement that is entered into, either directly or through another person, between the Company and a member of its Board of Directors, its Chief Executive Officer, one of its Deputy Chief Executive Officers or a shareholder holding a percentage of the voting power above the applicable threshold (if such shareholder is a legal entity, the company that controls it within the meaning of Article L.233-3 of the French Commercial Code) must be submitted to the prior approval of the Board of Directors.*

*The same procedure shall stand for agreements in which one of the persons mentioned in the preceding paragraph has an indirect interest, as well as agreements entered into between the Company and another company, if a director, the Chief Executive Officer or a Deputy Chief Executive Officer of the Company has an ownership interest in the latter; is an unlimited partner, manager or trustee; is a member of its supervisory board; or, in general, is a director and/or officer therein.*

*The foregoing provisions do not apply to agreements for ongoing business operations conducted in a usual way".*

## Twenty-second resolution

### Modification of the Bylaws regarding the electronic signature

The shareholders, having fulfilled the quorum and majority requirements pertaining to extraordinary general shareholders' meetings and having reviewed the Board of Directors' report, resolve to amend the provisions of Article 23 "Shareholders' Meetings" of the Bylaws in order to comply with the new regulatory provisions regarding the electronic signature of mail voting forms and proxies issued in the context of public limited companies' general meetings and resulting from Decree n° 2011-1473 of November 9, 2011 regarding communication means in corporate law. Consequently, paragraph 5 of Article 23 drafted as follows:

*"The online completion and signature of these forms could be done directly on the secured website that has been set up to centralize the management of Shareholders' Meetings, via a secure username (log-in) and password system, compliant with the first sentence of the second point of Article 1316-4 of the French Civil Code (Code Civil), if the Board of Directors so decides at the time of the notice of meeting. The proxy or voting forms completed electronically prior to the meeting, as well as the acknowledgement of receipt that will be given in reply, will be considered as irrevocable and opposable written proofs. The proxy is however revocable in the same conditions as the ones requested for the appointment of the shareholder representative. In the event shares are sold or otherwise legally transferred before the third business day preceding the Shareholders' Meeting at 0.00 am Paris time, the Company shall invalidate or modify accordingly, as the case may be, the proxy or voting form completed online prior to the meeting."*

shall from now on be drafted as follows:

*"If the Board of Directors authorizes, at the time of the notice of meeting, the transmission of the proxy and voting forms by electronic means, the online signature of these forms could result from a secured identification process, ensuring the shareholder's link with the voting form to which the signature is attached. The voting forms completed electronically prior to the meeting, as well as the acknowledgement of receipt that will be given in reply, will be considered as irrevocable and opposable written proofs. The proxy is however revocable in the same conditions as the ones requested for the appointment of the shareholder representative. In the event shares are sold or otherwise legally transferred before the third business day preceding the Shareholders' Meeting at 0:00 am Paris time, the Company shall invalidate or modify accordingly, as the case may be, the proxy or voting form completed online prior to the meeting".*

## Twenty-third resolution

### Authorization to comply with all formal requirements in connection with this Meeting

The shareholders, having fulfilled the quorum and majority requirements pertaining to ordinary general shareholders' meetings, grant full authority to the bearer of an original, a copy or an excerpt of the minutes of this Shareholders' Meeting in order to carry out all publication and filing formalities, and generally do all that is necessary.

# Information concerning the candidates to the Board of Directors

## PRESENTATION OF THE CANDIDATE WHO IS A MEMBER OF THE BOARD, AND WHOSE TERM OF OFFICE IS UP FOR RENEWAL

### François Martineau

### Principal function

Lawyer

Born on June 11, 1951

French nationality

### Mandate and number of AXA shares

Elected on April 29, 2010 – Term expires at the 2012 Shareholders' Meeting

First appointment on April 22, 2008

Member of the AXA Ethics & Governance Committee

Member of the AXA Compensation & Human Resources Committee

Number of AXA shares held on December 31, 2011: 6,797

**ON DECEMBER 31, 2011**

### Expertise and experience

Mr. François Martineau is a graduate of the University Paris IV (Philosophy Degree), University Paris I (Law Master), and of *l'Institut d'Études Politiques de Paris*. Mr. François Martineau has been an Attorney since 1976. In 1981, he was *"Secrétaire de la Conférence"*. In 1985, he was a lecturer at the University Paris I (Civil Procedure). In 1995, he was a Professor at the Paris Bar School (EFB) and since 1998, he is Honorary Professor at the Law and Political Sciences School of Lima (Peru). In 1996, he became an Expert at the Council of Europe and fulfilled various missions in Eastern Europe countries regarding the reform of the Code of the Judicial Organization, the reform of the magistrates' and lawyers' training and the revision of the Code of Civil Procedure. He also teaches professionals at the *École Nationale de la Magistrature* (ENM). Since 1987, Mr. François Martineau has been a Partner of the law firm SCP Lussan & Associés, and Managing Partner since 1995.

### Directorships currently held

SCP Lussan & Associés, *Managing Partner*

*Vice-Chairman and director:*

- Associations Mutuelles Le Conservateur
- Assurances Mutuelles Le Conservateur
- Bred Banque Populaire

*Director:*

- AXA
- AXA Assurances IARD Mutuelle
- AXA Assurances Vie Mutuelle
- Conservateur Finance

### Previous directorship held during the last five years

AXA, *member of the Supervisory Board*

# PRESENTATION OF THE CANDIDATE FOR APPOINTMENT AS MEMBER OF THE BOARD OF DIRECTORS

## Stefan Lippe

## Principal function

Co-founder and Vice-Chairman of the Board of Directors of Acqupart Holding AG (Switzerland) and of Acqufin AG (Switzerland).

Born on October 11, 1955

German nationality

## Number of AXA shares

Number of AXA shares held on February 1, 2012: *none*

ON FEBRUARY 1, 2012

## Expertise and experience

Mr. Stefan Lippe is a graduate in mathematics and business administration from the University of Mannheim. He obtained his doctorate in 1982 while working as a scientific assistant to the chair of insurance business management, being awarded the Kurt Hamann foundation prize for his thesis. In October 1983, he joined Bavarian Re (a former Swiss Re subsidiary). From 1985, he was involved in the casualty department's operations in the German-speaking area. In 1986, he became Head of the non-proportional underwriting department. He was appointed member of the Management Board in 1988 when he assumed responsibility for the company's casualty line of business in the German-speaking area. In 1993, he became Chairman of the Management Board of Bavarian Re. Mr. Stefan Lippe was appointed a member of Swiss Re's Executive Board in 1995, as Head of the Bavarian Re Group. In 2001, he was assigned the role of Head of the Property & Casualty Business Group and appointed a member of Swiss Re's Executive Committee. Beginning in 2005, he led Swiss Re's Property & Casualty and Life & Health Underwriting activities; and in September 2008, he took over as Chief Operating Officer of Swiss Re and was also appointed Deputy Chief Executive Officer of Swiss Re. In February 2009, he was appointed Chief Executive Officer of Swiss Re. In December 2011, Mr. Stefan Lippe announced he would step down from his role as Chief Executive Officer of Swiss Re (effective February 1st, 2012) and retire in 2012. In 2011, Mr. Stefan Lippe co-founded Acqupart Holding AG and Acqufin AG and serves currently as Vice-Chairman of the Board of Directors of both companies.

## Directorships currently held

German Insurance Association for Vocational Training (BWV) (Germany), *Chairman of the Advisory Board*

*Vice-Chairman of the Board of Directors:*

- Acqupart Holding AG (Switzerland)
- Acqufin AG. (Switzerland)

Extremus Insurance Ltd. (Germany), *member of the Supervisory Board*

## Previous directorships held during the last five years

*Chairman of the Management Board:*

- Swiss Re Ltd. (Switzerland)
- Swiss Reinsurance Company Ltd. (Switzerland)

*Chairman of the Board of Directors or Supervisory Board:*

- Extremus Insurance Ltd. (Germany)
- Swiss Re Corporate Solutions Ltd. (Switzerland)
- Swiss Re Germany Holding (Switzerland)

*Director:*

- Swiss Re Foundation (Switzerland)
- Swiss Re Frankona Reinsurance Ltd. (Switzerland)
- Swiss Re Germany AG (Germany)
- Swiss Re Life Capital Ltd. (Switzerland)

# PRESENTATION OF THE CANDIDATE FOR APPOINTMENT, AS MEMBER OF THE BOARD OF DIRECTORS, UPON RECOMMENDATION OF THE EMPLOYEE SHAREHOLDERS OF THE AXA GROUP

## Doina Palici-Chehab

## Principal function

Chief Executive Officer of AXA Business Services Pvt Ltd., Bangalore (India)

Born on November 4, 1957

German nationality

## Number of AXA shares

Number of AXA shares and/or number of units in AXA Mutual funds invested in AXA shares held on December 31, 2011: 14,427

ON DECEMBER 31, 2011

## Education

- Magister Artium from the University of Bucharest, Romania; Faculty of Philology
- Degree in insurance management (Versicherungsbetriebswirt (DVA)) from the Deutsche Versicherungsakademie, Munich, Germany

### Professional experience

- 1980-1983: Teacher for foreign languages in Romania
- 1983-1990: Subject Matter Expert in AGF in Cologne (Germany) (now Allianz)
- 1990-2000: Reinsurance Director in AXA Germany (Germany)
- 2000-2010: Head of Group Reinsurance in AXA Global P&C in Paris (France)
- 2010-to date: Chief Executive Officer of AXA Business Services in Bangalore (India)

## Current directorships and functions

- Chief Executive Officer of AXA Business Services in Bangalore (India)
- Directorship in MATRIX, Bangalore, subsidiary of AXA Corporate Solutions in Paris (France)

## Directorships and functions held over the last 5 years in any company

From 2000 to August 2010: Head of Group Reinsurance in AXA Global P&C in Paris (France)

# PRESENTATION OF THE CANDIDATE FOR APPOINTMENT, AS MEMBER OF THE BOARD OF DIRECTORS, UPON RECOMMENDATION OF THE EMPLOYEE SHAREHOLDERS OF THE AXA GROUP (RESOLUTION NOT APPROVED BY THE BOARD OF DIRECTORS)

## Fewzia Allaouat

## Principal function

Lawyer - AXA Investment Managers Paris (France)

Born on September 14, 1949

French nationality

## Number of AXA shares

Number of AXA shares and/or number of units in AXA Mutual funds invested in AXA shares held on December 31, 2011: 87

ON DECEMBER 31, 2011

## Education

- Diploma of advanced studies (DEA) in social and economic administration - specialization in international relations; Paris VII
- Post-graduate degree (DESS) at the IAE of Paris - Sorbonne, specialization in business administration

### Professional experience

- 1983 to 1990: Property management, Saggel Vendôme (Group UAP subsidiary)
- 1990 to 1997: General secretariat for companies of the UAP Group, in charge of the companies - Saggel Vendôme
- 1998 to 2003: General secretariat for Group companies - AXA Real Estate Investment Managers (AXA REIM)
- 2003 to 2007: Legal adviser, general secretariat for several companies and funds - AXA Investment Managers Paris
- 2007 to date: Lawyer, Legal and regulatory survey, AXA Investment Managers Paris

## Current directorships and functions

- Lawyer, Legal Department, AXA Investment Managers
- Trade union representative CGT UES of AXA Investment Managers
- Elected employee representative UES of AXA Investment Managers
- Member of the elected worker's council UES of AXA Investment Managers
- Member of the AXA Group committee in France
- Member of the AXA European Group Committee
- Chairman of the supervisory board of the mutual fund AXA Actionnariat Relais France

## Directorships and functions held over the last 5 years in any company

Judge at the Labor Court of Nanterre from 2003 to 2008

# PRESENTATION OF THE CANDIDATE FOR APPOINTMENT, AS MEMBER OF THE BOARD OF DIRECTORS, UPON RECOMMENDATION OF THE EMPLOYEE SHAREHOLDERS OF THE AXA GROUP (RESOLUTION NOT APPROVED BY THE BOARD OF DIRECTORS)

## Olivier Dot

### Principal function

Head of Direct AXA Travel Insurance (United Kingdom)

Born on November 9, 1970

French nationality

### Number of AXA shares

Number of AXA shares and/or number of units in AXA Mutual funds invested in AXA shares held on December 31, 2011: 2,853

**ON DECEMBER 31, 2011**

### Education

- University of Michigan, Ross School of Business - MBA
- University Paris Nanterre - DEA Strategy and Management
- University of Paris Dauphine - Master in Finance

#### Professional experience

- Banque Paribas, 1994-1996, Private banker
- Union Industrielle de Crédit, 1996-1997, Credit Analyst
- The Boston Consulting Group, 1998-2003, Senior Analyst
- AXA Assistance Benelux, 2005-2010, Pricing, Product and Project management
- AXA Travel Insurance since 2010 - Head of Direct - worldwide remit

### Current directorships and functions

AXA Travel Insurance since 2010 - Head of Direct - worldwide remit

### Directorships and functions held over the last 5 years in any company

AXA Assistance Benelux, 2005-2010, Pricing, Product and Project management

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# PRESENTATION OF THE CANDIDATE FOR APPOINTMENT, AS MEMBER OF THE BOARD OF DIRECTORS, UPON RECOMMENDATION OF THE EMPLOYEE SHAREHOLDERS OF THE AXA GROUP (RESOLUTION NOT APPROVED BY THE BOARD OF DIRECTORS)

## Herbert Fuchs

## Principal function

Head of Treasury - AXA Winterthur (Switzerland)

Born on September 23, 1959

German nationality

## Number of AXA shares

Number of AXA shares and/or number of units in AXA Mutual funds invested in AXA shares held on December 31, 2011: 2,525

**ON DECEMBER 31, 2011**

## Education

- University degree in Engineering and Economics, University Karlsruhe, Germany
- Certified EFFAS (European Society of Financial Analysts Societies) Financial Analyst

### Professional experience

- Internal Audit SULZER AG (Switzerland)
- Member of Treasury SULZER AG
- Head Corporate Finance SULZER AG
- Member Treasury Winterthur Insurance, Head FX and Deputy Head Treasury
- Head Treasury AXA Winterthur since 2006

## Current directorships and functions

- Head Treasury of AXA Winterthur
- Cash Management of AXA Winterthur
- FX Management of AXA Winterthur
- Cash Management Pension Fund of AXA Winterthur
- FX Management Pension Fund of AXA Winterthur
- Bank Relationship Management
- Collateral Management

## Directorships and functions held over the last 5 years in any company

*Please see above.*

# PRESENTATION OF THE CANDIDATE FOR APPOINTMENT, AS MEMBER OF THE BOARD OF DIRECTORS, UPON RECOMMENDATION OF THE EMPLOYEE SHAREHOLDERS OF THE AXA GROUP (RESOLUTION NOT APPROVED BY THE BOARD OF DIRECTORS)

## Denis Gouyou-Beauchamps

### Principal function

Portfolio results analyst – AXA Solutions Collectives (France)

Born on June 22, 1969

French nationality

### Number of AXA shares

Number of AXA shares and/or number of units in AXA Mutual funds invested in AXA shares held on December 31, 2011: 474

**ON DECEMBER 31, 2011**

### Education

- Post-graduate level in Political Sciences at the Léon Harmel Political Institute
- Post-graduate degree (DESS) in Finance at the *Institut d'Administration des Entreprises*
- University degree in economics

#### Professional experience

- Management control (1996-1997)
- Computer maintenance RCV (1998-2003) and distribution software for agents (2004-2007)
- Portfolio results analyst

### Current directorships and functions

- Portfolio results analyst at the *Direction des Institutions et Mutuelles*
- Monitoring of the quality of reinsurance contracts related to health and social welfare

### Directorships and functions held over the last 5 years in any company

Computer systems analyst for distribution software (AXA general agents)

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# PRESENTATION OF THE CANDIDATE FOR APPOINTMENT, AS MEMBER OF THE BOARD OF DIRECTORS, UPON RECOMMENDATION OF THE EMPLOYEE SHAREHOLDERS OF THE AXA GROUP (RESOLUTION NOT APPROVED BY THE BOARD OF DIRECTORS)

## Thierry Jousset

## Principal function

Underwriter – Engineering Line – AXA Corporate Solutions (France)

Born on April 4, 1965

French nationality

## Number of AXA shares

Number of AXA shares and/or number of units in AXA Mutual funds invested in AXA shares held on December 31, 2011: 7,371

**ON DECEMBER 31, 2011**

## Education

- Degree in Accounting and Finance *(DECF)*
- Advanced technician's certificate *(BTS)* in accounting systems and business management
- Reinsurance Higher Institute *(Institut Supérieur de Réassurance)*
- *Panthéon-Assas* University 3rd Cycle International practice of the insurance activity
- Advanced technician's certificate *(BTS)* in climatic engineering

### Professional experience

- Mechanic/Milling-machine operator
- Assembly/Breakdown operative – Refrigeration engineer
- HVAC adjuster
- HVAC Project Managers
- Reinsurance Accounting Technician
- Project Manager *"Direction Technique Sinistre"*
- Underwriter – Engineering Line

## Current directorships and functions

*For the UDPA-UNSA:*

- Member of the supervisory board of the Supplementary retirement account *(Plan de Retraite Supplémentaire)*
- Member of the technical commission of the Supplementary retirement account *(Plan de Retraite Supplémentaire)*
- Member of the follow-up commission of the Supplementary retirement account *(Plan de Retraite Supplémentaire)*
- Elected tribunal advisor of the 2nd chamber Management section of the Labor Court *(2ème Chambre Section Encadrement)*
- Trade union representative to the elected workers' counsel of AXA Corporate Solutions
- Elected employee representative of AXA Corporate Solutions

## Directorships and functions held over the last 5 years in any company

*Please see above*

# PRESENTATION OF THE CANDIDATE FOR APPOINTMENT, AS MEMBER OF THE BOARD OF DIRECTORS, UPON RECOMMENDATION OF THE EMPLOYEE SHAREHOLDERS OF THE AXA GROUP (RESOLUTION NOT APPROVED BY THE BOARD OF DIRECTORS)

## Rodney Koch

## Principal function

Project Manager – AXA Equitable (United States)

Born on May 28, 1959

American nationality

## Number of AXA shares

Number of AXA shares and/or number of units in AXA Mutual funds invested in AXA shares held on December 31, 2011: 6,067

**ON DECEMBER 31, 2011**

## Education

- M.B.A. - Syracuse University; B.S. - Accounting, Illinois State; currently enrolled in Master of Global Management program – Thunderbird School of Global Management

*Professional Certifications:*

Passed Certified Public Accountant Exam (not licensed), CLU, ChFC, FLMI, Competent Toast Master, AXA Way Greenbelt, ITIL V3 Foundation Certificate in IT Service Management

### Professional experience

Guide International (IBM North America User Group):

- Project/Group Manager 1989-1993
- Board of directors – Treasurer 1993-1995
- Delegate to SHARE Europe Conference 1994
- Managing Director of Marketing 1995-1999

## Current directorships and functions

- Project Manager for E-Service Forms for Client Self Service project
- AXA Equitable representative on the Help Desk Triage Team

## Directorships and functions held over the last 5 years in any company

*AXA Equitable Project Manager:*

- Compliance with the Final 403(b) Regulations – 2008
- 403(b) Compliance and iPipeline projects – 2009
- Life 2012 AWD and xPression projects Phases 1 & 2 2009-2011

*Other functions:*

- WebStation and AXA Partners Siebel System Support 2005-2007
- AXA Equitable representative on Help Desk Triage Team 2007-2011

# PRESENTATION OF THE CANDIDATE FOR APPOINTMENT, AS MEMBER OF THE BOARD OF DIRECTORS, UPON RECOMMENDATION OF THE EMPLOYEE SHAREHOLDERS OF THE AXA GROUP (RESOLUTION NOT APPROVED BY THE BOARD OF DIRECTORS)

## Emmanuel Ramé

## Principal function

General Counsel & Chief Financial Officer of AXA Banque (France)

Born on December 25, 1963

French nationality

## Number of AXA shares

Number of AXA shares and/or number of units in AXA Mutual funds invested in AXA shares held on December 31, 2011: 17,614

**ON DECEMBER 31, 2011**

## Education

- *Ecole Polytechnique* - Engineer
- *Ecole Nationale des Ponts et Chaussées Paris Tech* - Civil engineer
- INSEAD *(Institut Européen d'Administration des Affaires)* – MBA
- CHEA *(Centre des Hautes Etudes de l'Assurance)*
- Internal training for the AXA Group: AXA Manager, AXA Columbus, 2012 & Beyond

## Professional experience

- Consultant for information systems – Eurosept Associés (1987-1989)
- General Secretary of the Abeille Assurances companies in Italy (Property & Casualty and Life & Savings), subsidiaries of the Victoire/Suez Group (which became part of the UAP Group and subsequently part of the AXA Group) in Milan (1989-1994)
- Sales manager for the tied agents' network – UAP France becoming AXA Assurances (1996-1998)
- Senior Vice President in the Group Planning-Budgets-Results Department ("PBRC") – AXA SA (1999-2002)
- Senior Vice President in charge of Strategy, Finance & Control of proprietary networks – Distribution Department – AXA France (2003-2007) and General Secretary of AXA Particuliers/Professionnels (2005-2007)
- General Secretary of AXA France (2008-2010); and Head of office of François Pierson, AXA France's Chairman & Chief Executive Officer, who was as well in charge of the supervision of activities of AXA Canada, AXA Corporate Solutions, AXA Assistance, AXA Global P&C and AXA Global Direct

## Current directorships and functions

*General Counsel & Chief Financial Officer* of the banking activities of AXA in France (since early 2011)

- As Chief Financial Officer, in charge of statutory & consolidated financial statements, management accounting & financial control, profitability & margins analysis, strategic planning, as well as investments and asset-liability management
- Member of the management board of AXA Banque SA
- Secretary of the supervisory board of AXA Banque SA as well as of the board of directors of AXA Banque Financement SA

Also currently:

- Director of Monte Paschi Banque SA
- Manager of the broker office Union Courtage d'Assurances Eurl
- Voluntary worker for the local Social & Economic Counsel of the city of Boulogne-Billancourt

## Directorships and functions held over the last 5 years in any company

- Director of AXA Assistance SA
- Senior Vice President in charge of Strategy, Finance & Control of proprietary networks – Distribution Department – AXA France (2003-2007) and General Secretary of AXA Particuliers/Professionnels (2005-2007)
- General Secretary of AXA France (2008-2010); and Head of office of François Pierson, AXA France's Chairman & Chief Executive Officer, who was as well in charge of the supervision of activities of AXA Canada, AXA Corporate Solutions, AXA Assistance, AXA Global P&C and AXA Global Direct

# APPENDIX IX SOCIAL AND ENVIRONMENTAL INFORMATION

In accordance with the provisions of the French Commercial Code (*Code de Commerce*) resulting from the New Economic Regulations Act (*loi sur les Nouvelles Régulations Economiques*) adopted in May 2001, the following information describes the manner in which the Company takes into account the social and environmental impacts of its activities.

Beyond the scope of the NRE Act, AXA places Corporate Responsibility (CR) both at the heart of its business and in its day to day interactions with its stakeholders. It is through adopting a responsible behaviour in its operations, as well as through the development of responsible products and services, that the Group is able to most effectively participate in social, environmental and economic progress. Additional information concerning the social and environmental policies and practices of the AXA Group is available in the Activity and Corporate Responsibility Report (hereinafter referred to as the "Activity Report") and on the AXA Group's website (www.axa.com), in particular in the "Corporate Responsibility" section. The Activity Report and the Social Data Report are available on the website (www.axa.com) or upon request to the Individual Shareholders Department, 25 avenue Matignon, 75008 Paris, France.

Since 2009, strong progress has been made on Corporate Responsibility, including:

- the formal integration of CR into local and Group strategic planning processes
- the creation of a senior executive-level network of Chief Corporate Responsibility Officers charged with a broad CR mandate
- the definition of a CR key performance indicator which enables precise tracking of local and Group CR performance, and is included in annual management objectives. This KPI is derived from AXA's CR self-assessment tool, which entities use annually to assess their maturity in the broad field of CR, benchmark their performance and identify appropriate steps to take towards developing an advanced CR strategy that has local relevance while remaining in line with the Group's CR strategy.
- the launch of "Risk Research & Education" as the Group's "CR flagship" theme, with the creation of a Group partnership with the non-profit CARE on risk education for disadvantaged populations, to complement the academic risk research supported by the AXA Research Fund
- engaging 10,000 employees across the Group in an online "Forum on Corporate Responsibility", resulting in an annual "CR Week" across the Group to highlight progress made.

## SOCIAL INFORMATION

AXA strives to be a responsible employer, placing employee engagement at the heart of its business strategy. Achieving this means creating a workplace built on AXA's Values that fosters diversity and equal opportunities for all, promotes employee participation, encourages professional development, and supports employee well-being.

The Social Data Report covers: 1) legal entities (companies and/or organizations) which AXA owns, as of December 31, 2011 directly or indirectly with at least 50% of the capital or voting rights. 2) legal entities (companies and/or organizations) which AXA owns, as of December 31, 2011 directly or indirectly with at least 10% of the capital or voting rights, and has the management control independently or acting in mutual with a third party, according to the meaning of Article L. 233-3 of the French Commercial Code. For additional information please consult note (a) at the end of the social data table included in this section.

The following sections refer to salaried workforce with open-ended contracts, unless stated otherwise.

### Workforce size and movements

The difficult market environment since 2008 and the global context which is marked by continuous change, economic slowdown and, more recently, the Eurozone crisis, have lead to workforce contraction in 2011. AXA's overall salaried workforce on December 31, 2011 counts to 114,488 employees (open-ended and fixed-term contracts), which represents a decrease of 5.8% on a reported basis. The majority of this decrease is due to the disposal of businesses in Australia, New Zealand and in Canada (74.2% as a proportion on total decrease) as well as the efficiency program, contributing to the "Ambition AXA" plan.

As a result, AXA's salaried workforce footprint in 2011 was: 67% in Europe (vs. 64% in 2010), 18% in Asia-Pacific (vs. 19% in 2010), 12% in the Americas (vs. 15% in 2010) and 3% in Africa (vs. 2% in 2010).

AXA continued to recruit in 2011 and hired more than 16,000 employees, of which almost 4,500 were sales employees. In this total number of hires 444 persons were re-hires into the Company.

In addition, the number of fixed-term contracts converted into open-ended contracts remained stable (1,539 employees in 2011 vs. 1,560 employees in 2010).

The average age of employees increased slightly at 40.8 years (40.5 years in 2010), and the average length of service increased from 11.1 years to 11.5 years in 2011. It is higher in Europe (42.1 years/13.9 years) and Americas (38.6 years/7.2 years) in comparison with Asia Pacific/Middle East (38.1 years/6.1 years) and Africa (33.3 years/5.8 years).

In response to AXA intensifying its effort in favor of increased diversity, the proportion of female executives rose from 22.6% to 23.7%, and the proportion of female managers also increased: from 38.5% to 39.3%. In total, AXA's gender balance is 51.9% women and 48.1% men.

The internal mobility rate slightly decreased from 11.7% in 2010 to 11.0% in 2011. The turnover slightly increased from 14.4% in 2010 to 15.4% in 2011. With regards to geographical areas, the turnover is higher in Asia Pacific/Middle East (28.5%) than in Europe (10.7%), Africa (15.9%) and Americas (22.5%).

## Employee relations, collective bargaining

Effective labour-management communications and social dialog pave the way for the stability needed to implement the Group's development strategy. Such communications with staff or their representatives are therefore organized and conducted by each Group on a regular basis. AXA has also set up a European Works Council (EWC), whose extensive role goes beyond the regulatory requirements in force. The EWC is made up of staff representatives from AXA's largest European subsidiaries, who meet in order to receive and exchange information on the social, strategic and economic issues that concern the Group, and maintain an on-going dialog between employees and management.

In June 2009, the Group EWC agreement (available on www.axa.com) was renewed for an indefinite term starting from December 1, 2009. This renewal takes into account the European Directive n°2009/38 dated May 6, 2009. The initial agreement was concluded before the European directive on works councils became mandatory. In this way, staff rights to be consulted and informed were freely agreed on by management and employee representatives before the directive's compulsory provisions actually came into effect. AXA holds two plenary meetings a year, in combination with a preparatory and post-plenary session systematically held for debriefing. These plenary meetings are always attended by the Chairman of the AXA Management Committee. Moreover, the EWC's bureau, which features thirteen representatives, meets monthly. Up to 50 employee representatives may be present in the EWC, which leads smaller affiliates to be adequately represented.

The introductory section of the Group EWC agreement is based on a number of international benchmark documents, such as the UN Declaration of Human Rights and the International Labour Organization's standards, as well as AXA's own set of core values and commitments. The agreement's appendix also contains certain recommendations in case of restructuring, as detailed in the following section.

The majority of the Group's employees are covered by the European Works Council's framework agreement. Other affiliates outside the scope of the EWC have also developed social dialogue agreements, but these are not monitored at Group level. More generally, beyond Europe, the Group strives to ensure that employees are fairly represented in all major countries where it is present.

In addition to the EWC's work, numerous collective bargaining agreements are signed on a local basis. For example, in France, 6 collective agreements have been signed throughout 2011. These agreements include for example a transition agreement for retirement which enables the implementation, at the end of a career, of part time work schedules followed by special retirement planning; an agreement on 2010-2012 recruitment targets; an addendum agreement facilitating and protecting the career development of employees who choose to become employee representatives; or agreements on the employee participation mechanism (which includes environmental targets), retirement schemes, and 3-years remuneration schemes.

A major complementary agreement on anticipating employment changes within European AXA entities was signed in 2011. This agreement is detailed below.

## Headcount adjustments, mobility and related measures

### THE CONDUCT OF RESTRUCTURING

The aforementioned Group EWC agreement provides a certain number of commitments to employees in the event of major organizational changes with impacts on jobs. AXA has developed the following principles with a view to guiding its various European business units in their local management:

- When organizational changes affect jobs, AXA pledges to supply relevant information and, as appropriate in light of local cultures and rules, to consult with employees and their representatives;
- In connection with this information-gathering and consultative process, the data and information provided by AXA will include possible alternative solutions if relevant;
- Factoring in the interests of its employees, clients and shareholders, AXA undertakes to maximize any opportunities for internal and external redeployments, when applicable, for all AXA employees affected by possible employment issues;

- AXA will do its utmost to prevent compulsory redundancies and other collective transfers, by pursuing other approaches whenever possible. More specifically, AXA endeavours to: 1) seize the opportunities offered by natural headcount attrition to facilitate employment issues; 2) make every effort to help employees, analyse their skills and career paths and offer them training and reassignment opportunities, when feasible; 3) give priority to voluntary departures and redeployments instead of redundancies and other forms of collective transfers; and 4) deal with decisions of international transfer of business (for example in the case of off-shoring) applying the principles of social dialogue explained in this text to the European countries involved;
- When geographic mobility is necessary, it must be offered as a matter of priority to employees who volunteer to move, with this process managed with a view to enabling their integration into a new environment under the best possible conditions;
- AXA pledges to recognize staff representatives and uphold their liberty, rights and functions, in line with national legislation and, where relevant, agreements in force in local business units;
- Aware that training represents a major investment both for the Group and for its employees, AXA is committed to developing a continuous learning culture;
- AXA will not discriminate against its staff on the basis of their gender, race, colour, ethnic origin, genetic form, disabilities, sexual orientation, language, religion, personal convictions, union membership or political opinions.

In addition, in 2011, AXA achieved a significant milestone with the signature, by the management of the Group, UNI Europe Finance and all the French representative trade unions, of a major European agreement on anticipating changes. This agreement, negotiated within the European Works Council, sets out a social dialogue approach with the purpose to anticipate changes within the sector in order to adapt the employees' skills to future needs and thus to preserve employment.

The agreement enables the definition by the social partners of a joint approach to anticipate structural changes with a possible impact on the Group's businesses. It also confirms the relevance of the European level to discuss employment issues at AXA, and is a renewed affirmation of the importance of a constructive and permanent social dialogue. In particular, social partners are taking the following three main commitments:

- The Group management will regularly inform the EWC about strategic changes caused by the European macroeconomic environment, as well as about the changes in the insurance sector
- A "European skills and employment observatory" is established in order to anticipate the evolution of the skills needed within the Group.
- Measures are taken to preserve the employability of the AXA Group's employees in Europe and to support employees whose position might be threatened.

According to the EWC, this agreement is unique in the insurance sector. It offers significant means to secure employees' positions in Europe. In an uncertain environment, this strong signal shows the dynamism of the social relations within AXA's EWC, with the aim of finding alternative solutions and refusing to accept things as inevitable.

### INTERNAL MOBILITY

In November 2011, AXA launched a new internal mobility policy and process across its major entities to support its business and better develop its people. The aim is to make business needs immediately visible through a global Group-wide posting of available jobs; detect internal skills through an enlarged hiring process; share knowledge, expertise and practices through facilitating transfers. In doing so, AXA wants to enhance internal recruitment and provide career opportunities across entities, improve the visibility of international offers and allow fuller access to a culture of trust and achievement through direct exposure to new environments. Offering sound mobility opportunities is part of AXA's pledge to become the preferred company for its current employees as well as displaying a more attractive work environment for those who will join the Group in the future.

AXA Ireland was particularly effective in its internal redeployment. 97% of the positions it offered were taken hold of on an internal basis. This resulted in career development prospects for employees as well as a major cost savings.

AXA also initiated work on Strategic Workforce Planning at Group level in 2011. The focus is set on building a more comprehensive and a forward-looking vision of the business, including the impact of upcoming demographic challenges. It should help determine critical roles for the organization, execute "what-if" modelling, strategic business analysis and scenario development, demand forecasting, supply modelling and gap analysis. This will provide the Group and its entities with valuable analysis and tools enabling them to deliver better business outcomes through their workforce. AXA Belgium, AXA Switzerland, AXA France and AXA Assistance for example are already working on Strategic Workforce Planning.

### WORKING TIME, OVERTIME, WORK-LIFE FLEXIBILITY

The average number of working hours per week in AXA was 36.1 hours (35.7 hours in 2010, including part-time employees) and the average number of working days was 226.5 days (226.1 days in 2010). Overtime working hours compared to the total number of working hours has slightly decreased from 1.8% in 2010 to 1.6% in 2011. The percentage of part-time employees was 12.1% for non-sales force and 2.7% for sales force.

One of the Group's key HR priorities for 2011 was to launch an operational framework on flexible work life. This project was co-supervised by Group HR, AXA Japan, and a core team comprised of five other AXA entities. This project focuses on developing a business rationale, a range of good practices, and a supporting toolkit for entities implementing components of flexible work life.

### Local initiatives

Indeed AXA's local entities have developed various programs to improve their employees' work-life-balance. AXA Mexico developed "Living in Balance", a programme that aims to balance the employees' personal and work life by implementing tailored flexible schedules for employees' sports, health tips and cultural activities for the employees and their families and a 24/24h psychological help hotline, as well as personal finance courses. For the first time, AXA Switzerland organized in 2011 a "kids' vacation week" for the children of employees during summer holidays, to relieve their parents during school break. The entity also received the "Prix Balance" award for being one of the most family-friendly companies in the Canton of Zurich. AXA Spain signed a collective agreement on working hour reduction for employees who need to take care of children under the age of 10 years or a person with a physical, psychic or sensory handicap who does not perform any paid activity. To improve flexibility, AXA Germany offers remote work solutions to all its employees, following a successful pilot conducted in Berlin in 2010. The entity also designed a special holiday program for employee's children, and a parents-child office offers the possibility to employees to bring their children when the person who usually takes care of them is unavailable. AXA Global Direct Italy established rules in favour of work-life-balance for call centre employees by setting stable working timetables, a flexible time entrance, reasonable meeting times and a full day off to compensate for half working days on Saturdays. In AXA Ireland, 14.5% of the employees worked on a part time basis in 2011. In addition to the normal legal entitlements, AXA Ireland also offered parenting employees extra time off during the summer holidays. In AXA Equitable (USA), as part of the Women's Outreach at Work (WOW) Employee Resource Group, a Working Parent's Sub-Committee was formed to create a network for working parents at AXA Equitable. This group seeks to identify ways to share information and resources about being a working parent. A few highlights of the work done by this committee include sponsorship of "Bring Your Children to Work Day" and "National Work and Family Month". At AXA Hong-Kong, every last Friday of the month, before each major festival or public holidays, employees are invited to leave work early.

## REMUNERATION, PROFIT SHARING, PAYROLL EXPENSES

### Compensation policy

Rules governing compensation are designed to ensure that pay levels are both competitive with market rates and tailored to various individual criteria, which take into account not only individual skills and performance, but also the team contribution. In all cases, performance is assessed based on the extent to which objectives have been met. As in any company, reward and recognition at AXA are key drivers to foster employee engagement and to a fulfilling and successful career. Reward and recognition at AXA are balanced between tangible and intangible elements. Reward is more than just pay and benefits, and it covers a large part of the work experience with the Company. A "Total Reward Strategy" has been defined to meet three key criteria: 1) attract and retain talents from the market, by offering competitive packages and differentiating high performers; 2) define fairness as the combination of internal equity and meritocracy (for any given job responsibilities, superior performance deserves greater compensation); 3) the overall compensation costs must be in line with our economic performance as compared to the market. This is the key to become the "Preferred Company" also for our customers and shareholders.

With €7,891 million, AXA's total compensation expenses are stable on a comparable basis (+0.1% compared to 2010) as well as the proportion of fixed pay related to wages (+1.0% compared to 2010 on a rebaselined perimeter).. In addition, detailed information concerning individual compensation of the AXA Management Committee members is provided in Part 2 Section 2 of this Annual Report.

### Additional benefits

Benefits form a significant part of AXA's overall employee value proposition. They can either supplement local government provided health and welfare programs or be the primary source of these benefits in some countries. They can also be used to deliver the remuneration package in a tax favourable way. AXA's benefits approach is primarily country-driven, since employee benefit plans can vary significantly between countries due to different levels of social benefits provisions and diverse tax and legal regulations. However, AXA's policy is to target benefits coverage at the median of the relevant market and encourage flexible benefits schemes, as this allows employees choose the set of benefits they perceive as high-value. The Group promotes benefits that should include some competitive insurance coverage (whose nature and type vary by entity depending on local competitive and cost considerations) and opportunities to access other financial benefits. This helps to raise local awareness of AXA's risk prevention purpose, our products and services and the importance of the customer experience. A majority of AXA's employees enjoy a comprehensive supplementary benefits package. In all cases, the local minimum requirements are respected and generally exceeded by Group companies. Moreover, Group HR offers advisory services in this area. The Group also strives to support AXA's Corporate Responsibility strategy by providing access to responsible investment solutions, wherever possible.

### Shareplan Program

Through the "Shareplan" program, the Group encourages its employees to become AXA shareholders and, in doing so, become more engaged. Offered internationally for the first time in 1994, the annual Shareplan operation gives AXA employees an opportunity to buy Group shares at preferential rates. In 2011, this offer covered 41 countries in which AXA represented 26,000 employees with a total subscription of €332 million, bringing the total employee shareholding at 7.34% of the equity capital.

### Local initiatives

Several local AXA entities include environmental considerations in their profit sharing agreement. For example, the multi-year profit sharing agreements covering the employees of AXA France and the AXA Group headquarters (GIE) include provisions related to paper consumption. AXA France has also set aside a dedicated budget since 2008 to address gender-based pay gaps, as developed in the D&I section below. AXA Germany launched an initiative in 2011 whereby managers can allocate extra benefits for employees that have shown a significant effort. The employees may select a reward of their choice in a catalogue of presents with various price categories. In AXA Asia, as part of employee engagement programs, the region implemented a number of "Reward & Recognition" programs that aim to drive a customer centric culture, develop a performance culture where employees can gain satisfaction through due recognition, and acknowledge and recognize employees' key life-event changes.

## DIVERSITY & INCLUSION (D&I)

### AXA's beliefs and commitments

AXA is committed to promoting Diversity and Inclusion (D&I) by creating a work environment where all employees are treated with dignity and respect and where individual differences are valued. AXA is committed to equal opportunity in all aspects of employment. We oppose all forms of unfair or unlawful discrimination and will not tolerate discrimination based on age, race, nationality, ethnic origin, gender, sexual orientation, religion, marital status, or disability. AXA is dedicated to cultivate a diverse and inclusive environment where all employees feel fully engaged and included in our business and strategy to become the "Preferred Company".

Diversity and inclusion is tightly linked to AXA's values and culture, based on respect for employees, customers, and communities around us. A diverse workforce helps AXA effectively meet diverse market and customer needs globally and locally, as well as improve its competitiveness through innovation. It also helps attract the most talented people in all populations and foster internal morale and employee engagement, as well as enhanced people management and optimized teamwork. Moreover, it enhances the brand image.

### Group-level D&I priorities and governance

In 2011, AXA's five D&I Priorities were: 1) setting a D&I infrastructure; 2) growing D&I competencies within AXA; 3) embedding inclusion into AXA Culture initiatives; 4) launching gender balance Initiative; and 5) setting a framework on "Flex Work". As part of the Infrastructure development, the AXA entity D&I leads meet monthly to share good practices. The AXA Group Advisory Council's members for 2012 have been re-scoped to be from the local AXA entity D&I Executive Sponsor level, thus engaging more senior level leaders. Additionally, there are local D&I Councils in many AXA entities.

In 2011, there was a significant focus on launching the gender balance initiatives, through several awareness-raising sessions for the AXA Group Executive Committee, which focused on various dimensions of D&I, including a session on unconscious bias and inclusive culture and a supported list of actions going forward, and a talent review session in 2011 focused on the female CEO successors and sponsorship. Additionally, the Board of Directors was briefed on AXA's D&I and Gender initiatives.

To further support an inclusive culture in AXA, there is an "Inclusion Index" established in the annual employee survey, based upon 10 questions related to D&I. This Inclusion Index is one of the 4 key measures used to analyse AXA's "culture" overall. Also in 2011, an online course called 'Building an Inclusive Culture at AXA" has been developed and piloted. This course looks at areas such as unconscious bias, in groups and out groups, group think and micro behaviours in regards to inclusive culture. It will be available in 9 languages and rolled out company-wide in 2012.

### Local initiatives: gender

Several Diversity and Inclusion initiatives have been implemented in 2011 across the AXA Group in order to support gender balance, as part of their D&I policies. On this topic, AXA France is regularly asked by the government or other corporations to share its methodology and implementation experience. Indeed, AXA France is the first French corporation to have experimented and renewed a special budget (€375,000 per year) dedicated to fix gender-based pay gaps. In addition, training for all sales managers has been set up to provide them with the legal framework for non-discrimination, and more generally on diversity management. AXA IM set up another year-long mentoring programme to support the senior talented women identified in the 2011 Talent Management process. Also former female mentees, previously mentored by Executive Committee members, began mentoring high-potential men and women in various locations providing all parties with a development and networking opportunity. AXA Corporate Solutions developed a gender mentoring program to give the chance to participants to be more visible, to get insights into top management perspectives and to develop their own management style. It has introduced in 2011 for high potentials in their first management responsibility. A similar initiative has been launched at AXA Germany where mentees benefit from their male mentors who provide them with advice. Through this program, they have the opportunity to share more easily gender-specific problems and to boost their career. In 2011, AXA Belgium continued with the AXA Wo-Men@Work award which rewards a CEO, CFO, CIO, COO, or Board member, outside of AXA, who is actively promoting gender diversity within the senior management of his or her company or organization.

AXA Asia Life also conducts a study twice a year to capture the gender diversity in the top three layers of leadership in the leading Insurance organizations in Asia. The latest one, carried in July 2011, demonstrated AXA Asia Life has a significantly higher percentage of "women as leaders" compared to other Life insurance companies in Asia. The last study was carried out in December 2011. At AXA Business Services in India, the gender balance currently is at 45%, which is already above the industry average. The entity created a working group to include the staff going on maternity to create conducive work environment before, during and after maternity. AXA Switzerland continued the development of its "Gender-Mentoring" programme launched in 2009, whereby Executive Board members and senior managers mentored women willing to develop their careers, exchange career experiences, discuss different life situations, etc. The entity also launched a programme to increase the number of women in management position in its distribution staff. The Group's head office (GIE) co-developed the "Financi'Elles" network with other companies in order to reinforce gender balance at all levels within the financial industry.

### Local initiatives: inclusive culture

AXA IM has designed its D&I programs around some key principles like unconscious bias, gender sponsorship and supporting gender balance. The key principles of unconscious bias will be embedded into Manager's Path, a programme of short, practical training sessions designed to develop and enhance managers' people management abilities, and they will be integrated into the development plans of all High Potentials. The program is designed to raise awareness of the effects of body language, spoken language, and cultural mores on productivity in the workplace. This goes beyond traditional diversity training to the next level of leadership: creating a truly inclusive workplace. AXA Mexico offered diversity courses nation-wide with the aim to raise awareness among all employees regarding discrimination and exclusion of team members, peers, colleagues. AXA Equitable was named 2011 Diversity Leader by the "Profiles in Diversity" journal and received an Honors Award from the Association of Diversity Council, recognizing the quality of the work performed by the Diversity and Inclusion Advisory Council (DIAC). The DIAC, in partnership with the Office of Diversity and Inclusion, held its second annual D&I summit in 2011, bringing together leaders from several industries to share D&I best practices focused on driving business value.

### Local initiatives: employees with disabilities

AXA entities also promote the integration of employees with disabilities. In the French perimeter (where it is legal to report this figure), the number of employees with disabilities went from 690 in 2010 to 746 in 2011. Local initiatives in this area include for example, AXA Global Direct Spain, which signed an agreement in order to facilitate the integration of employees with disabilities into the Company and help staff and families to know more about legal benefits for people with disabilities. AXA Germany signed a specific agreement with its Works Council, whereby specific facilities accessible for the people with disabilities are provided, such as adapted elevators, even floors and doorsteps, special rest room facilities and ramps. The workspace is modified if an employee needs special arrangements due to a personal handicap. AXA France's "*Mission Handicap*" enables hundreds of employees to benefit from adapted working schedules, transportation and real estate services. These efforts also apply to the parents of children with disabilities. AXA Thailand was awarded as the "Organization that provided contribution for People with disabilities". This award was presented to the local Chief Executive Officer by the Deputy Minister of the Ministry of Social Development and Human Security.

## HEALTH & SAFETY, ABSENTEEISM, EMPLOYEE WELLBEING

The total absenteeism rate decreased from 4.9% in 2010 to 4.8% in 2011. Also the proportion of work-related accidents decreased from 2.2% in 2010 to 2.1% in 2011, especially the proportion of work-related accidents of sales force which dropped from 5.1% in 2010 to 4.5% in 2011.

### Local initiatives

Various local initiatives in this area include for example AXA Equitable's Disease Management program which support employees living with a chronic health condition. The participants can obtain advice on how to follow medical instructions and medication, get help measuring and recording vital signs or can ask questions to a healthcare professional. A partnership has also been signed with an external vendor to implement a company-wide voluntary "Wellness Program" improving employee health and diet. This program has the potential to yield cumulative net savings of $2.5 million after 3 years. AXA Singapore won the Singapore Health Promotion Board award for the quality of its workplace health promotion, which includes health-related meetings and cooking and exercise classes. One of the main activities conducted in 2011 under this program was the "Wellness Challenge" which was launched after a company-wide health screening and fitness test. A series of 32 exercise classes was held to improve participants' cardio fitness and flexibility. Also AXA Switzerland received the "friendly workspace" certification, an official label for employer-friendly companies in Switzerland. This certification is based on an independent audit of the health management strategy. AXA Mexico developed lactation rooms for working mothers, who also receive extra financial support. The entity also offers part-time schedules for seniors to enable them to better prepare for retirement. AXA Gulf ran a number of monthly initiatives around stress management, health & safety, breast cancer awareness and healthy lifestyle tips. AXA Portugal proposes macrobiotic workshops, yoga classes, etc, as well as cholesterol, blood glucose and blood pressure screening.

## TRAINING

AXA's competencies development remains high with 82.7% of its employees trained at least once during the year. The average number of training days per employee also remains stable with 2.6 days per year. In 2011, more technical trainings were provided to non-sales employees whereas managerial trainings were reinforced for sales employees.

AXA promotes a management style that aims at empowering employees, in line with the Group's core values of professionalism, innovation, pragmatism, team spirit and integrity. Learning is a key lever. Enhancing the technical expertise of employees and helping them grow as leaders stand among HR main objectives. In a challenging and unpredictable business environment, talented, engaged and resilient people are more than ever vital to AXA's success. High-impact learning and development is therefore at the heart of the HR agenda. It provides executives and employees with on-going opportunities to improve their performance, both through local programs proposed by entities and through more global programs delivered by AXA University.

AXA University is a central Learning & Development (L&D) structure whose primary objective is to provide AXA's executives a place to network and exchange ideas, through well targeted development and competence-building opportunities. AXA University offers a high level curriculum thanks to partnerships formed with world leading universities and business schools such as Wharton, IMD or INSEAD. The offering is structured around two central themes: professional "colleges" (which build specific technical competencies for professional "families" such as Finance, Human Resources or Marketing) and programs dedicated to the development of the leadership of senior executives. AXA University also plays a critical part in promoting organisational capability and corporate culture.

In 2011, the AXA L&D community started to shape a common program portfolio across geographies. Dedicated L&D governance, involving L&D representatives from the major regions and entities, oversees this convergence effort. Programs critical to all are made common, while entities retain the ability to address any additional local need. Common programs stand on 3 major pillars: On-boarding, leadership and management skills, and technical excellence for transversal lines of business. Overall, AXA aims at providing to its employees the tools they need for their own development journey through the Group strategy, their direct operational priorities and their own specific needs of improvement.

### Local initiatives

Several entities have been rewarded for their involvement in this field. AXA UK won the London Relational Large Apprenticeship Employer of the Year and was national finalist (over 100 apprentices have completed or are completing their apprenticeship). AXA Germany won the European Business Awards in the category Employer of the Year. It recognizes the firm's ability to inspire and motivate their staff by enabling career development, operating equal opportunity schemes and understanding the importance of a work-life balance. AXA Switzerland also received an award, from *HR Today*, a national journal specialized in HR topics which rewarded the entity's Human Resources management. AXA Spain developed a "Career Path" approach, formed by different development itineraries (Commercial, Actuarial, Underwriting, Bodily Injuries Claims, Human Resources, etc.).

## TALENT ATTRACTION AND RETENTION

### Performance management

Since 2005, AXA performs the Organization and Talent Review (OTR), a systematic review of the organization structure required by its current business and its future needs. It also helps to review the team dynamics, the talent depth and the talent flow. Moreover, it provides a picture of the organization challenges and of the key positions; it helps identify the potential of the key people considering their performance and leadership behaviours; it helps build and share a robust and solid "talent pipeline" to ensure the right staffing around the globe; and to discuss career paths, development plans and prepare the next move, including international mobility, for key people. Since 2010, AXA also uses the process to review the organization and its people from the perspective of its new global business lines and their respective areas of expertise. In 2011, AXA further calibrated the identification and assessment of talents through talent sharing sessions, at which cross-entity succession plans for selected key positions are shared among the HR community.

In 2007, a global IT initiative called "People In'" was launched in order to bring together and support the OTR, Performance Management and Internal Mobility processes. During 2011, there were already 62,000 employees making use of the PeopleSoft platform for Performance Management (38,000 employees in 2010). Also in 2011, the Group also delivered a new "AXA 360°" platform for all entities to accelerate our leaders' development through feedback on their leadership competencies. 2,000 Executives and Managers went through this process. The tool is available in 20 languages.

A standard on performance management has been set up. It must be used by each AXA entity to cover 100% of its employees, at least once a year. This ensures that the Group's performance-based remuneration policy and evaluation of training needs runs efficiently.

The AXA Leadership Framework defines the competencies expected from our leaders to meet AXA's challenges and achieve our ambition. Until recently it was only dedicated to senior managers. It has now been adjusted for all employees. It addresses their expectations and provides support for their development. AXA Leadership Framework is a cornerstone of global Talent Management processes. A simplified version will be embedded into these processes in 2012. The target population is 100% of AXA's employees.

### Local initiatives

In 2011, AXA Equitable sought to redefine its performance management philosophy. Through a more effective performance management, the organization gained a better understanding of its talent assets and gaps. Its managers assigned more appropriate rewards and its employees targeted clearer priorities while developing their skills. With an emphasis on evaluation of performance based on the "what" to achieve as well as on the "how" to achieve it, people got accountable to culturally critical behaviors including collaborating and communicating. AXA Equitable also simplified the leadership framework competencies to make it more intuitive and built behavioral examples to make it more assessable and relevant to all employees. In addition, new performance management ratings were introduced with a shift from a numeric scale to a descriptive scale. This promotes clear and meaningful performance discussions between managers and employees, and fosters consistency with AXA Group's performance management practice. Also in 2011, AXA Asia put in place an extensive framework aiming at strengthening its talent pipelines through a more structured, robust and consistent approach to talent identification, talent development and career management throughout the region.

### Monitoring Human Resources risks

Along the years, AXA developed a full framework to identify and measure operational risks that may arise from a failure in its organization, systems, and resources or from external events. Ensuring an adequate mitigation of these risks across the Group has been essential to the risk management functions. With respect to its employment practices, AXA has now defined, and will further strengthen in 2012, its Human Resources Key Risk Indicators (HR KRI). This will help to retain employees, attract top talent, better manage employee relations, and contribute to a safer and healthier environment for the workforce.

## IMPACT ON REGIONAL DEVELOPMENT, SUBCONTRACTING

To the extent that the Company's activities are decentralized and their staff are spread among numerous locations, it generally has no significant direct impact on local employment or development in any given region. It does not resort to significant levels of subcontracting.

However, as a provider of insurance, savings and investment services, AXA is an actor of economic growth and social development through the support of over 100 million clients, local communities and businesses. Indeed AXA's business is to protect people and businesses, their belongings, their health, their savings, their assets over the long run, providing peace of mind through uncertainty and support when it is most needed. This means designing reliable insurance and investment solutions to meet the needs of our customers, managing risks and claims in a professional way, acting as a major long-term investor, but also sharing our business expertise by helping to build better understanding of the risks faced by individuals and society at large.

## COMMUNITY INVOLVEMENT: SOCIAL & CULTURAL ACTIVITIES, PHILANTHROPY, EDUCATION, EMPLOYEE VOLUNTEERING, SOCIAL INCLUSION

### AXA's CR "flagship" theme: Risk Research & Education

Protecting its clients from risks and unexpected events is at the core of AXA's purpose. This is why AXA is committed to use its skills, resources and expertise to build a better understanding of the risks faced by individuals and society at large. Through various community involvement initiatives, AXA seeks to contribute both to the understanding of risk and the ways to face them. We act on this approach via different projects: the AXA Research Fund, the AXA-CARE global partnership, and local risk prevention projects.

In order to align the AXA entities' community involvement projects, AXA developed in 2011 a set of community investment guidelines. All entities are required to ensure that 20% of their community investment projects are aligned with the CR flagship theme of Risk Research and Education by year end 2012. Through the Group's annual community investment survey, the Group is also able to structure the global community investment approach.

### AXA Research Fund

Since AXA's business is based on developing knowledge of risks, the AXA Research Fund (www.axa-research.org) was created in 2008 to finance basic research contributing to understand and prevent:

- Environmental risks, such as climate-related risks and the socio-economic consequences of natural disasters
- Life risks, such as longevity and long-term care, emerging biomedical risks, addictions and at-risk behavior

- Socio-economic risks, such as geopolitical, financial, economic, social and major corporate risks

It will thus foster innovative world-class research on those major risks, by providing outstanding researchers with the best possible working conditions, contributing to the development of highly competitive institutions, and encouraging a living research community committed to a better understanding of these risks. Through this philanthropic initiative, AXA strives to share knowledge on risks that are a challenge for society and thus nurture public debate on those topics. This is why the outcome of this research is made public: AXA does not own any intellectual property on the research, and actively helps researchers to disseminate their work, via publications and events, and builds cooperation on a voluntary basis between various experts - including AXA business experts - and the researchers supported by AXA.

Since its creation, the AXA Research Fund invested €68 million to support 300 research teams of 42 nationalities in 22 countries. Funding is granted in accordance with the decisions of the AXA Research Fund's Scientific Board, composed of world-renowned researchers and AXA representatives. In 2011, 3 research chairs were selected, as well as 15 research teams, 41 post doctoral fellowships (2 years duration) and 29 doctoral fellowships (3 years) for a total amount of €23.3 million.

#### AXA-CARE Risk Research & Education Project

In 2011, the AXA Group partnered with CARE, an international humanitarian NGO, to help vulnerable populations better prepare for climate-related risks. With this three-year partnership, AXA and CARE have chosen to work on two key projects:

- "Where the Rain Falls", an international research project conducted with the United Nations University in India, Thailand, Peru and Tanzania. The project aims at better understanding the impacts that changes in rainfall patterns have on vulnerable populations regarding food security and migration, as well as helping them address these challenges through adaptation projects.
- Several programs aimed at raising awareness on natural disaster prevention, targeting communities that are particularly exposed to this type of risks in emerging countries. These projects, whose objective is to reduce the human and economic impacts of such disasters, are implemented in Madagascar, Mali, the Philippines and Vietnam.

As part of the CARE partnership, the AXA Group donated €1.7 million to CARE, and local AXA entities donated €36,000 to local CARE offices to help relief operations in Africa. In 2011, with the help of the AXA-CARE disaster risk reduction programs, hundreds of women use new food management methods thanks to risk training in Mali, 5,000 mangrove trees have been planted in Vietnam, various schools benefited from natural disaster education through training and simulation exercises in the Philippines.

#### Risk prevention projects

Most AXA entities support local risk prevention projects through sponsorship, philanthropy or products in the field of road safety, health prevention, climate change, accidents at work etc.

AXA Malaysia launched a "Child Financial Literacy" programme to educate children on the concept of money, understanding the value of money, developing useful money habits and the basics of insurance and how it is used for wealth protection. AXA Germany launched a "virtual home" online to show what types of risks exists in households and how to manage them, as well as insurance solutions. AXA Mexico supports a program helping the education of nurses. After graduation, the nurses return to their local communities to promote better health conditions for vulnerable populations. AXA Switzerland launched in 2011 a mobile application to raise children's awareness on the dangers of noise in traffic. AXA France invests annually €4.8 million in various health prevention and road safety projects through its dedicated association AXA Prévention. AXA's MedLA region is rolling out across several entities an online prevention tool for SMEs. AXA Romania supports parenting advice for both employees and customers, with themes including financial protection.

#### Other community involvement initiatives

In addition to the above community involvement initiatives that leverage AXA's risk expertise, other efforts towards the community focus on the following areas:

- **Volunteering: AXA Hearts in Action.** AXA employees worldwide support disadvantaged people through "AXA Hearts In Action", the Group's employee volunteering program. In 2011, 19,800 AXA Hearts In Action volunteers around the world made their skills, time and generosity available to support more than 1,200 charities with a view of helping underprivileged people. AXA donated more than 38,200 working hours to allow employees to volunteer. The themes covered by AXA Hearts In Action are selected by employees in light of local issues, and include fighting against exclusion and helping children in need, people with disabilities and victims of natural disasters.
- **Humanitarian aid & Charitable donations.** In addition to the AXA Research Fund, the CARE partnership and the investments of working hours for volunteering, the AXA Group and local entities invested €17.5 million in philanthropic activities in 2011. The themes covered included arts & culture, economic development, education & youth, emergency relief, the environment, health, or social welfare.

### Microinsurance

AXA focuses on microinsurance projects that address social exclusion while being breakeven in the long term, by enabling vulnerable segments of the population to access insurance services. Current initiatives include the following:

- France: AXA, in partnership with the Association pour le Droit à l'Initiative Economique (which helps people excluded from the usual circuits set up their own business) and a French mutual insurer, MACIF, offers since 2007 basic covers sold at cost. Three policies are available: two Comprehensive Business Insurance packages for entrepreneurs starting up either at home or on dedicated business premises, a Motor Policy and a Business Liability offer. The average premiums are less than 1 euro per day. As the pilot projects revealed an encouraging trend, the offer was extended nationwide in early 2009. As of 2011, the product is maintained despite slow growth. This genuine microinsurance product (not just a low cost offer) is relatively unique in a developed economy. However, this experience reveals the need for more insurance education targeting this segment of population.
- India: after a three years investigation, product design and partnership phase, AXA microinsurance (Personal Accident& Health) products were launched in 2009. In 3 years, including a 2009 pilot phase, 1.7M lives were insured and sold through different networks of NGOs, community groups or mobile phone retail distributors.
- Mexico: In 2010, AXA's local entity started offering the "AXA Contigo" microinsurance card-based product (Fire, Assistance, Motor Robbery lump sum compensations), as well as the "Tarea microlife" insurance product with scholarships distributed via a local partner. These products' growth remains relatively slow to date.

## BUSINESS ETHICS

In 2006, AXA's Supervisory Board adopted a new version of the AXA Group Compliance and Ethics Guide ("the Guide"). The purpose of the Guide is to establish Group-wide guidelines and rules to ensure that AXA Group companies and employees have a common understanding of applicable ethical standards and conduct business accordingly. The Guide covers a variety of matters, including specific rules concerning conflicts of interest, transactions involving AXA securities and those of its listed subsidiaries, confidentiality and control of sensitive information as well as record keeping and retention. The Guide also seeks to reflect AXA's values. Most of AXA's principal operating subsidiaries have developed ethical guidelines that comply with local regulatory and statutory requirements. In 2011, the Guide has been partly updated. The current version of the Guide is available on the Group's website (www.axa.com). In addition, AXA launched a worldwide e-learning initiative in 2010 covering selected topics in the Guide, namely insider trading, corruption, competition law, improper gifts and entertainment and Corporate Responsibility. This initiative is currently being rolled out.

## HUMAN RIGHTS: GROUP COMMITMENTS, INTERNATIONAL LABOUR ORGANIZATION (ILO) STANDARDS AND REPORTING

### UN Global Compact

In addition to compliance with national law and regulations, AXA joined the United Nations' Global Compact in 2003, formally committing to uphold the following two principles for fundamental human rights: 1) Taking the steps needed to protect and comply with internationally proclaimed human rights; 2) Taking the steps needed to ensure that they do not knowingly aid or abet human rights violations.

AXA also made formal commitments to comply with and promote its ten guiding principles in the areas of human rights, labour, environment and anticorruption. These principles are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption. Furthermore, these commitments include various principles relating to collective labour standards. In this way, the Group's employment policy covers several aspects, such as equal opportunities and freedom of association.

The first chapter of the aforementioned Group Compliance and Ethics Guide refers to the UN Global Compact in its founding principles. Both the Compliance Guide and UN Global Compact adhesion are applicable to every AXA entity. Procurement guidelines also include explicit references to Human Rights concerns (below).

### Integration of Environmental, social and ethical issues in risk management and product development

When appropriate or relevant, the Group's underwriters and portfolio managers integrate a number of emerging environmental and social risks, including human rights concerns, as well as more generally ethical concerns in their product development processes and policies (see also Environment section for further information). This is notably undertaken via the following initiatives:

- The Group's Controversial weapons policy (2007) prohibits AXA from investing in a companies involved in the production of certain weapons (anti personnel landmines and cluster bombs). These weapons are banned by international conventions on human rights grounds. In 2011, the blacklisting was extended to other controversial weapons.

- The Group's recently developed underwriting guidelines for P&C commercial lines requires local AXA entities to exclude certain sensitive sectors or activities, and to escalate eventual derogations to Group Corporate Responsibility level for further investigation.
- The AXA Group "Policy on business relationships involving sanctioned countries and countries identified as having high levels of corruption or political risk" formalises the Group's policies and procedures with respect to business in or with countries that are subject to international sanctions or embargoes or otherwise identified as high corruption, high political risk and/or tax haven jurisdictions.
- AXA's reputation risk management framework and tools enable AXA to analyse and mitigate the risks posed by sensitive business sectors, both in terms of investments and insurance.

### RESPONSIBLE PROCUREMENT

AXA is a major purchaser of products and services for the purpose of its internal operations as well as services provided to its policyholders. This significant volume of purchases (€11 billion in 2011) opens up an additional field of action for the Group in promoting Corporate Responsibility (CR).

The buyers are required to sign a specific Procurement code of ethics in addition to the Group Compliance & Ethics Guide.

AXA also encourages its suppliers to be socially and environmentally responsible and requests from them a formal commitment to uphold International Labor Organisation principles, through a "CR clause" that was implemented in 2006. The clause has first been included in AXA's IT and "General Expenses & Professional Services" contracts, and the scope was extended to "Insurance Procurement" contracts (related to customer claims) in 2010. In 2011 the Group reached a penetration rate of around 89% of new or renewed contracts for IT and "General Expenses & Professional Services" and around 87% for "Insurance Procurement".

In addition, the Group applies social and environmental criteria to assess supplier performance. These criteria enable the Group to improve service quality and reduce some supply chain risks. Since 2008, an in-depth analysis of the CR performance of 350 local or global suppliers was performed by AXA with the assistance of a specialized service provider. Based on AXA's CR stakes matrix, suppliers combining high or medium risks and high purchase volumes are targeted first. For example, 90 suppliers were assessed or re-assessed in 2011. The objective of this analysis is to identify the main CR risks and give suppliers a tangible incentive to improve their performance. When re-assessed, most suppliers have shown significant progress (the average score of the suppliers with an initial score of 4/10 or less has improved from 3.62 to 4.59/10). Specific training sessions are regularly organised with buyers to explain the issues involved and support them in the process and action plan follow-up.

### SOCIAL REPORTING CERTIFICATION, EVALUATION AND RATINGS

PricewaterhouseCoopers Audit, one of AXA SA's Statutory Auditors, reviewed the social reporting process, as well as the data and collection processes of 10 entities (6 in Europe, 2 in Asia, 2 in North America). The auditors' statement of assurance is included in the Activity and Corporate Responsibility Report.

The Group's social, societal and community performance is also evaluated by many players, including rating agencies serving the research needs of the socially responsible investment (SRI) market. The Group is ranked above average in its industry and is also included in the three main international ethical indexes: DJSI (based on research by SAM), FTSE4GOOD (based on research by Eiris) and Aspi Eurozone (Vigeo). The Group's SRI ratings are disclosed on www.axa.com/en/responsibility/sri. In particular, AXA's "social" ratings according to the main SRI rating agencies were as follows:

- SAM (November 2011): 63% (vs. sector average of 39%)
- Vigeo (April 2010): 51%, with a positive sector rating.

## SOCIAL DATA 2011 - AXA GROUP

### WORKFORCE

| Headcount (number of persons) as of December 31 | 2011 | | Evolution | 2010 [(a)] | |
|---|---|---|---|---|---|
| ***Total headcount of salaried workforce (non sales and sales force, open-ended and fixed-term contract)*** [(b)] | **114,488** | **emp.** | **-5.8%** | **121,480** | **emp.** |
| ***Headcount of salaried workforce (non sales and sales force, open-ended contract only)*** | **110,551** | **emp.** | **-5.1%** | **116,448** | **emp.** |
| ■ Proportion of men | 48.1 | % | | 47.9 | % |
| ■ Proportion of women | 51.9 | % | | 52.1 | % |
| ***Headcount of non sales force (open-ended contract only)*** | **94,241** | **emp.** | **-5.1%** | **99,296** | **emp.** |
| Executives | 2,974 | emp. | -6.2% | 3,169 | emp. |
| ■ Proportion of men | 76.3 | % | | 77.4 | % |
| ■ Proportion of women | 23.7 | % | 4.8% | 22.6 | % |
| Managers | 16,068 | emp. | -3.3% | 16,611 | emp. |
| ■ Proportion of men | 60.7 | % | | 61.5 | % |
| ■ Proportion of women | 39.3 | % | 2.1% | 38.5 | % |
| Experts & staff | 75,199 | emp. | -5.4% | 79,516 | emp. |
| ■ Proportion of men | 42.8 | % | | 42.7 | % |
| ■ Proportion of women | 57.2 | % | | 57.3 | % |
| ***Headcount of sales force (open-ended contract only)*** | **16,310** | **emp.** | **-4.9%** | **17,152** | **emp.** |
| ■ Proportion of men | 54.9 | % | | 53.1 | % |
| ■ Proportion of women | 45.1 | % | | 46.9 | % |
| ***Headcount of salaried workforce (non sales and sales force, fixed-term contract only)*** | **3,937** | **emp.** | **-21.8%** | **5,032** | **emp.** |
| ■ Non sales force | 3,603 | emp. | | 4,401 | emp. |
| ■ Sales force | 334 | emp. | | 631 | emp. |
| **Full time equivalent (Headcount converted into full-time equivalent)** | **2011** | | **Evolution** | **2010** [(a)] | |
| ***Average FTE of salaried workforce (non sales and sales force, open-ended contract only)*** | **104,948.7** | **fte** | **-6.2 %** | **111,912.3** | **fte** |
| *Average FTE of non sales force* | 89,367.5 | fte | -6.1% | 95,156.9 | fte |
| ■ Average FTE of executives | 2,886.8 | fte | | 3,123.9 | fte |
| ■ Average FTE of managers | 15,833.8 | fte | | 16,382.4 | fte |
| ■ Average FTE of experts & staff | 70,647.0 | fte | | 75,650.5 | fte |
| *Average FTE of sales force* | 15,581.2 | fte | -7.0% | 16,755.4 | fte |
| FTE of temporary staff (non-salaried) [(c)] | 4,974.3 | fte | | 3,331.2 | fte |
| ■ Average FTE of temporary staff | 3,373.8 | fte | | 2,624.8 | fte |
| ■ Average FTE of trainees | 1,600.6 | fte | | 706.4 | fte |
| **Profile of AXA employees** | **2011** | | **Evolution** | **2010** [(a)] | |
| ***Average age of salaried workforce (non sales and sales force, open-ended contract only)*** | **40.8** | **yrs** | **0.8%** | **40.5** | **yrs** |
| ■ Non sales force | 40.4 | yrs | | 40.3 | yrs |
| ■ Sales force | 42.0 | yrs | | 41.4 | yrs |
| ***Average length of service (non sales and sales force, fixed-term contract only)*** | **11.5** | **yrs** | **3.3%** | **11.1** | **yrs** |
| ■ Non sales force | 12.0 | yrs | | 11.7 | yrs |
| ■ Sales force | 8.4 | yrs | | 7.9 | yrs |
| ***Disability (non sales and sales force, open-ended and fixed-term contract)*** | | | | | |
| Number of employees with disabilities - concerns entities listed in France only | 746 | emp. | | 690 | emp. |

### WORKFORCE DYNAMICS I

| Movements | 2011 | Evolution | 2010 [a] |
|---|---|---|---|
| ***Movements of salaried workforce (non sales and sales force, open-ended contract only)*** | | | |
| Net headcount evolution (salaried workforce entries versus salaried workforce departures) | -6,553 emp. | | -2,634 emp. |
| ■ Entries | 16,048 emp. | -4.9% | 16,868 emp. |
| ■ Departures | 22,601 emp. | 15.9% | 19,502 emp. |
| **Movements of non sales force** | | | |
| Net headcount evolution (non sales force entries versus non sales force departures) | -6,050 emp. | | -1,697 emp. |
| Entries | 11,606 emp. | -6.6% | 12,426 emp. |
| ■ Number of external recruitments | 9,590 emp. | | 10,295 emp. |
| ■ Number of fixed-term contract transformed into open-ended contract | 1,339 emp. | | 1,326 emp. |
| ■ Number of re-hires in the Company | 423 emp. | | 503 emp. |
| ■ Number of entries following mergers and acquisitions | 254 emp. | | 302 emp. |
| Departures | 17,656 emp. | 25.0% | 14,123 emp. |
| ■ Number of resignations | 7,318 emp. | | 7,190 emp. |
| ■ Number of economic/collective layoffs | 2,230 emp. | | 1,611 emp. |
| ■ Number of individual layoffs | 1,268 emp. | | 1,495 emp. |
| ■ Number of retirements/pre-retirements | 1,138 emp. | | 1,333 emp. |
| ■ Number of departures due to external transfers [d] | 5,307 emp. | | 2,332 emp. |
| ■ Number of other departures | 395 emp. | | 162 emp. |
| **Movements of sales force** | | | |
| Net headcount evolution (sales force entries versus sales force departures) | -503 emp. | | -937 emp. |
| Entries | 4,442 emp. | 0.0% | 4,442 emp. |
| ■ Number of external recruitments | 4,146 emp. | | 4,119 emp. |
| ■ Number of fixed-term contract transformed into open-ended contract | 200 emp. | | 234 emp. |
| ■ Number of re-hires in the Company | 21 emp. | | 61 emp. |
| ■ Number of entries following mergers and acquisitions | 75 emp. | | 28 emp. |
| Departures | 4,945 emp. | -8.1% | 5,379 emp. |
| ■ Number of resignations | 3,544 emp. | | 4,118 emp. |
| ■ Number of economic/collective layoffs | 198 emp. | | 654 emp. |
| ■ Number of individual layoffs | 648 emp. | | 271 emp. |
| ■ Number of retirements/pre-retirements | 233 emp. | | 181 emp. |
| ■ Number of departures due to external transfers [d] | 280 emp. | | 132 emp. |
| ■ Number of other departures | 42 emp. | | 23 emp. |
| ***Movements of salaried workforce (non sales and sales force, fixed-term contract only)*** | | | |
| Net headcount evolution of non sales force (entries versus departures) | 586 emp. | | 1,671 emp. |
| ■ Number of external recruitments | 4,895 emp. | | 5,608 emp. |
| ■ Number of ends of fixed-term contracts | 4,309 emp. | | 3,937 emp. |
| Net headcount evolution of sales force (entries versus departures) | -246 emp. | | 59 emp. |
| ■ Number of external recruitments | 253 emp. | | 516 emp. |
| ■ Number of ends of fixed-term contracts | 499 emp. | | 457 emp. |

## WORKFORCE DYNAMICS II

| Mobility | 2011 | Evolution | 2010 [a] |
|---|---|---|---|
| *Internal mobility rate (non sales and sales force, open-ended contract only)* | **11.0 %** | **-5.8%** | **11.7 %** |
| ■ Internal mobility rate of non sales force | 11.9 % | | 13.0 % |
| ■ Internal mobility rate of sales force | 5.8 % | | 3.9 % |
| **Employee turnover** | **2011** | **Evolution** | **2010 [a]** |
| *Turnover rate of salaried workforce (non sales and sales force, open-ended contract only)* | **15.4 %** | **6.8%** | **14.4 %** |
| ■ Involuntary turnover rate (layoffs/dismissals) | 3.9 % | | 3.4 % |
| ■ Voluntary turnover rate (resignations) | 9.8 % | | 9.6 % |
| ■ Turnover rate linked to retirements/pre-retirements and other reasons of departures | 1.6 % | | 1.4 % |
| *Turnover rate of non sales force* | 13.1 % | 11.5% | 11.8 % |
| ■ Involuntary turnover rate (layoffs/dismissals) | 3.7 % | | 3.1 % |
| ■ Voluntary turnover rate (resignations) | 7.8 % | | 7.2 % |
| ■ Turnover rate linked to retirements/pre-retirements and other reasons of departures | 1.6 % | | 1.5 % |
| *Turnover rate of sales force* | 28.9 % | -1.9% | 29.4 % |
| ■ Involuntary turnover rate (layoffs/dismissals) | 5.2 % | | 5.2 % |
| ■ Voluntary turnover rate (resignations) | 21.9 % | | 23.1 % |
| ■ Turnover rate linked to retirements/pre-retirements and other reasons of departures | 1.7 % | | 1.1 % |

## COMPENSATION

| Compensation of salaried workforce | 2011 | Evolution | 2010 [a] |
|---|---|---|---|
| *Compensation of salaried workforce (non sales and sales force, open-ended contract only)* [e] | | | |
| Reported compensation of salaried workforce | 7,891 M€ | 0.1% [f] | 6,917 M€ |
| ■ Proportion of fixed pay (related to wages) | 72.8 % | 1.0% [f] | 82.8 % |
| ■ Proportion of variable pay (related to wages) | 27.2 % | -4.7% [f] | 17.2 % |
| *Annual gross payroll of salaried non sales force* | | | |
| ■ Proportion of fixed pay (related to wages) | 80.2 % | 0.4% [f] | 86.4 % |
| ■ Proportion of variable pay (related to wages) | 19.8 % | -2.4% [f] | 13.6 % |
| *Annual gross payroll of salaried sales force* | | | |
| ■ Proportion of fixed pay (related to wages) | 39.5 % | 6.8% [f] | 55.3 % |
| ■ Proportion of variable pay (related to wages) | 60.5 % | -8.1% [f] | 44.7 % |

## TRAINING

| Number of training days provided | 2011 | Evolution | 2010 [a] |
|---|---|---|---|
| *Number of training days provided (non sales and sales force, open-ended contract only)* | 282,571 days | -7.5% | 305,547 days |
| *Total number of training days of non sales force* | 221,099 days | | 228,815 days |
| ■ Proportion of managerial trainings | 15.1 % | | 15.0 % |
| ■ Proportion of technical trainings | 51.1 % | | 46.1 % |
| ■ Proportion of other trainings | 33.8 % | | 38.8 % |
| *Total number of training days of sales force* | 61,471 days | | 76,732 days |
| ■ Proportion of managerial trainings | 6.1 % | | 4.1 % |
| ■ Proportion of technical trainings | 71.5 % | | 69.6 % |
| ■ Proportion of other trainings | 22.4 % | | 26.3 % |
| **Training attendees** | **2011** | **Evolution** | **2010 [a]** |
| *Training attendees (non sales and sales force, open-ended contract only)* | | | |
| *Percentage of salaried workforce having received at least one training course* | 82.7 % | -0.5% | 83.1 % |
| ■ Percentage of non sales force having received at least one training course | 80.5 % | | 80.8 % |
| ■ Percentage of sales force having received at least one training course | 95.1 % | | 96.0 % |
| *Average number of training days per salaried workforce* | 2.6 days | | 2.6 days |
| ■ Average number of training days per non sales force employee | 2.5 days | | 2.4 days |
| ■ Average number of training days per sales force employee | 3.9 days | | 4.5 days |

## LABOUR RELATIONS

| Working time | 2011 | Evolution | 2010 [a] |
|---|---|---|---|
| *Working time (non sales and sales force, part-time and full-time, open-ended contract only)* | | | |
| Average number of working days per year | 226.5 days | 0.2% | 226.1 days |
| Average number of working hours per week | 36.1 hrs | 1.1% | 35.7 hrs |
| ■ Average number of working hours per week of full-time employee | 37.5 hrs | | 37.0 hrs |
| ■ Average number of working hours per week of part-time employee | 25.0 hrs | | 25.3 hrs |
| Average percentage of overtime hours by experts & staff and by day | 1.6 % | | 1.8 % |
| *Part time workforce* | | | |
| ■ Proportion of part-time non sales force | 12.1 % | | 12.7 % |
| ■ Proportion of part-time sales force | 2.7 % | | 3.9 % |

## LABOUR RELATIONS

| Absenteeism | 2011 | Evolution | 2010 [(a)] |
|---|---|---|---|
| ***Total absenteeism rate (non sales and sales force, open-ended contract only)*** | **4.8 %** | **-3.1%** | **4.9 %** |
| ■ Proportion of absences due to sickness | 73.6 % | | 71.7 % |
| ■ Proportion of short term sick absences | 79.9 % | | 77.9 % |
| ■ Proportion of long term sick absences | 20.1 % | | 22.1 % |
| ■ Proportion of absences due to work related accidents | 2.1 % | | 2.2 % |
| ■ Proportion of absences due to maternity | 24.3 % | | 26.1 % |
| *Non sales force absenteeism rate* | 5.0 % | -3.8% | 5.2 % |
| ■ Proportion of absences due to sickness | 74.6 % | | 73.0 % |
| ■ Proportion of short term sick absences | 78.9 % | | 77.0 % |
| ■ Proportion of long term sick absences | 21.1 % | | 23.0 % |
| ■ Proportion of absences due to work related accidents | 1.8 % | | 1.9 % |
| ■ Proportion of absences due to maternity | 23.6 % | | 25.2 % |
| *Sales force absenteeism rate* | 3.4 % | 3.4% | 3.3 % |
| ■ Proportion of absences due to sickness | 65.2 % | | 60.2 % |
| ■ Proportion of short term sick absences | 89.1 % | | 88.4 % |
| ■ Proportion of long term sick absences | 10.9 % | | 11.6 % |
| ■ Proportion of absences due to work related accidents | 4.5 % | | 5.1 % |
| ■ Proportion of absences due to maternity | 30.3 % | | 34.7 % |

*(a) Perimeter re-baselining: in order to align and reconcile with the Group's Finance Department, the Social Data Reporting (SDR) perimeter had to be re-baselined. Certain entities within the Asian perimeter were excluded in 2011 as well as in 2010. For additional information, please see the "Table of principal subsidiaries with Group share of interests and voting right percentages" included in Part 1.2 of this Annual Report as well as Note 3 "Scope of consolidation" included in Part 4 "Consolidated Financial Statements".*

*(b) The majority of this decrease is due to the disposal of businesses in Australia & New Zealand as well as in Canada (74.2% as a proportion on total decrease).*

*(c) Change of definitions: in 2011, the temporary staff indicator also includes external consultants; the trainees category also includes apprenticeships.*

*(d) Salaried workforce that has left AXA because of an activity/job transfer to an external company or due to disposal of business. The employee is no longer under a contract with the AXA Group.*

*(e) As per the definition of compensation, it includes the individual fixed pay, the individual variable pay, employer social contribution and collective profit sharing (if any) and excludes equity based compensation (stock options, performance units, performance shares, AXA Miles). All monetary figures take into account the side effects of FOREX (FOreign EXchange). .*

*(f) In 2010, no monetary figures were reported for all Alliance Bernstein entities which mainly explains the evolutions on a reported perimeter for any compensation related figure as well as for the proportions of fixed and variable pay. Hence the evolutions displayed are calculated on a comparable perimeter.*

## ENVIRONMENTAL INFORMATION

AXA is committed to reducing its direct impact on the environment by actively managing its energy, paper and water consumption, as well as carbon emissions and waste. AXA is also aware of the role it can play in promoting environmental protection awareness amongst its stakeholders, contributing to improve the understanding of global and local environmental risks, and committing to address climate change.

### Environmental management perimeter definition

AXA's direct operations, focusing on financial services, do not significantly impact the environment. AXA does not produce any significant emissions into air, water and soil, with the exception of $CO_2$. No complaints, to AXA's knowledge, relating to noise and odour issues were filed against the Group. AXA's operations and land use do not significantly threaten biodiversity.

Carbon dioxide is the most significant greenhouse gas emitted by AXA (related to fossil fuel and electricity consumption). Electronic waste is AXA's most significant hazardous type of waste. Paper is the most significant raw material consumed by AXA. As a result, AXA's environmental reporting and management processes focus on energy, water and paper consumption, as well as $CO_2$ emissions. AXA has defined related environmental management targets applicable to its operating entities.

### Performance targets

AXA has set quantitative targets for its Key Performance Indicators (KPIs) related to energy, $CO_2$ emissions, paper [1] and water consumption for the 2008-2012 period:

- Power consumption (kWh/Full Time Employee [FTE]): 20% reduction;
- $CO_2$ emissions (T eq. $CO_2$/FTE): 20% reduction;
- Water consumption ($m^3$/FTE): 15% reduction;
- Paper consumption (kg/FTE): 15% reduction.

In addition to these core objectives, AXA aims at improving its waste management, especially electronic waste, in particular by implementing the Waste Electronic and Electrical Equipment (WEEE) Directive in all AXA sites worldwide. This directive is of particular relevance to AXA Technology Services, the Group's entity managing IT equipment.

All of these targets are monitored on a regular basis and reported on annually to help local entities measure progress on their own action plans and targets.

New multi-year targets will be defined in 2012.

### Environmental reporting network, tools and perimeter

The AXA Group coordinates a network of dedicated environmental managers and employees in local subsidiaries. AXA is working with these managers to analyse indicators, identify performance targets and promote the sharing of best practices. In 2011, AXA continued to train in priority the new users to the environmental reporting process, but also existing users that require a "refresher" course. The environmental reporting training takes place through web-conferencing system and an e-learning module available both in French and in English.

In order to facilitate the environmental data collection process, the AXA Group developed an internal reporting tool that centralizes the collection, consolidation and analysis of local environmental data. Only sites featuring more than 50 FTEs are included in the targeted scope (data centers with fewer FTEs are however included). It now embraces 41 countries over five continents. The scope of the 2011 annual environmental reporting remains stable compared to 2010, with much effort focused on improving data collection accuracy through new tools that enable better data analysis. In 2011, to secure increased data quality, a formal local Chief Financial Officer (CFO) sign-off was integrated into the reporting process.

In 2011, the sixth annual transport survey, used to help estimating the amount of $CO_2$ emissions related to commuting from home to work, included all countries in the reporting scope and was available in 22 languages. In order to increase the educational component of the survey, a personalised results page was developed to provide employees with a comparison of their annual work-place commuting $CO_2$ emissions with their site, company and the Group. Environmental protection tips are also provided at the same time. In addition to increasing employees' awareness on climate change issues, this survey helps refine the Group's estimated carbon footprint by revealing the share attributable to workplace commuting.

### Environmental certification, evaluation and ratings

PricewaterhouseCoopers Audit, one of AXA SA's Statutory Auditors, reviewed the environmental reporting process (Environmental Protocol, reporting tool, organization), as well as the data collection processes of eight significant European, Asian and American countries. The auditors' statement of assurance is included in the Activity and Corporate Responsibility Report.

In 2011, 40 sites were reported to have some form of environmental certification.

In addition, the Group's environmental performance is evaluated by many players, including rating agencies serving the research needs of the socially responsible investment (SRI)

*(1) Paper has a 2009 baseline due to the changes in the reporting process.*

market. The Group is ranked above average in its industry and is also included in the three main international ethical indexes: DJSI (based on research by SAM), FTSE4GOOD (based on research by Eiris) and Aspi Eurozone (Vigeo). The Group's SRI ratings are disclosed on **www.axa.com/en/responsibility/sri**. In particular, AXA's "environmental" ratings according to the main SRI rating agencies were as follows:

- SAM (November 2011): 85/100 (up from 73/100 in 2010), compared to a sector average of 44/100;
- Vigeo (April 2010): 57/100, rating "+";
- Carbon Disclosure Project:
  - Carbon Performance: 92/100 (the insurance sector's highest score); included in the Carbon Performance Leadership Index,
  - Carbon Disclosure: 92/10 (the insurance sector's highest score); included in the Carbon Disclosure Leadership Index.

## Reducing the AXA Group's impact on the environment

The AXA Group is committed to reducing the "direct" impact of its activities on the environment, in particular by improving site management policies. Group entities, as part of their broader CR strategy, roll out action plans to reduce their environmental impact with respect to water, paper, energy consumption and $CO_2$ emissions. Key performance indicators are used to monitor the results of these plans (see performance targets).

## Power consumption

AXA's power consumption per FTE decreased by 5% in 2011 compared to 2010. The proportion of renewable energy consumed by AXA's premises is 34%. AXA's premises use electricity (77% of floor space), gas (16% of floor space) and fuel/steam (7% of floor space).

Local entities have developed various initiatives to reduce their power consumption. These include for example the rolling out of a "Green IT" strategy, initiated in 2008 by AXA Technology Services (AXA Tech), the Group's IT subsidiary, affiliated with the Climate Savers Computing Initiative (an environmental standards benchmark for all computers, screens and printers). AXA Tech expects a saving of 88 GWh by the end of 2012, compared with a 2008 power consumption basis. To reach this target, several actions have been implemented such as a server refresh and PC refresh which deploys low energy consumption servers and computers. Among the 5,600 servers eligible for the refresh, 2,300 will be replaced in 2012. At the end of 2011, 47,300 PC had been changed to low consumption PCs, representing 35% of the IT pool. At the end of 2012, this will represent 75% of the IT pool. AXA Tech is also continuing its server virtualisation strategy (reduction of the number of physical servers). At the end of 2011, 55 % of the servers were used virtually. In 2010, AXA Tech tested the implementation of an automatic power cut-off system which does not disrupt software updates. This program was successfully implemented in AXA UK, AXA Belgium and AXA Switzerland and is being rolled-out across the rest of the Group.

Within the other entities, several initiatives have been taken to lower AXA's power consumption and to better understand the Group environmental impact and raise awareness. AXA Switzerland set up new energy guidelines, which cover energy consumption in buildings (e.g. workplace appliances, lights, heating and climate control as well as building standards for new or renovated buildings) as well as energy used for mobility purposes (business traffic and workplace commuting) and demanding ecological norms have been implemented for new or renovated buildings, in line with the Group's energy guidelines. AXA Switzerland also installed a "Green Button" for its computers and laptops, which allows employees to quickly put their computers into sleep and wake mode. In addition, in 2010, AXA Switzerland started assessing the energy efficiency of its buildings. The result of this diagnosis showed that the various energy savings initiatives implemented up to now led to a 4.9% energy consumption reduction. Moreover, the entity's electricity consumption is 100% renewable (hydro and wind power). AXA France emphasizes employee behaviour change by setting up communications campaigns on water and energy consumption, highlighting actual consumption levels on a quarterly basis. AXA France also tested new environmental technologies on its premises and requires that all new office buildings should respect the French environmental certification HQE. AXA Belgium covers all its power consumption via hydroelectric power plants.

## $CO_2$ emissions: transportation and energy

AXA's $CO_2$ emissions per FTE related to energy and business travel (air, rail and car fleet) were reduced by 14% between 2010 and 2011. 58% of Group $CO_2$ emissions come from energy, 26% from business travel (air and train) and 16% from AXA's vehicle fleet. Employee commuting-related $CO_2$ emissions per FTE decreased by 4% compared to 2010 to achieved 0.95 T eq. $CO_2$ per FTE.

While multiple local entities have developed greenhouse gas emissions standards for their business travels (air, train, vehicle fleets) over the years, the Group defined common environmental travel guidelines in 2010, which were rolled out across the Group in 2011. These will be updated periodically. These guidelines define carbon emissions limits for AXA's executive and commercial vehicle fleet and encourages a tax "reward & penalty" ("bonus-malus") approach for car allowances, which are required to feature local $CO_2$ taxes in their Total Cost of Ownership calculations. The Guidelines also feature vehicle security standards and promote employee access to "safe and green driving" courses. Regarding business travel, train and economy travel is encouraged (rail is to be chosen over air for short distances when available, and business class flights, which have a larger $CO_2$ footprint may be used only for long-haul flights). Self booking tools are also required when possible to integrate $CO_2$ emissions information and offer alternatives (e.g. videoconferencing), as well as propose the compensation of $CO_2$ emissions. Finally, employees are to be provided with easy access to video conferencing facilities and online conference tools to the extent possible.

AXA Tech actively continued the roll-out of its "AXA Presence" advanced teleconferencing system which enables multi-region teams to conduct meetings that retain the feeling of face to face meetings while avoiding the significant carbon emissions and travel time associated with air travel. AXA started rolling out these tele-presence facilities in 2008. In 2011, the Group had 46 "AXA Presence" rooms installed. Thanks to this service, over 26 000 meeting have been held between 2008 and 2011, which represents savings of over 16,000 tonnes of $CO_2$. As a local example, AXA Switzerland replaced over 500 flights through the use of AXA Presence which represents around 180 tonnes of $CO_2$.

AXA Switzerland, in addition to its travel policy, implemented a car-sharing pilot program with a local service provider in order to encourage employees to combine train and car when travelling. Employees have now the opportunity to travel to the destination's closest train station and cover the remaining distance by "Mobility"-Car. AXA France, which also developed an online car-sharing facility, offered its employees the possibility to test an electric car, as well as implemented eco-driving courses for sales employees, and developed a mobility plan within its main sites. Various entities, including AXA MPS and AXA Assicurazioni in Italy, regularly compensate the $CO_2$ emissions of internal and external events. In the 2010 Transport Survey, for the first time the Group gave the opportunity to the entity with the highest participation rate to win a Group donation to support an environmental project. AXA Assurances in Gabon won this contest and financed a TV documentary, 'Friends of Nature', produced by the Wildlife Conservation Society, which raises awareness for young students on the tropical forest ecosystem in Gabon.

## Water consumption

AXA's water consumption per FTE decreased by 3% between 2010 and 2011. Related initiatives include the installation of water-saving faucets at various entities. AXA Corporate Solutions improved its cooling towers to reduce water consumption. AXA Business Services India installed water level controllers for the overhead tanks, so that there is no water overflow and resulting wastage. The entity also recycles rainwater. Entities such as AXA France and AXA Ivory Coast have improved their monitoring of meters and bills to reduce over-consumption and detect leaks. In addition, AXA France has put in place several initiatives to reduce its water consumption (e.g. reduced water pressure, installed eco aerators, etc.).

## Paper consumption

AXA's office and marketing and distribution paper consumption decreased by 27% and 17% respectively between 2010 and 2011. AXA tracks both office paper and marketing and distribution paper separately, in order to measure its impact more accurately.

Various entities have implemented a printing policy to help reduce office paper consumption and achieve the Group target of 15% reduction between 2009 and 2012. This printing policy includes reducing the number of printers, and installing an employee badging system to collect all printed documents. In addition, both the GIE and AXA France put in place a profit sharing agreement that include office paper consumption metrics. The agreement, validated by local employee representatives, incentivises employees to contribute to the Group effort. For marketing and distribution paper, AXA Equitable put in place a programme to increase the use of online rather than printed financial documents delivered to customers. Many entities are also working on improving their document management by encouraging online customer information exchanges and reducing the volume and length of commercial documentation and customer policies. For example, AXA Seguros Spain reduced the length of its policies by over 40%.

AXA is also working on increasing the volume of paper originating from recycled sources or sustainably managed forests. In 2011, AXA increased from 52% to 64% its office paper from recycled sources and from 47% to 72% its marketing and distribution paper. This trend is the result of the roll-out of various internal campaigns. In 2011, the Group rolled out environmentally-friendly paper sourcing minimum standards, which will be integrated in supplier tenders. Certain entities, such as AXA Switzerland, already source 100% of their paper from recycled or sustainably managed sources.

## Waste management

AXA is monitoring waste more closely this year and continuing to liaise with its IT business unit AXA Technology Services, for which electronic waste is of particular relevance, to ensure compliance with the Waste Electronic and Electrical Equipment (WEEE) Directive. Ink cartridges are systematically recycled by local entities, and many of them voluntarily collect various waste streams for recycling (e.g. used batteries). In 2011, 48% of ink cartridges were recycled. Other initiatives include the installation of recycling bins in meeting rooms, replacing disposable cups, plates and cutlery with non-disposable items, rolling out awareness campaigns, etc. Many entities sort, collect and recycle various types of waste such as compact fluorescent lamps, mobile phones, batteries, ink cartridges, cans, kitchen waste, etc., often in partnership with NGOs or protected employment organisations.

## Business-related environmental initiatives

In addition to reducing its operational environmental footprint, the Group seeks to minimize its "indirect" impact on the environment by offering insurance and investment solutions that promote environmentally-friendly behaviour.

## P&C insurance

Numerous offers with environmental added-value (further developed in the Group Activity and Corporate Responsibility Report) have been developed by various AXA entities in the P&C business segment:

- Retail, e.g. motor insurance encouraging low emissions vehicles, home insurance with environmental appliances upgrades;
- SMEs, e.g. encouraging “green” buildings or car fleets;
- Industrial, e.g. environmental risk prevention, promotion of the development of renewable energies via adapted policies covering the equipment and the revenues derived from electric energy sales, etc.;
- Reinsurance and claims management strategies.

In 2010, AXA’s Global Business Line P&C launched a “Green Products” initiative with a view to share existing best practices and identify market risks and opportunities. 2011 achievements included the drafting and roll-out of Group-level guidelines that are designed to help local entities develop and distribute offers addressing certain markets driven by environmental concerns. In addition to the development of various local “green” products, the AXA Group recently won a pan European RFP for a significant insurance offer covering electric vehicles.

## Asset Management

In the Asset Management business, AXA IM has developed a significant Responsible Investment (RI) expertise and tools since 2001. AXA IM developed “RI Search”, a responsible investment research, analysis and environmental, social and governance (ESG) performance evaluation tool. RI Search enables AXA IM fund managers across all areas of expertise, to easily take into account ESG criteria and carbon emissions, when managing their funds and making investment decisions. It also allows fund managers to:

- Assess the extra-financial risk of an investment or a portfolio of more than 600 companies;
- Measure a portfolio’s carbon footprint or pick companies according to their carbon intensity;
- Integrate new factors of performance and stock picking into investment process;
- Enrich client reporting and better respond to new client requirements;
- Have access to AXA IM’s RI team’s research.

AXA IM also pursues a “RI mainstreaming” strategy across asset classes, together with specific RI products and shareholder engagement services integrating ESG risks and opportunities. Since 2010, RI Search integrates information provided by Trucost, a carbon performance information provider. AXA IM is now able the measure accurately the carbon footprint of its different portfolios, to benchmark them and to integrate this data into portfolio management. Low-carbon portfolios can also be developed for clients.

In 2010-2011, AXA IM engaged in an external verification process by an independent expert, Deloitte, with regard to the compliance of its RI funds in line with the Principles of Responsible Investment. This initiative meets a growing investor demand and reinforces the transparency of the investment and management processes of AXA IM’s RI funds. Deloitte experts analysed the principles used to manage portfolio construction as well as the procedures and mechanisms related to the investment process. Subsequently, the consultants verified the construction of the portfolio and the transactions carried out over the course of the previous year for each fund. Given the lack of globally recognised and shared RI standards, with this initiative AXA IM aims to reinforce the internal rules that govern the investment choices of its RI managers and ensure that these rules are abided by. By making these rules public, AXA IM is demonstrating to investors that the construction and management of its RI funds are in line with both their expectations and their convictions.

AXA Real Estate, an AXA IM business, continues to apply environmental criteria to its real estate investment portfolio, within the framework of its Responsible Property Investing strategy. AXA Real Estate is a founding member of the Green Rating Alliance, a major industry partnership for monitoring and improving the sustainability of existing buildings. AXA Real Estate reviews environmental performance and potential through Green Rating audits, performed on a systematic basis as part of its acquisition due diligence process and focusing on six tangible indicators (energy, water, waste, well-being, transports and carbon). AXA Real Estate has also developed a proprietary “Sustainability Toolbox” for its asset managers, comprising of a focused set of efficient sustainability tools such as Automated Meter Reading, Green Leases and Green Ratings which are mutually supportive and can be applied systematically. As of 2011, 49 Green Ratings have been performed on properties under management, over 450 properties equipped with smart meters, 39 Green Leases signed in France and Germany, and a network of 19 sustainability correspondents across 9 European countries has been created.

Both AXA IM and AXA Private Equity are UN Principles for Responsible Investment (UN PRI) signatories since 2007 and 2008 respectively. AllianceBernstein also signed up to the UN PRI in 2011.

## Group investment policy

In 2010, the Group also created a Responsible Investment Committee (RIC), presided by the Group Chief Investment Officer. The RIC’s mandate is to develop a global approach to responsible investment issues which takes into account both controversial sectors on a reputation standpoint, and the more positive inclusion of ESG issues in investments processes, from a performance and risk management perspective.

In 2011, the RIC initiated the development of a comprehensive RI policy, updated the Group's controversial weapons policy, organised RI training & awareness raising sessions for key executives, and conducted an internal survey to gauge the level of interest and knowledge about RI, as well the variety of beliefs held across the Group. The committee also conducted a peer benchmark spanning a broad spectrum of RI issues and an in-depth analysis of the impact of climate-change on AXA's investment portfolio.

## AXA's position regarding climate change

Resources scarcity, climate change and the associated likely increase in natural catastrophes will have a significant impact on the insurance business over the coming decades. This impact will materialise in the form of growing or new emerging risks and liabilities, evolving investment trends, and changing customers' lifestyles, hence coverage needs.

AXA's position is not only to adapt, but to take advantage of its privileged position to provide solutions. Indeed insurers are well equipped to address climate-related risks. They can fund and promote risk research and education. They possess loss data, as well as models and tools to analyse and project this data. They have a duty to unveil and disseminate knowledge about such new risks, including poorly known threats to society. Once a proper risk assessment is made, insurers can leverage this information in order to catalyse necessary changes. They can give incentives to induce behaviour changes in consumption and living habits that impact both the causes and the consequences of climate change. Indeed risk-based insurance premiums and adapted claims management are strong incentives for society to address risks and improve its resilience. The development of new technologies, such as renewable energy, can be hindered by a lack of insurance. Even in absence of solid historical data, insurers can choose to take this "risk" and help society shift to a low carbon economy at the necessary pace.

Insurers, through their significant investments, are also well positioned to send the right signals to the investment community and to specific invested companies.

As described in the previous sections of this appendix, AXA has developed a number of initiatives that seek to address climate-related risks though its insurance and investment products, services and practices, support for academic research, as well as through the reduction of its internal carbon footprint. The development of these initiatives is coordinated at Group level, since 2010, in order to ensure their consistency and effectiveness.

This strategy addresses both the "mitigation" and the "adaptation" dimensions of climate change. They are not solely self-interested or commercially driven, but they need to be global and collective to be effective. This is why AXA also supports collaborative and complementary frameworks such as the Carbon Disclosure Project, the UN Principles for Responsible Investment, or the upcoming UN Principles for Sustainable Insurance, which will be unveiled in 2012.

## Institutional commitments to protect the environment

The AXA Group and local entities signed or joined the various initiatives in the area of environmental protection (and/or CR more generally). In 2011, AllianceBernstein, the Group's US-based global asset management entity, decided to join the UN-Principles for Responsible Investment (UN PRI). The entity has created a dedicated Responsible Investment Committee in order to ensure the Principles are an integral part of the decision-making process. Other engagements include the following: in 2010, the Group signed the World Business Council for Sustainable Development (WBCSD) manifesto for Energy Efficiency in buildings, thus committing to implement concrete actions aimed at reducing the energy consumption of its buildings. Other engagements include the "Kyoto Statement" (Geneva Association: AXA Group 2009), "Caring for Climate" (WBCSD/UNEP FI/UN Global Compact: AXA Group 2008), Carbon Disclosure Project (AXA Group partnership since 2005), "Sustainable Development Charter" (*Fédération Française des Sociétés d'Assurances*: AXA France, 2009), "Principles for Responsible Investment" (UN: AXA IM 2007, AXA Private Equity 2009, AllianceBernstein 2011), Investor Statement on Climate Change (International Investor Group on Climate Change: AXA IM, 2008).

## Legal measures and environmental expenditures

Regarding measures taken to ensure compliance with legal requirements, the main concern arises from the existence of "classified facilities" (for environmental protection purposes) such as fuel tanks for backup electricity generators, or major air conditioning systems. In 2011, the Group reported 48 sites with a specific permit. Their impact on the neighboring environment is minimal. Nevertheless, being classified, those facilities benefit from adequate maintenance and their compliance with local legal obligations is monitored regularly. The full range of expenditures incurred to promote environmental preservation is minor, local and of a heterogeneous nature, and as such, is not monitored at Group level. No specific provisions or guarantees covering environmental risks have been set aside, considering the limited litigation risks arising from the management of AXA's direct environmental footprint.

| | Unit | 2010 | 2011 |
|---|---|---|---|
| **AXA Group environmental indicators [(a)]** | | | |
| Number of employees on site, Full-Time Equivalent (FTEs) | FTE | 122,671 | 104,972 |
| Net internal area (sites) | $m^2$ | 2,398,745 | 1,966,321 |
| **POWER (sites)** | | | |
| Power consumption [(b)] | Kwh | 604,498,594 | 489,425,467 |
| **KPI: Power consumption per person** | **Kwh/FTE** | **4,929** | **4,662** |
| ***Evolution compared to 2010*** | | | **-5%** |
| **TRANSPORTATION** | | | |
| Business travel: airplane and train [(c)] | Km | 297,992,347 | 249,703,349 |
| Business travel: AXA vehicle fleet | Km | 304,203,026 | 277,304,077 |
| Home/workplace commute (round trip) [(d)] | Km | 1,287,660,394 | 1,014,065,612 |
| **CO2 EMISSIONS [(e)]** | | | |
| $CO_2$ emissions: onsite power consumption | T. eq $CO_2$ | 200,646 | 145,478 |
| $CO_2$ emissions: business travel: airplane and train | T. eq $CO_2$ | 92,646 | 65,225 |
| $CO_2$ emissions: business travel: AXA vehicle fleet [(f)] | T. eq $CO_2$ | 45,055 | 39,169 |
| **KPI: $CO_2$ emissions resulting from onsite power consumption and business travel (airplane, train, AXA vehicle fleet) per person** | **T. eq $CO_2$/FTE** | **2.76** | **2.38** |
| ***Evolution compared to 2010*** | | | **-14%** |
| $CO_2$ emissions: home/workplace commute [(g)] | T. eq $CO_2$ | 121,620 | 99,706 |
| **WATER** | | | |
| Water consumption [(h)] | $m^3$ | 1,276,738 | 1,062,581 |
| **KPI: Water consumption per person** | **$m^3$/FTE** | **10.41** | **10.12** |
| ***Evolution compared to 2010*** | | | **-3%** |
| **PAPER [(i)]** | | | |
| Office paper consumption | T | 5,269 | 3,299 |
| **KPI: Office paper consumption per person** | **kg/FTE** | **43** | **31** |
| ***Evolution compared to 2010*** | | | **-27%** |
| Paper recycled and/or guaranteeing sustainable management: office | % | 52 | 64 |
| Marketing and distribution paper consumption | T | 14,188 | 12,458 |
| **KPI: Marketing and distribution paper consumption per customer [(j)]** | **kg/customer** | **0.15** | **0.12** |
| **Evolution compared to 2010** | | | **-17%** |
| Paper recycled and/or guaranteeing sustainable management: marketing & distribution | % | 47 | 72 |
| **WASTE [(k)]** | | | |
| Unsorted waste [(l)] | T | | 7,333 |
| Sorted paper for recycling | T | | 4,665 |
| Cartridge and/or toners for recycling | % | | 48 |

*Stable reporting perimeter compared to 2010, representing the 41 most significant countries where the AXA Group is present. Key Performance Indicators (KPIs) highlighted in bold.*

*(a) In 2011, environmental indicators were collected for sites representing 94,889 FTEs (unless otherwise indicated in these footnotes) and were then extrapolated, continent by continent, to cover all 104,972 salaried FTEs working at the AXA Group as of 31/12/2011. Of note, the salaried FTE base used for extrapolation was modified in 2011 to align and reconcile with the Group's Finance Department reporting and consolidation principles. As a result, certain entities within the Asian perimeter were excluded from the extrapolation perimeter but not from the data collection scope, which explains an FTE decrease compared to previous years. In 2010, this process took place on the basis of data collected from 96,645 FTEs, extrapolated to 122,671 FTEs.*

*(b) Includes electricity, natural gas, fuel, steam and covers 94,784 FTEs.*

*(c) This data has been collected from 92,267 FTEs. In 2011, entities business travel per employee remained stable compared to 2010.*

*(d) Home/workplace commute estimations are based on an annual online transportation survey, issued to every AXA salaried employee. This data has been collected from 23,583 FTEs and then extrapolated. Sites whose response rate was below 5% have been excluded from the data consolidation process.*

*(e) The emissions factors specific to each country used for energy, train and air were revised in 2011, which has had a positive impact on the Group CO2 KPI, and is particularly noticeable for train travel. An 18% decreased is visible if 2011 emission factors are used in published 2010 data. These factors are based on standards established by ADEME (Agence de l'Environnement et de la Maîtrise de l'Énergie - France) and the International Energy Agency (IEA).*

*(f) The AXA vehicle fleet covers 89,554 FTEs. As of 2010, the data collection method for vehicle fleet was modified. Data is now collected and classified by the average grams of CO2 emitted per kilometer - to have a more precise evaluation of these emissions - rather than by type of motor, which explains some of the 2010 emissions decreases. Performance in 2011 remains stable.*

*(g) Does not include company cars, to avoid double counting with the AXA vehicle fleet data.*

*(h) This data has been collected from 86,980 FTEs. Some sites in Asia and America are not equipped with water meters, which prevents accurate measurement and excludes them from the reporting scope before extrapolation. However, entities are starting to better track their water consumption with the installation of water meters (e.g. data centers, AXA Ireland).*

*(i) Office paper indicator covers 94,807 FTEs, whilst marketing and distribution covers 91,478 FTEs, as certain entities have not been able to report this data.*

*(j) The Group had 101.000.000 customers in 2011 and 95.000.000 in 2010. The 2010 figure has been updated based on revised Group marketing data.*

*(k) Waste data is being published for the first time this year.*

*(l) Unsorted wasted covers 71,613 FTE, which is low as many entities are currently unable to monitor this waste flow.*

# APPENDIX X BOARD OF DIRECTORS' REPORT - CORRESPONDENCE TABLE

This registration document includes all the compulsory matters required to be covered in the Board of Directors' report of AXA established Pursuant to Articles L.225-100 and L.225-100-2 of the French Commercial Code.

You will find below the references to the extracts of the registration document corresponding to the parts of the Board of Directors' report as approved by the Board of Directors of the Company.

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# APPENDIX XI COMMISSION REGULATION OF APRIL 29, 2004 - CORRESPONDENCE TABLE

Annual Report (Registration Document)

filed with the AMF on March 15, 2012

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*(1) 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, 2010 and the Statutory Auditors' report on them, respectively presented on pages 237-408 and on pages 409-410 of the Annual Report (Registration Document), the French version of which was filed with the AMF (Autorité des marchés financiers) on March 18, 2011 under reference n° D11-0147;*
- *AXA's Consolidated Financial Statements for the year ended December 31, 2009 and the Statutory Auditors' report on them, respectively presented on pages 213-403 and on pages 404-405 of the Annual Report (Registration Document), the French version of which was filed with the AMF (Autorité des marchés financiers) on March 17, 2010 under reference n° D10-0117.*

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# APPENDIX XII ANNUAL FINANCIAL REPORT – CORRESPONDENCE TABLE

This Registration Document includes all the components of the Annual Financial Report (*Rapport Financier Annuel*) referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code as well as in Article 222-3 of the AMF General Regulations.

You will find below the references to the extracts of the Registration Document corresponding to the various parts of the Annual Financial Report.

## CONTACTS

Readers can address any comments and questions on this document to:

### Analysts and Institutional Investors

**AXA Group**

Financial Communication
25, avenue Matignon
75008 Paris – France
Tél. : + 33 (0) 1 40 75 57 00
E-mail: infos.web@axa.com

### Individual Shareholders

**AXA Group**

Individual Shareholders Relations
25, avenue Matignon
75008 Paris – France
Phone: 0 800 43 48 43
(toll-free number from France)
Phone: + 33 (0) 1 40 75 48 43 (call from abroad)
E-mail: actionnaires.web@axa.com

THIS ANNUAL REPORT IS ALSO AVAILABLE ON THE COMPANY'S WEBSITE AT

**www.axa.com**

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