



**RESTATEMENT OF LIFE &
SAVINGS 2004 TRADITIONAL
EMBEDDED VALUE UNDER
EUROPEAN EMBEDDED VALUE
PRINCIPLES**

Cautionary statements concerning forward-looking statements

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

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

This report includes non-GAAP financial measures. Embedded value is not based on IFRS, which are used to prepare and report AXA's financial statements and should not be viewed as a substitute for IFRS financial measures. In the attached report, the European Embedded Value is reconciled to IFRS shareholders' equity at the end of 2004. AXA believes the non-GAAP measure shown herein, together with the IFRS information, provides a meaningful measure for the investing public to evaluate AXA's business relative to the businesses of peers.

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I. Introduction

The restatement of AXA's traditional embedded value to a methodology aligned with European Embedded Value (EEV) principles, as published by the CFO Forum, represents a significant evolution. This report documents the transition to the new methodology underlying reported embedded value, with the aim of further increasing the level of transparency in terms of the elements of value, and quantifying the impact of financial market risk. The revised approach uses sophisticated stochastic models that capture the impact of financial movements on value, allowing for the actions anticipated to be taken in those circumstances to manage the business, and behaviour of policyholders under those circumstances.

The scope of this report is AXA's Life & Savings business only. Further, since the report focuses on the restatement of traditional embedded value (EV) to an EEV basis, it differs from the normal style of report that has been published in the past, in two key respects:

- it includes a reconciliation of both the traditional EV and new business value to an EEV basis as at 12/31/04, and
- it provides information only as at 12/31/04, and specifically not on the movement during 2004.

AXA plans to publish the results on an EEV basis as at 12/31/05, along with earnings, on 2/28/06. At that time a report will include both the 12/31/05 results and an analysis of the change in value on an EEV basis over 2005.

Components of AXA Life & Savings European Embedded Value

The European Embedded Value (EEV) of AXA Life & Savings activities is derived from the statutory and IFRS accounts of AXA Life & Savings entities. It is presented net of minority interests.

AXA's methodology for 2004 Life & Savings EEV complies with the CFO Forum's EEV Principles. In particular, it:

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

The EEV of the Life & Savings operations of AXA Group included in the scope consists of the following elements:

- **Adjusted Net Asset Value (ANAV)**. This represents the tangible net assets. It is derived by aggregating the local regulatory (statutory) balance sheets of the life insurance companies restated with surplus assets at market value; these totals are reconciled to the Life & Savings IFRS equity.
- **Value of inforce (VIF)**. This is the present value of local regulatory (statutory) profits projected over the entire future duration of existing liabilities, with provision for the cost of

financial options and guarantees, and net of the cost of holding additional capital required to support the business.

The Life & Savings VIF is made of the following three elements:

- the base value is a *certainty equivalent Present Value of Future Profits (PVFP)*, which is the value of the business considered without taking credit for any future investment risk premiums (which are the expected excess returns of equities, corporate bonds, etc. over the risk free rate). This value reflects the intrinsic value of the O&G,
- the base value is then reduced by the *time value of O&G*, which is valued in a manner consistent with the approach used in financial markets to value O&G,
- a charge for *CoC/NFR* is deducted, which is the economic cost incurred through the payment of investment expenses and taxes on investment income of assets held in excess of the policyholder reserves. The amount of such assets is equal at least to the level to maintain capital consistent with a AA rating at each entity on a standalone basis, net of implicit items that can be used to support capital requirements.

As additional information, AXA derives implied discount rates (IDRs) for each business unit. These are the discount rates which would reproduce the VIF from a deterministic projection of statutory distributable earnings (profit less movement in required capital) in an illustrative “real world” scenario. These discount rates are therefore a result rather than an assumption. The assumptions in the illustrative real world scenario impact only the IDRs and not the EEV; if different real world assumptions were used, the IDRs would change but the EEV would remain the same.

In summary, for Life & Savings operations included in the scope of projections, the IFRS shareholders’ equity is replaced by the market value of assets which could be extracted immediately from the business based on local regulations, plus the present value of future available cash-flows also based on local regulations. Future business sales are not included. As in the IFRS accounts, Japan is consolidated using their data as of the end of September rather than end of December.

The EEV of Life & Savings operations not included in the scope of projections (listed in the Scope section below) is estimated by the sum of IFRS shareholders’ equity and IFRS unrealized capital gains and losses not included in the shareholders’ equity (the total value of entities not in the scope of projections is Euro 302 million, or less than 1.2% of the Life & Savings EEV).

As mentioned above, AXA has chosen not to reflect on a “look-through” basis in Life & Savings EEV the profits of its investment management companies on the assets managed for Life & Savings operations. This choice is linked to the commercially sensitive nature of disclosing margins for companies that also manage third-party assets, and because Alliance Capital units are publicly-traded in their own right. In addition, the units of Alliance Capital held by US Life entities in the Group are not valued at their current market value of Euro 3.7 billion (gross of tax) in the Life & Savings EEV; instead, these units are carried at their cost basis of Euro 0.7 billion.

Scope

LIFE BUSINESS INCLUDED IN PROJECTIONS OF CASH-FLOWS

AXA's Life & Savings segment offers a broad range of Life insurance products including retirement products as well as Health insurance products for both individuals and groups (i.e. corporate clients). The Life & Savings segment accounted for Euro 42.3 billion or 63% of AXA's consolidated IFRS gross revenues for the year ended December 31, 2004.

Cash flows projected in the VIF are from the following entities:

- **Europe :**

France (includes Health), United Kingdom, Germany (includes Health), Belgium, Netherlands, and Southern Europe (Italy, Spain, Portugal)

Health business is included in France and Germany because of its close relationship to life insurance business while it is excluded in other countries as in those countries it is closer in nature to P&C business.

- **North America :**

United States

- **Asia / Pacific region :**

Japan, Australia, New Zealand, Hong Kong

As of 12/31/04, the business projected in VIF represented 99% of total Life & Savings technical reserves and 99% of total Life & Savings revenues.

The net asset value of the unmodeled Life & Savings entities is equal to Euro 302 million which represented 1% of the total net asset value of the Life & Savings segment.

LIFE BUSINESS EXCLUDED FROM PROJECTIONS OF CASH-FLOWS

The following operations have Life & Savings business included in the Life ANAV but are excluded from the VIF calculation:

- **Europe and North Africa :**

Morocco, Switzerland, Luxembourg, Turkey

- **North America :**

Canada

- **Asia / Pacific region :**

China (other than Hong Kong), Singapore

II. Highlights

Overview of 2004 Life & Savings European Embedded Value

<i>Euro million, except when otherwise noted</i> <i>Group share</i>	2004 Traditional EV	2004 EEV	Change due to EEV
Life & Savings ANAV	10 982	11 331	3,2%
Life & Savings VIF	15 861	14 295	-9,9%
Life & Savings EV	26 843	25 627	-4,5%

AXA's Life Embedded Value is 4.5% lower than in the Traditional framework.

Life & Savings **ANAV** increased by 3% to Euro 11 331 million, mainly due to a change in the treatment of the Inherited Estate in the UK which reallocated value between ANAV and VIF.

Life & Savings **VIF** decreased by Euro 1.6 billion compared to the Traditional PVFP less Cost of Capital, mainly due to the combined impacts of the certainty equivalent approach and the introduction of some O&G costs based on stochastic scenarios in most of the countries.

Life & Savings **VIF** can be broken down between the 3 following items:

<i>Euro million, Group share</i>	
certainty equivalent PVFP	17 954
Less: time value of O&G	-2 053
Less: CoC/NFR	-1 606
Market Consistent VIF	14 295

The certainty equivalent PVFP is Euro 0.5 billion lower than the Traditional PVFP, reflecting the negative impact of the elimination of future investment margins, which was only partly offset by the positive impact of applying a lower discount rate.

The time value of O&G of Euro 2.1 billion reflects the difference between the stochastic market consistent value and the deterministic certainty equivalent PVFP.

CoC/NFR is the cost of holding at least the capital required to obtain a AA rating at each operation on a standalone basis; this cost is approximately Euro 0.5 billion higher than maintaining the minimum local regulatory requirements.

2004 EEV New Business metrics for Life & Savings operations

<i>Euro million, except when otherwise noted</i> <i>Group share</i>	2004 Trad. EV basis	2004 EEV basis	Change due to EEV
Annualized Premium Equivalent (APE)	4 743	4 807	1%
Present Value of Expected Premiums (PVEP)	40 124	42 125	5%
New Business Value (NBV)	774	895	16%
NBV/APE	16,3%	18,6%	
NBV/PVEP	1,9%	2,1%	

Life & Savings **New Business APE** are mainly impacted by new treatment of flexible premiums under EEV in line with the CFO Forum principles (countries affected are France, Belgium).

Life & Savings **NBV** increased by 16%, as the time value of O&G on new business was more than offset by the positive impacts of certainty equivalent valuation and other adjustments. These other adjustments results from a broad review of the projection methodology pursuant to the adoption of the market consistent valuation approach, which led to the release of some conservatism built into the Traditional assumptions and the change of models to deal with stochasticity and the EEV Principles.

Life & Savings **NBV** can be broken down between the 3 following items:

Euro million, Group share

certainty equivalent PVFP	1 134
Less: time value of O&G	-153
Less: CoC/NFR	-86
Market Consistent NBV	895

Reconciliation of 2004 Traditional EV to EEV for Life & Savings operations

Reconciliation of Life & Savings EEV (<i>Euro million - Group share</i>)	ANAV	VIF	EEV
2004 Life & Savings EV - Traditional EV based	10 982	15 861	26 843
Flexible premium modeling	0	337	337
Impact of certainty equivalent valuation	0	-937	-937
Impact of stochastic valuation of time value of O&G	0	-2 053	-2 053
Other adjustments	349	1 088	1 437
Change in assumptions		797	797
Model Refinement and Others	349	291	640
2004 Life & Savings EEV - EEV based	11 331	14 295	25 627

ANAV increased, mainly due to a change in the treatment of the Inherited Estate in the UK.

In the Traditional EV, the Inherited Estate treatment followed the terms of the scheme of arrangement, with the ANAV reflecting a discounted value of the assets supporting the Inherited Estate. In compliance with EEV Principles, the ANAV now reflects the face value of assets, but a reduction in value for the fact that assets can not be immediately distributed to shareholders is reflected in the cost of capital.

VIF decreased compared to the Traditional PVFP less CoC mainly due to the combined impacts of the certainty equivalent approach and the introduction of market consistent O&G costs. Adopting a market consistent approach led to a broader review of the projection methodology. This resulted in the release of some conservatism built into the Traditional assumptions and the change of models to deal with stochasticity and the EEV principles.

Reconciliation of Life & Savings NBV (Euro million, Group share)	TOTAL NBV
2004 Life & Savings NBV - Traditional EV based	774
Impact of certainty equivalent valuation	160
Impact of stochastic valuation of time value of O&G	-153
Other adjustments	113
Change in assumptions	98
Model refinements and others	15
2004 Life & Savings NBV - EEV based	895

NBV increased owing to the positive impacts of certainty equivalent valuation and of model refinements, which more than offset the time value of O&G.

Reconciliation of 2004 Life & Savings IFRS shareholders' equity to ANAV

December 31, 2004

Euro million, Group share

Life & Savings Shareholders' equity	26 647
Net URCG not included in Shareholders' equity	801
Goodwill	-6 063
Deferred Acquisition & Origination Costs (DAC & DOC)	-4 720
Value of Business Inforce (VBI)	-1 917
Other intangibles (1)	-80
Pension adjustment	0
UCG projected in PVFP & other Stat-GAAP adjustments	-3 337
Life & Savings Adjusted Net Asset Value (ANAV)	11 331

(1) Other intangibles are reduced by 178m representing Goodwill, DAC and VBI of unmodelled Life & Savings operation which is not eliminated in ANAV, so that the Goodwill, DAC, VBI tie to the Financial Supplement.

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

Life & Savings ANAV is made of two components: (1) required capital consistent at least with the level to obtain a AA rating at each operation on a standalone basis, net of implicit items that can support capital requirements, and (2) free surplus above this required capital. The breakdown of Life & Savings ANAV for 2004 is as follows:

<i>Euro million, Group share</i>	2004
Required Capital	8 953
Free Surplus	2 378
Life & Savings Adjusted Net Asset Value (ANAV) (*)	11 331

(*) Similar to Traditional EV, Life & Savings ANAV reflects the US Life's holding in Alliance Capital at cost (Euro 684 million or Euro 5.60 per unit) rather than at market value (Euro 3 762 million or Euro 30.83 per unit as of 12/31/04)

III. Methodology and assumptions

AXA Life & Savings EEV consists of the following elements:

- Life & Savings Adjusted Net Assets Value (ANAV): This represents the tangible net assets. It is derived by aggregating the local regulatory (statutory) balance sheets of the life companies and reconcile with the Life & Savings IFRS shareholders' equity.
- Life & Savings Value of Inforce (VIF): This represents the discounted value of the local regulatory (statutory) profits projected over the entire future duration of existing liabilities.

Life & Savings New Business Value (NBV) is the value of the new business sold during the 12 months to 12/31/04. The new business value includes both the initial cost, or strain, to sell new business and the future earnings and return of capital to the shareholder.

ANAV methodology

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

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

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

AXA's Life & Savings ANAV methodology under the EEV framework is essentially the same as under the Traditional EV, except for the treatment of the UK Inherited Estate.

In the Traditional EV, the UK Inherited Estate valuation made implicit allowance for financial and non-financial risk by applying a discount rate to the face value of the assets for the period of 'lock in'. Under the terms of the scheme of arrangement, the Inherited Estate assets are 'locked in' to the long term funds until they are no longer required to provide with-profits policyholders the level of security implied by the scheme. Under traditional EV a discount was applied to the market value of assets of the Inherited Estate to take account of the risks faced by these assets during the period of 'lock in'. Under EEV allowance for financial and non-financial risks are made explicitly through the use of stochastic models and market consistent pricing techniques. No change has been made to the period of 'lock in'. In particular the new methodology allows explicitly for risks to the Inherited Estate in that:

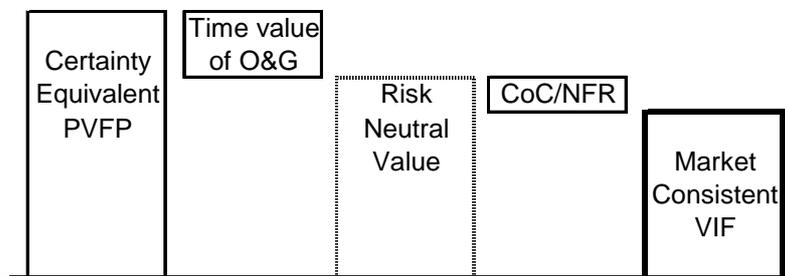
- The Inherited Estate asset is valued as a future distribution rather than an asset that is distributable
- Allowance is made for shareholder taxes for the period of 'lock-in' and on distribution, and
- Explicit modelling of the potential for the asset to be permanently transferred to the with-profits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

VIF methodology

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

- the base value is a *certainty equivalent PVFP*, which is the value of the business considered without taking credit for any future investment risk premiums (which are the expected excess returns of equities, corporate bonds, etc. over the risk free rate). This value reflects the intrinsic value of the O&G but not their time value nor non-financial risks,
- the base value is then reduced by an *allowance for the time value of O&G*, which is valued in a manner consistent with the approach used in financial markets to value O&G: the net value is therefore a *risk neutral value*, it is the value of the business adjusted for all financial risks,
- a final reduction is made for the *CoC/NFR* which is the lock-in cost of capital and provision for other operational and insurance risks.

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



- Time value of options and guarantees (O&G)

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

- the interest rate guarantees on traditional products (such as guaranteed cash values, guaranteed annuity options (GAOs), etc.)
- the profit sharing rules (bonus rates, credited interest rates, policyholder dividends, etc), which combined with guarantees can create asymmetric returns for shareholders.
- the guaranteed benefits (GMDB, GMIB) on unit-linked annuity products and no lapse guarantees in life insurance contracts.
- the dynamic policyholder behavior, that is, the options (such as full or partial surrender, premium discontinuance, annuitization, etc.) that policyholders can elect at a time that disadvantages the company

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

$$\text{Time value of O\&G} = \text{Risk neutral value less Certainty equivalent PVFP}$$

The exceptions to this general treatment are Netherlands, Italy, and Portugal where the time value of O&G is calculated through a variety of modeling approaches, and the risk neutral value is derived by subtracting this from the certainty equivalent PVFP.

- Methodology for calculating the risk neutral value

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

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

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

- Methodology for calculating the CoC/NFR

This item is based on the cost of holding capital corresponding to the highest of 1) the capital required by internal economic capital models before any Group diversification benefits, 2) the local regulatory requirement, and 3) the capital required to obtain a AA rating locally on a standalone basis, net of implicit items that can be used to support capital requirements. This can be considered to provide a provision for two elements: 1) a cost of locked-in capital, and 2) an additional provision for other non-financial risks.

The cost of capital is the economic cost incurred through the payment of investment expenses and taxes on investment income of assets held in excess of the policyholder reserves. The amount of such assets is equal to the higher of regulatory capital and the capital requirements resulting from the internal economic capital model, and is considered to be locked-in.

The non-financial risks represent the economic cost incurred through the exposure of the company to insurance and operational risks. In theory, insurance and operational risk can be fully diversified. However since these calculations are based on a company level, AXA assumes an allowance for non financial risk. As of today, there is no established market practice for the estimation of the non financial risks. Hence AXA has calculated the allowance for non financial risk by assuming a higher locked-in capital base.

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

NBV methodology

The value of new business sold during the twelve months to 12/31/04 is consistent with the methodology outlined for the VIF. The new business value will include both the initial costs or strain to sell the business and the future earnings and return of capital to the shareholder.

It should also be noted that the value of the in force includes all business as at 12/31/04. This includes the future earnings and return of capital for business written in 2004.

No value is placed on future new business sales.

The assumptions for valuing New Business VIF are consistent with overall inforce VIF; that is, they are set to reflect year-end conditions.

Flexible Premium Modeling

New business includes new contracts written in the current year. If future flexible premiums are reasonably predictable, for example they are included in pricing the contract and/or there is stable historical experience, then they and the benefits associated with them are included in the projection of future cash flows. That is they are included in the calculation of VIF, and to the extent they are related to contracts sold in the current year they are part of NBV. If policy additions are the result of significant new marketing activity, and were not anticipated at the time of original contract sale, then such additions are reflected as new business. This treatment of future flexible premiums is required by the EEV Principles and Guidance, and represents a change from Traditional EV in France and Belgium; in the new methodology the future premiums are now treated as expected renewals at the time of issue, whereas under the Traditional EV approach each premium received was considered a new single premium.

Implied Risk Discount Rate - Traditional EV vs. EEV

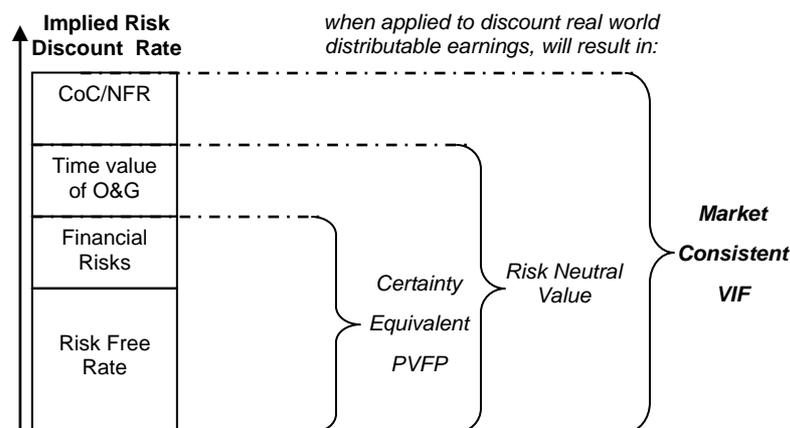
In Traditional EV, the discount rate is an assumption reflecting the overall risks of the company. The value is determined by discounting projected earnings and required capital flows at the risk discount rate.

In a market consistent EEV, the value of the projected earnings, allowing for financial risks, time value of the O&G, and non financial risks is the result of a stochastic valuation technique. As a result, the equivalent implied risk discount rate (IDR) is derived from a bottom up assessment of the risk. It is the discount rate that would reproduce the VIF from a deterministic projection of statutory distributable earnings (profit less movement in required capital) in an illustrative "real world" scenario. Specifically it is not an assumption used to determine the value. The IDR will vary depending on the economic assumptions used to deduce it, however it in no way affects the market consistent value. It is a useful measure of the risk reflected in the overall value estimate given a set of assumptions about future asset returns. In particular it allows comparison across countries of the components of EEV, and can be indirectly related to the Traditional approach. The IDR for 2004 result cannot be directly compared with the Traditional EV 2004 results due to substantial difference in the economic assumptions (the illustrative assumptions are described in the Appendix).

The total implied risk discount rate therefore reflects:

- the risk free rate of the local economy,
- a margin for financial risks (to get to the base certainty equivalent value from a projection with assumed future investment margins),
- an allowance for the time value of the O&G (to get to the risk neutral value),

- an allowance for the cost of capital and non financial risks (to get to the market consistent VIF).



The implied risk discount rate will differ for each country, and both for in force and new business. The illustrative real world asset return assumptions used in calculating Implied Discount Rates can be found in Appendix 1.

Economic Assumptions:

The following table shows the *government bond yield curves as at 31 December 2004*. The economic scenarios have been calibrated using these market conditions as targets, in order to be market consistent.

Government Yield Curves (par yields as at December 31th 2004)					
	EuroZone	USA	Japan	UK	Australia
3 months	2,04%	2,22%	0,001%	4,72%	
6 months	2,07%	2,59%			
1 year	2,24%	2,75%	0,010%	4,37%	5,14%
2 years	2,48%	3,08%	0,114%	4,44%	5,05%
3 years	2,62%	3,25%	0,239%	4,46%	5,08%
5 years	3,03%	3,63%	0,610%	4,49%	5,21%
7 years	3,36%	3,94%	0,946%	4,51%	5,27%
10 years	3,68%	4,24%	1,441%	4,54%	5,33%
15 years	3,95%		1,629%	4,54%	5,38%
20 years	4,12%	4,85%	2,070%	4,50%	
25 years					
30 years	4,28%		2,399%	4,41%	

Hong Kong results are based on US asset classes, as Hong Kong policies are mainly denominated in US\$.

The approach to setting *market consistent volatility* targets in a risk neutral calculation focuses on the implied volatility of market prices for different asset classes. For example, we have set targets for 20 year swaptions implied volatilities for bond yields, and equity options implied volatility, at year 5, 10 and 20, for each of the major areas outlined in the table below.

Target volatilities						
	Equities			20 yr Swaptions		
	year 5	year 10	year 20	year 5	year 10	year 20
USA	17,1%	16,2%	19,6%	9,6%	8,4%	6,9%
EuroZone	19,7%	20,7%	22,6%	11,1%	10,1%	8,4%
Japan	22,7%	21,5%	21,9%	12,4%	11,9%	9,8%
UK	18,7%	18,2%	21,5%	12,0%	10,3%	8,3%
Australia	20,2%	19,5%	22,3%	11,7%	10,0%	7,9%

AXA's approach to setting volatility targets is to have a long term view of the market risks given the long dated maturities of the options and guarantees embedded in our life insurance contracts. Therefore we have taken the approach to target option implied volatility by observing both on a short term and long term basis market implied volatilities. In addition, these targets are compared to the historical option implied volatilities for all asset classes including interest rates and equities.

Market implied volatilities are not available for all asset classes at a given point in time. By using market observations as outlined above, we believe our assumptions are consistent between asset classes and reflect market conditions.

Correlations measure the extent to which various asset classes and economies move together over time. The correlation of equity returns, inflation, bond yields, and economies, has been set with reference to historical market data. It is not possible to estimate a "market consistent correlation" at a single point in time, as there are almost no financial instruments available with sufficient liquidity from whose price we can, in an objective manner, derive market consistent correlations. The calibration targets are shown in the table below.

Correlations (of equity returns and inflation, 10y yield, and of equity returns across economies)							
	Intra Economy		Across Economies				
	- Inflation	- 10y yield	USA Equity	Euro Equity	Japan Equity	UK Equity	Australia Equity
Equity							
USA	12%	15%	100%	64%	46%	65%	61%
Euro	10%	10%		100%	48%	61%	60%
Japan	7%	8%			100%	41%	44%
UK	10%	10%				100%	62%
Australia	10%	11%					100%

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

2004	Asset Mix (FI/Equity/ other)
United States	76/2/22
France	80/11/9
United Kingdom	45/45/10
Japan	83/6/11
Benelux	67/13/20
Australia	36/42/22
Hong-Kong	69/27/3
Germany	87/9/4
Southern Europe	86/10/4

Actuarial assumptions

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

As part of the overall assessment of the provisions for risks and uncertainties within the EEV framework, some of the assumptions used in our Traditional EV have been revised. For example, in the US and Japan, the historical trend of past mortality improvements for life insurance business has been assumed to continue for part of the future projection at a more conservative level than historical experience. However, consistent with Traditional EV, annuity business reflects the expected continuation of past mortality improvement trends into the future; this combination of partially reflecting improvement trends for life insurance business while fully reflecting it for annuities is still on balance prudent.

Exchange rates

ANAV and VIF are calculated using end of year 2004 exchange rates.

New business metrics are calculated using average 2004 exchange rates.

2004	FX Rates (Local/EUR)	
	EoY	Avg
United States	0,734	0,804
France	1,000	1,000
United Kingdom	1,418	1,474
Japan	0,007	0,008
Benelux	1,000	1,000
Australia	0,573	0,592
Hong-Kong	0,094	0,103
Germany	1,000	1,000
Southern Europe	1,000	1,000

Tax assumptions

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

2004	Tax Rate
United States	35,0%
France	34,4%
United Kingdom	30,0%
Japan	36,2%
Benelux	33,4%
Australia	30,0%
Hong-Kong	0,875% of premiums
Germany	40,0%
Southern Europe	33,4%

Expenses

There is no significant change in expense treatment between Traditional EV and EEV, as AXA already used a look-through basis for administrative services company expenses.

The EEV methodology makes full provision for all expenses. The VIF includes the present value of future projected expenses related to Life & Savings business. No productivity gains are built into the projected future expenses, and a provision is made for future inflation. Base general price inflation rates are shown below; these are modified as appropriate for specialized areas (such as healthcare costs).

2004	Inflation Rate
United States	2,50%
France	2,00%
United Kingdom	2,22%
Japan	0,50%
Benelux	2,19%
Australia	2,50%
Hong-Kong	2,50%
Germany	1,25%
Southern Europe	1,67%

Consistent with IFRS disclosures, operating entities are recharged most holding companies' expenses, which therefore are included in local unit costs.

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

<i>Euro million, Group share, pre-tax</i>	2004
United Kingdom	116
United States	39
France	26
Other countries	27
Total excluded expenses	208

The largest amount of excluded expenses is in the UK, and is primarily related to the launch of a new Protection offer. In the United States, the excluded expenses are mainly related to the integration of MONY. In France, significant excluded expenses are for the launch of a PERP product offer, exceptional retirement benefits and for work related to implementation of Sarbanes-Oxley requirements.

Modeling of participating and adjustable credited rates business

Participating business is generally characterized by the following key features:

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

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

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

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

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

Where there are participating funds that can be apportioned between shareholders and policyholders, the limited residual funds at the end of the 30 year projection period are apportioned between shareholders and policyholders.

IV. Detailed results

Reconciliation of 2004 Traditional EV to EEV for Life & Savings operations – by country

Reconciliation of Life EEV (Euro million - Group share)	US	France	UK	Japan	Benelux	Australia	HK	Germany	Southern europe	Unmodeled	Total Life
2004 Life & Savings EV - Traditional EV based	7 496	6 814	4 070	2 713	2 732	617	781	686	644	290	26 843
Flexible premium modeling	0	239	0	0	98	0	0	0	0	0	337
Impact of certainty equivalent valuation	-481	220	-46	-1 174	129	53	168	153	41	0	-937
Impact of stochastic valuation of time value of O&G	-473	-757	-110	-48	-425	-3	-58	-145	-35	0	-2 053
Other adjustments	617	148	127	286	-12	-8	0	261	6	12	1 437
Change in assumptions	488			109				200			797
Model refinements and others	129	148	127	177	-12	-8	0	61	6	12	640
2004 Life & Savings EEV - EEV based	7 159	6 664	4 041	1 777	2 522	658	892	955	656	302	25 627
of which Life ANAV	1 754	3 577	2 328	1 083	1 189	269	219	222	389	302	11 331
of which Life VIF (incl. CoC/NFR, O&G)	5 406	3 088	1 713	693	1 333	389	672	733	268		14 295

ANAV is made of two components: (1) required capital consistent at least with the level to obtain a AA rating at each operation on a standalone basis, net of implicit items that can support capital requirements, and (2) free surplus above this required capital. The breakdown of ANAV for 2004 is as follows:

Euro million, Group share	US (1)	France	UK	Japan	Benelux	Australia	HK	Germany	Southern europe	Unmodeled	Total Life
Required Capital	2 108	2 735	2 005	0	1 151	186	197	223	348		8 953
Free Surplus	-354	842	323	1 083	39	83	22	-1	40	302	2 378
Life & Savings Adjusted Net Asset Value (ANAV) - IFRS based	1 754	3 577	2 328	1 083	1 189	269	219	222	389	302	11 331

Notes:

1. US Life & Savings ANAV reflects the US Life's holding in Alliance Capital at cost (Euro 684 million or Euro 5.60 per unit) rather than at market value (Euro 3 762 million or Euro 30.83 per unit as of 12/31/04).

The reconciliation from traditional EV to EEV has been summarized into components as outlined in the table above.

The adjustment for **flexible premium modeling** reflects a broader definition of what premiums can be included in future cash flows. In traditional EV, generally only premiums where collection was highly automated and predictable (such as when automatic bank debits were used for billing) could be included in projected cash flows. Other flexible premiums were considered single premiums when received. According to EEV Principles, if the flexible premiums are reliably predictable and are intrinsic to the product design and pricing, then they can be included in the future cash flows. This has the effect of increasing the EEV relative to the traditional EV.

The **impact of certainty equivalent valuation** reflects changes related to certainty equivalent PVFP compared to traditional PVFP, as well as changes related to CoC/NFR compared to traditional CoC.

The certainty equivalent PVFP corresponds to the value of the business without taking credit for any future investment risk premiums. That is, assets supporting the business are assumed to earn the risk free rate. Cash flows are discounted at the risk free rate to reflect the lack of the risk premiums, and also because allowance for non financial risk (insurance and operational risk) is made separately through explicit adjustments to value. Traditional PVFP included assumed future investment risk premiums, but applied a discount rate higher than the risk free rate. Generally, the impact of this change from traditional EV is to remove value dependent upon achieving future investment spreads and to increase the value of technical margins (sources of profit which are not dependent on financial market performance).

The CoC/NFR has been separately calculated from the PVFP. No allowance is made for any investment spreads which are earned on the capital while it is "locked in", that is, it earns the risk free rate. Similarly since the tax and investment expenses are not dependent on market performance they are valued accordingly, that is, discounted at the risk free rate. Therefore, when moving from the traditional to EEV framework the "cost of capital" calculation is impacted in two ways:

- the capital is no longer assumed to earn future investment premiums which increases the cost, and
- the net of tax and expense capital flows are discounted at the risk free rate reducing the cost.

Generally, the net effect will be to reduce the cost of capital when moving from the traditional to EEV basis and hence increase the value overall.

The impact of certainty equivalent valuation will be positive when the removal of the value placed on future investment premiums not included in certainty equivalent is more than offset by the higher value placed on the remaining investment and technical margins.

The **impact of stochastic valuation of time value of O&G** reflects AXA's market consistent valuation of the time value of options and guarantees.

Other adjustments includes the impacts of modelling changes (some required by the introduction of stochastic techniques, some made available because of improved systems since traditional EV was published), a review of assumptions used in light of the overall valuation framework, and updates to the estimated market value of non-traded assets where substantial new information about value as of 12/31/04 became available subsequent to the publication of traditional EV (the Advest subsidiary in the US and the Japanese headquarters building).

Where there are items of interest in specific countries, they are described below.

United States:

Compared to Traditional EV of Euro 7 496 million, EEV stands at Euro 7 159 million due to:

- Euro (481) million reflects the impact of the certainty equivalent valuation which is generated in large part by a significant corporate bond exposure in the General Account as well as fee income linked to unit-linked funds where policyholders have elected equity exposure and the inclusion of expected volatility costs within the certainty equivalent calculation for hedged unit-linked guarantees.
- Euro (473) million impact of stochastic valuation of the value of options and guarantees, reflecting the unhedged and non-reinsured GMDB/IB guarantees, the cost of minimum guarantees for interest-sensitive business, the crediting rate policy and the impact of policyholder behaviour under varying financial market conditions
- Euro 617 million of other adjustments mainly reflecting revision to the level of assumed mortality improvement, on a realistic but conservative basis, for life insurance business (+289m), further refinement to the allowance for tax deductions (+199m) and a restatement of the value of Advest (+79m).

France:

Compared to Traditional EV of Euro 6 814 million, EEV stands at Euro 6 664 million due to:

- Euro 239 million reflecting the recognition of flexible premiums
- Euro 220 million reflects the impact of the certainty equivalent valuation especially on required capital

- Euro (757) million impact of stochastic valuation of the value of options and guarantees from guaranteed interest rates in Investment & Savings contracts, surrender options in savings, and guaranteed death benefits on unit-linked contracts.
- Euro 148 million reflecting an update of the tax rate taking into account changes in the French fiscal regime.

United Kingdom:

Compared to Traditional EV of Euro 4 070 million, EEV stands at Euro 4 041 million due to:

- Euro (46) million reflects the impact of the certainty equivalent valuation
- Euro (110) million impact of stochastic valuation of the value of options and guarantees
- Euro 222 million due to the change in treatment of the Inherited Estate, which increased the ANAV more than it decreased the VIF
- Euro (95) million due to various model refinements.

Japan:

Compared to Traditional EV of Euro 2 713 million, EEV stands at Euro 1 777 million due to:

- Euro (1 174) million reflects the impact of the certainty equivalent valuation, most notably driven by the high intrinsic cost of O&G included in the certainty equivalent PVFP. The absence of future investment risk premiums in the certainty equivalent framework means that many of the products in force, with high levels of options and guarantees, are deep in the money.
- Euro (48) million impact of stochastic valuation of the value of options and guarantees. Note that the time value of O&G is small as the certainty equivalent PVFP captures most of the O&G cost.
- Euro 286 million primarily reflecting revision to the level of the trend of assumed mortality improvement for life insurance products (on a realistic but still conservative basis), revision of the morbidity basis for collective medical on a realistic but conservative assumption basis (+109m mortality and morbidity combined effect) and a restatement of the market value of Japan's headquarter building (+154m).

Benelux (Belgium + Netherlands):

Compared to Traditional EV of Euro 2 732 million, EEV stands at Euro 2 522 million mainly due to:

- Euro 98 million reflecting the recognition of flexible premiums, mainly for Crest products
- Euro 129 million reflects the impact of the certainty equivalent valuation
- The Euro (425) million impact of stochastic valuation of the value of options and guarantees, primarily in two product areas:
 - Guaranteed Individual investment & savings products sold in the late 1990's/early 2000's, with high optionality linked to high guarantees with large equity exposure (the tax free gains on equities have much less value in a market consistent framework)
 - Traditional Group Life contracts, primarily group savings retirement products, with high guaranteed rates relative to the current interest environment

Australia:

Compared to Traditional EV of Euro 617 million, EEV stands at Euro 658 million mainly due to:

- Euro 53 million reflects the impact of the certainty equivalent valuation

Hong Kong:

Compared to Traditional EV of Euro 781 million, EEV stands at Euro 892 million due to:

- Euro 168 million reflects the impact of the certainty equivalent valuation.
- Euro (58) million impact of stochastic valuation of the value of options and guarantees from National Life and Smart Series products.

Germany:

Compared to Traditional EV of Euro 686 million, EEV stands at Euro 955 million due to:

- Euro 153 million reflects the impact of the certainty equivalent valuation
- Euro (145) million impact of stochastic valuation of the value of options and guarantees reflecting high guaranteed rates ranging from 2.75% to 4% on conventional life in conjunction with a high level of policyholder participation. The time value of O&G is partially mitigated by the free component of the RfB (policyholder bonus reserve). This free RfB represents the amount of policyholder bonus reserve which has not been credited to policyholders yet.
- Euro 261 million stemming from assumption and modeling refinements, implemented in the process of transitioning to an EEV basis. Main impacts are:
 - Euro 125 million to better reflect the nature of the profit sharing arrangements, including dynamic modeling of the RfB acting as a smoothing reserve (aligning with German market convention while maintaining a level of prudence).
 - Euro 75 million from lower CoC/NFR, due to alignment of assumptions with German market convention regarding implicit items supporting capital requirements (such as SÜA (terminal bonus fund) and free RfB).
 - Euro 67 million from refinement of the projection tool with a separate modeling of the disability products and a refined modeling of unit-linked business.

Southern Europe:

Compared to Traditional EV of Euro 644 million, EEV stands at Euro 656 million mainly due to:

- Euro 41 million reflects the impact of the certainty equivalent valuation.
- Euro (35) million impact of stochastic valuation of the value of options and guarantees stemming from variable interest rate guarantees and annuity guarantees.

Breakdown of Life & Savings VIF (EEV) – by country

<i>Euro million, Group share</i>	Certainty	Time Value of	CoC/NRF	Market
	Equivalent	O&G		Consistent VIF
	PVFP			
	2004	2004	2004	2004
United States	6 281	-473	-402	5 406
France	4 303	-757	-459	3 088
United Kingdom	2 124	-110	-301	1 713
Japan	818	-48	-76	693
Benelux	1 919	-425	-162	1 333
Australia	442	-3	-49	389
Hong-Kong	769	-58	-39	672
Germany	950	-145	-72	733
Southern Europe	348	-35	-46	268
TOTAL Life & Savings	17 954	-2 053	-1 606	14 295

Implied VIF (EEV) Risk Discount Rate – by country

In %	Risk Free Rate 2004	Margin for Financial Risk 2004	Time Value of O&G 2004	CoC/NRF 2004	VIF Risk Discount Rate 2004
United States	4,83%	2,45%	0,66%	0,62%	8,56%
France	3,92%	1,97%	1,20%	0,88%	7,97%
United Kingdom	4,56%	0,15%	0,34%	0,61%	5,66%
Japan	2,05%	11,67%	0,60%	1,03%	15,35%
Benelux	4,34%	2,20%	1,61%	0,74%	8,89%
Australia	5,50%	1,50%	0,10%	0,60%	7,70%
Hong-Kong	4,57%	1,67%	0,66%	0,57%	7,47%
Germany	4,42%	0,62%	1,38%	0,84%	7,25%
Southern Europe	3,74%	0,76%	0,99%	1,51%	7,00%
TOTAL Life & Savings	4,39%	2,26%	0,94%	0,76%	8,34%

The **Risk Free Rates** in this table reflect the current yields at 12/31/2004 at the average liability duration for inforce business.

The **Margin for Financial Risk** component of IDR reflects the shareholder portion of future investment margins in the illustrative real world scenario and the cost of any guarantees that are in the money in the certainty equivalent PVFP (i.e. comparing guarantees to current risk-free rates). As an example of the impact of guarantees, if the guaranteed rate for a product is 4.5%, the targeted investment spread is 1.5%, and the current risk free rate is 5%, then the margin for financial risk will reflect the impact of only 0.5% spread being achievable (risk free – guarantee).

The **time value of O&G** component of IDR reflects the impact of a stochastic market consistent valuation of financial O&G beyond the intrinsic value. This includes policyholder dynamic behavior (decisions to lapse or exercise other options) in response to changing economic conditions across scenarios. Some dynamic management actions that compensate for the costs of O&G are modeled, although the full range of available management actions is not included in projections (this leads to a somewhat conservative view of time value of O&G).

The **CoC/NRF** component of IDR reflects the level of required capital to obtain a AA rating (or higher) and its runoff pattern.

Where there are items of interest in specific countries, they are described below.

United States:

- The margin for financial risks results from 1) the high percentage of unit linked liabilities with equity election by policyholders, 2) a general account business largely backed by corporate bonds, and 3) the reflection of expected volatility costs within the certainty equivalent calculation for hedged unit-linked guarantees. An alternative presentation could have used a purely deterministic approach to the hedged benefit costs and resulted in a lower margin for financial risk but with an exact offset in the time value of O&G.
- The time value of O&G reflects the unhedged and non-reinsured unit-linked guarantees and the cost of minimum guarantees for interest sensitive business and the cost of dynamic policyholder behavior.

France:

- The margin for financial risks results from 1) general account exposure to some equities, corporate bonds and other non-risk-free assets, 2) unit-linked business, albeit with relatively

low equity election by policyholders, and 3) some limited in-the-money guarantees on certain products.

- The time value of O&G mainly reflects capital guarantees and interest rate guarantees, especially on certain Group contracts and older Individual contracts.

United Kingdom:

- The terms of the re-attribution scheme compel AXA to hold a higher level of capital in AXA Sun Life than is required for a AA rating. Consequently the risk to shareholder interests is low relative to other AA rated companies. The VIF IDR, calculated excluding the Inherited Estate assets, would be 8.3%, compared to 5.7% as reported. This demonstrates that the risks inherent in the underlying insurance business are comparable with other UK insurance companies.
- The margin for financial risks results from with-profits contracts (which are still the largest portion of the inforce) and unit-linked business with significant backing from equities and other non-risk-free assets. However, the mechanical effect of the Inherited Estate creates a net very low financial risk margin.
- The time value of O&G reflects relatively low level of guaranteed products, with the exception of guaranteed annuity options which have hedge protection. There is also the large Inherited Estate and other funds available to support with-profits business

Japan:

- The margin for financial risks reflects 1) the high level of guarantees present in the inforce portfolio, and 2) the large impact of real world future investment assumptions relative to the current low level of interest rates. Risk-free interest rates in Japan are low enough that the intrinsic value of the guarantees is very large relative to their time value. The cost of guarantees that are in the money in a certainty equivalent scenario are very large, and mean that the discount rate needed to be applied to the profits in a real world scenario (including both investment margins and technical margins) is disproportionately high.
- The cost of the time value of O&G is small, because as noted above the inforce guarantees are already deeply in the money and risk-free interest rates are low, so that the impact of both bad and good scenarios largely goes to shareholders rather than being asymmetrical.

Benelux (Belgium + Netherlands):

- The margin for financial risks results stems from 1) a significant shareholder exposure to equity returns (which are tax-advantaged in Belgium), and 2) in-the-money guarantees on certain inforce products.
- The time value of O&G reflects significant guaranteed interest rates with costs beyond those captured in the margin for financial risks, especially in Belgium.

Australia:

- The margin for financial risks reflects the relatively low dependence of shareholder value on investment spreads relative to technical margins as the product mix is predominantly weighted towards investment products, where the investment spread is to the benefit of the policyholder, and protection products supported primarily by fixed interest and cash portfolios.
- The time value of O&G reflects the fact that very few products in Australia carry options and guarantees. Where guarantees exist they are of a very low level, capital guarantee only, and there are almost no products with guarantees of future performance. The two main product lines with guarantees of some form, investment account and participating with profits business, have additional reserves to absorb losses and smooth bonuses and crediting rates.

Hong Kong:

- The margin for financial risks results from 1) shareholder exposure to returns on non-risk-free assets supporting the main portfolios of individual insurance contracts, and 2) in-the-money guarantees on a closed block of retirement products.
- The time value of O&G reflects the discipline of actively managing policyholder dividends. As a result of the long duration of these products, and hence the ability to smooth bonus rates over an extended period, the cost of O&G is mitigated. Recent generations of products also have lower guarantees than older generations.
- The provision for CoC/NFR has been adjusted to reflect the fact that in Hong Kong, tax is assessed on premiums rather than income, so the cost of capital is close to zero (reflecting only investment expenses). Therefore a “notional rate of tax” has been applied, based on the aggregate rate applying to the Group.

Germany:

- The margin for financial risks reflects the limited participation of the shareholders in investment returns as most investment gains are passed through to the policyholder. Because the shareholder has limited upside exposure but provides a guarantee, a large proportion of investments backing conventional life products are invested in fixed income assets.
- The time value of O&G represents the cost of guaranteed interest rates on conventional life products. This is offset by unit linked life products with immaterial embedded options and the low cost of O&G on health products where premiums and interest rates are adjusted on a yearly basis.

Southern Europe:

The IDR for Southern Europe is mainly driven by the life and savings business in Spain as it represents 65% of the total inforce.

- The margin for financial risks is low as a result of a very conservative investment mix in the General Account.
- The time value of O&G is linked to the high guaranteed interest rate credited on the inforce in Spain for some policies. These policies will come to maturity in the next 5-10 years. The guaranteed interest rates for the inforce in Portugal and Italy are lower with most policies with high guaranteed rates (i.e. above 4,25%) coming to maturity at the end of 2005.
- The provision for CoC/NFR reflects high capital costs in Italy. This is due to a large portion of the business being single premium conventional life policies with high capital requirements in Italy.

2004 New business metrics by country – Traditional EV vs. EEV

<i>Euro million - Group share</i>	United States	France	United Kingdom	Japan	Benelux	Australia	Hong-Kong	Germany	Southern Europe	TOTAL Life
Full Year 2004 - Traditional EV based										
Regular premiums	423	414	283	436	79	12	60	376	28	2 111
Single premiums	10 593	6 171	4 299	688	1 592	1 880	27	91	963	26 304
Annualized Premium Equivalent (APE)	1 482	1 030	713	505	238	200	62	387	125	4 743
Capitalization factor	7,0	9,7	6,0	3,4	5,8	5,7	4,3	7,4	5,0	6,5
Present Value of Expected Premiums (PVEP)	13 547	10 171	5 998	2 156	2 048	1 949	284	2 867	1 104	40 124
New Business Value (NBV)	249	88	39	218	60	17	43	39	23	774
NBV/APE	16,8%	8,5%	5,5%	43,1%	25,2%	8,2%	68,1%	10,1%	18,4%	16,3%
NBV/PVEP	1,8%	0,9%	0,7%	10,1%	2,9%	0,8%	15,0%	1,4%	2,1%	1,9%
Full Year 2004 - EEV based										
Regular premiums	423	414	275	433	190	26	60	376	28	2 225
Single premiums	10 593	5 373	4 393	718	1 252	2 418	27	89	963	25 826
Annualized Premium Equivalent (APE)	1 482	951	713	505	315	268	62	387	125	4 807
Capitalization factor	6,5	8,7	4,7	7,1	7,7	7,1	5,7	9,1	6,2	7,3
Present Value of Expected Premiums (PVEP)	13334	8991	5694	3782	2715	2600	368	3502	1139	42125
New Business Value (NBV)	232	103	51	279	58	21	47	74	27	895
NBV/APE	15,7%	10,9%	7,2%	55,3%	18,4%	8,0%	75,5%	19,1%	22,0%	18,6%
NBV/PVEP	1,7%	1,2%	0,9%	7,4%	2,1%	0,8%	12,8%	2,1%	2,4%	2,1%
New Business IRR	13,9%	9,1%	9,0%	14,3%	9,8%	17,7%	42,0%	17,7%	17,7%	

The Traditional EV amounts include the ones restated and published the 28th of July 2005

The reconciliation from the traditional to EEV basis has been summarized into components as outlined in the table below, in a manner consistent with the reconciliation done for inforce. Of particular interest is *flexible premium modeling*, which impacts the new business in two ways: the flexible premiums to be received in the future on new policies are recognized, but the flexible premiums received during the last twelve months on policies issued in prior years are no longer recognized as new business. Therefore, the combined impact could either be positive or negative depending on the relative sizes of older business and current year's sales.

Reconciliation of Life & Savings NBV (Euro million, Group share)	US	France	UK	Japan	Benelux	Australia	HK	Germany	Southern Europe	Unmodelled	Total Life
2004 Life & Savings NBV - Traditional EV based	249	88	39	218	60	17	43	39	23	0	774
Flexible premium modeling	0	-27	0	0	27	0	0	0	0	0	0
Impact of certainty equivalent valuation	-33	48	14	40	49	5	8	24	5	0	160
Impact of stochastic valuation of time value of O&G	-39	-15	0	0	-72	0	-3	-19	-5	0	-153
Other adjustments	55	10	-1	22	-6	0	0	30	4	0	113
Change in assumptions	47			22				29			98
Model refinements and others	8	10	-1		-6	0	0	1	4	0	15
2004 Life & Savings NBV - EEV based	232	103	51	279	58	21	47	74	27	0	895

Where there are items of interest in specific countries, they are described below.

United States:

NBV decreases from Euro 249 million to Euro 232 million mainly due to:

- Euro (33) million reflects the impact of the certainty equivalent valuation
- Euro (39) million impact of stochastic valuation of the value of options and guarantees stemming from cost of minimum guarantees for interest sensitive business and the cost of dynamic policyholder behaviour

- Euro 55 million of others adjustments mainly reflecting an update in mortality trend for life insurance products (+15m) on a realistic but conservative assumption basis and an adjustment to tax deduction assumption (+32m)

France:

APE decreases from Euro 1 030 million to Euro 951 million reflecting the change in recognition of flexible premiums

NBV increases from Euro 88 million to Euro 103 million due to:

- Euro (27) million reflecting the change in recognition of flexible premiums
- Euro 48 million reflects the impact of the certainty equivalent valuation
- Euro (15) million impact of stochastic valuation of the value of options and guarantees stemming from guaranteed rates in Investment & Savings contracts, surrender option in savings and unit-linked guarantees with guaranteed death benefits.
- Euro 10 million reflecting an updated tax rate modeling

United Kingdom:

NBV increases from Euro 38 million to Euro 52 million mainly reflecting the impact of the certainty equivalent valuation

Japan:

NBV increases from Euro 218 million to Euro 279 million due to:

- Euro 40 million reflects the impact of the certainty equivalent valuation, with the particularity that the intrinsic value of O&G is immaterial for new business as compared to inforce.
- The impact of stochastic valuation of the value of options and guarantees is immaterial as participating business is only a small portion of new business and interest rate guarantees are low. Most of the new business consists of protection products with small or no saving feature.
- Euro 22 million reflecting an update in mortality trend for life insurance products

Benelux (Belgium + Netherlands):

APE increases from Euro 238 million to Euro 315 million reflecting the change in recognition of flexible premiums, specifically the product "Crest". Due to the sales volumes of "Crest" compared to the inforce portfolio size, the positive impact of future flexible premiums tied to the new business more than offset the decrease linked to exclusion of flexible premiums tied to inforce business.

NBV decreases from Euro 60 million to Euro 58 million due to:

- Euro 27 million reflecting the change in recognition of flexible premiums
- Euro 49 million reflects the impact of the certainty equivalent valuation
- Euro (72) million impact of stochastic valuation of the value of options and guarantees, mainly due to policyholder bonuses constraints in non unit-linked products and Group Life product in Belgium. This high cost is due to high competition in the guaranteed rate market, the current low level of interest rates, and a relatively high level of investments in equities.

Australia:

APE increases from Euro 200 million to Euro 268 million due to a change in the APE modeling methodology to reflect the inclusion of funds inflows into the joint venture with Alliance Capital.

NBV increases from Euro 17 million to Euro 22 million mainly reflecting the impact of the certainty equivalent valuation

Hong Kong:

Life NBV increases from Euro 43 million to Euro 48 million mainly reflecting the impact of the certainty equivalent valuation

Germany:

Life NBV increases from Euro 39 million to Euro 75 million mainly due to:

- Euro 24 million reflects the impact of the certainty equivalent valuation
- Euro (19) million impact of stochastic valuation of the value of options and guarantees which reflect lower guaranteed rates currently set at 2,75%. Although this is lower than the guaranteed rates on in-force, the free RfB cannot completely neutralize the optionality of conventional life. Furthermore the shift of the new production towards unit-linked business with an immaterial optionality reduces the allowance for O&G even further.
- Euro 31 million stemming from assumption and modeling refinements, implemented in the process of transitioning to an EEV basis. Main impacts are:
 - Euro 14 million to better reflect the nature of the profit sharing arrangements, including dynamic modeling of the RfB acting as a smoothing reserve (aligning with German market convention while maintaining a level of prudence).
 - Euro 2 million from the refinement of the projection model mainly impacted by the separate modelling of the disability products and the refined modelling of unit linked business.
 - Euro 15 million lower CoC/NFR due to alignment of assumptions with German market convention regarding implicit items supporting capital requirements (such as SÜA (terminal bonus fund) and free RfB).

Southern Europe:

Life NBV increases from Euro 23 million to Euro 27 million mainly reflecting the impact of the certainty equivalent valuation

Breakdown of Life & Savings NBV – by country

<i>Euro million, Group share</i>	New Business			Life Market
	CE PVFP -	Time Value of	CoC/NRF	Consistent
	Strain	O&G		NBV
	2004	2004	2004	2004
United States	292	-39	-21	232
France	147	-15	-29	103
United Kingdom	51	0	0	51
Japan	281	0	-2	279
Benelux	147	-72	-17	58
Australia	24	0	-2	21
Hong-Kong	52	-3	-2	47
Germany	102	-19	-9	74
Southern Europe	37	-5	-5	27
TOTAL Life & Savings	1 134	-153	-86	895

Implied NBV Risk Discount Rate – by country

In %	Risk Free Rate	Margin for Financial Risk	Time Value of O&G	CoC/NRF	NBV Risk Discount Rate
	2004	2004	2004	2004	2004
United States	4,73%	4,12%	0,70%	0,40%	9,95%
France	4,03%	1,25%	0,29%	0,60%	6,17%
United Kingdom	4,56%	2,24%	0,00%	0,00%	6,80%
Japan	1,80%	2,63%	0,00%	0,05%	4,48%
Benelux	4,08%	0,95%	2,26%	0,68%	7,97%
Australia	5,50%	0,90%	0,00%	0,50%	6,90%
Hong-Kong	4,57%	0,85%	0,52%	0,30%	6,24%
Germany	4,46%	0,21%	1,18%	0,65%	6,50%
Southern Europe	3,74%	0,10%	0,90%	1,03%	5,77%
TOTAL Life & Savings	3,63%	2,59%	0,69%	0,44%	7,34%

The components of the IDR were described in the section on inforce IDRs. Where there are items of interest in specific countries, they are described below.

United States:

- The margin for financial risks is driven by the same factors as inforce, compounded by a business mix reflecting higher proportion of unit-linked business where policyholders largely elect equities and the reflection of the expected volatility on hedged unit-linked guarantees in the certainty equivalent value.
- The time value of O&G is similar to inforce, as a result of two offsetting factors: 1) inforce includes a large portion of closed block liabilities with no O&G cost, and 2) inforce includes some older unit-linked guarantees that are neither hedged nor reinsured.
- The provision for CoC/NFR is lower for new business due to a higher proportion of unit-linked business in new sales than the inforce.

France:

- The margin for financial risks is lower than inforce, reflecting a change in the product mix towards unit-linked (with relatively low equity election by policyholders) and the absence of any in-the-money guarantees on new business
- The time value of O&G is lower than inforce, as new General Account business written has guaranteed interest rates reset annually. In addition, new unit-linked contracts offer only limited GMDB guarantees.
- The provision for CoC/NFR is lower for new business due to a higher proportion of unit-linked business in new sales than the inforce.

United Kingdom:

- The total VIF IDR for new business is higher than inforce, reflecting the large impact of the Inherited Estate on the inforce calculation as explained above.
- The time value of O&G reflects no guarantees in new business
- New business benefits from the support of the Inherited Estate, insofar as there is no additional capital requirement above regulatory requirements to maintain a AA rating. The level of the Inherited Estate for the UK business as a whole, inforce and new business, significantly exceeds the amount required to cover risks at a AA level. The tax cost of the Inherited Estate is fully reflected in inforce business, and hence the CoC/NFR for new business is nil.

Japan:

- The much smaller margin for financial risks for new business than inforce reflects the strategic shift in new business to protection products (representing 85% of individual new business), which rely less on investment margins for future profitability. The inforce business has a large portion of negative spread business which inflates its margin for financial risk. The new business margin for financial risk is still significant relative to other markets due to the shareholder exposure to non-risk-free asset returns (predominantly corporate bonds).
- The cost of the time value of O&G is small, because sales have shifted to products which do not provide the costly guarantees of the inforce portfolio. In addition, policyholder dynamic behaviour does not create the costs in Japan that it does in other markets, because tax incentives and insurance coverage provide incentives to stay inforce across all scenarios.
- The low CoC/NFR reflects the small amount of capital needed in the Japanese environment to support the new sales which are heavily weighted towards protection products.

Benelux (Belgium + Netherlands):

- The much smaller margin for financial risks for new business than for inforce results from new sales having lower guaranteed rates. This means the target shareholder profit is achievable even assuming risk-free asset returns, while policyholders and not shareholders receive the extra asset returns in the real world scenario.
- The time value of O&G is higher for new business than inforce because, while reduced guarantees lowered total option costs, a lower intrinsic value leaves a larger portion in time value. The time value is still high compared to other regions due in large part to capital guarantees on business with a significant equity backing ratio.

Australia:

- The margin for financial risks is lower than for inforce business due to the lower level of shareholder equity market exposure associated with new business. New business is primarily investment products where investment performance is fully attributed to the policyholder, and protection products supported by fixed income and cash. In comparison, inforce business has a higher proportion of equities supporting the closed with profits business.
- The time value of O&G is nil as there are no options and guarantees on new business.

Hong Kong:

- The margin for financial risks is lower than on inforce, reflecting the much lower level of guarantees, causing there to be no products where the guarantees are “in the money”, but offset to a lesser extent by the higher equity backing ratio of the supporting assets.
- The time value of O&G and the provision for non financial risks for new business compared to inforce reflect again the lower guarantees, and the reduced level of capital support needed for the new business products.

Germany:

- The IDRs for the margin for financial risk as well as the allowance for O&G are lower than for the inforce mainly due to the shift of new business product to unit-linked business as well as the reduction of guaranteed rates to 2,75% on the production of conventional new business in Life. The IDR for the health business is in line with the inforce.

Southern Europe:

- The components of IDR are lower than for inforce which reflects the change in business mix, as only 24% of the new business has O&G of which 75% are related to variable interest rate guaranteed products.

V. Sensitivities

Definition of sensitivities

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

Upward parallel shift of 50 basis points in risk-free 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, 3) expense inflation, and 4) risk-discount rates. Policyholder and management behaviour is adjusted to be consistent with these conditions. For 2004 disclosure AXA is using a 50 basis point shift, but in the future 100bp shifts will be used. This impacts ANAV, VIF, CoC/NFR, and NBV.

Downward parallel shift of 50 basis points in risk-free rates is the same as above but with a shift downward.

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 behaviour is adjusted to be consistent with these conditions. This impacts ANAV, VIF, CoC/NFR (to the extent required capital levels are linked to asset values) and NBV.

10% lower value of equity markets at the start of the projection same as above but a decrease.

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

Overall and permanent decrease of 10% in expenses applies only to non-commission and commission-related expenses. This impacts VIF and the VIF part of NBV. As the expense reflected in ANAV movement and the New Business Strain included in the NBV is the actual historical figure the strain is not adjusted for this sensitivity.

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

5% lower mortality rate for life business reflects the increased profit on life insurance business from assuming 5% lower mortality rate. This impacts VIF, CoC/NFR and NBV.

There are several other sensitivities recommended by the CFO Forum which AXA does not provide, because of the market consistent valuation basis that has been chosen. These include sensitivity to **different risk discount rates** (because in AXA's process the risk discount rate is an output rather than an input) and sensitivity to **different equity risk premiums** in future investment earnings (since in the market consistent approach assumed investment returns in excess of the risk free rate are removed).

2004 Life & Savings EEV and NBV sensitivities – by country

Life & Savings EEV sensitivities (Euro million, Group share)	United States	France	United Kingdom	Japan	Benelux	Australia	Hong-Kong	Germany	Southern Europe	TOTAL Life EEV
Upward parallel shift of 50 bp in risk-free rates	46	59	-71	74	110	-17	18	62	-2	278
Downward parallel shift of 50 bp in risk-free rates	-62	-186	67	-64	-169	17	-7	-135	9	-529
10% higher value of equity markets at start of projection	359	336	203	133	189	20	36	20	17	1 313
10% lower value of equity markets at start of projection	-371	-399	-197	-133	-161	-20	-35	-72	-12	-1 401
Overall 10% decrease in the lapse rates	454	149	91	209	47	12	62	2	4	1 031
Overall and permanent decrease of 10% in expenses	316	431	82	116	69	17	10	13	7	1 061
5% lower mortality rate for annuity business	-6	-9	-19	-14	-15	-2	0	0	-18	-83
5% lower mortality rate for life business	194	61	20	97	169	18	22	0	4	585

Life & Savings NBV sensitivities (Euro million, Group share)	United States	France	United Kingdom	Japan	Benelux	Australia	Hong-Kong	Germany	Southern Europe	TOTAL Life NBV
Upward parallel shift of 50 bp in risk-free rates	16	-15	0	35	-1	-1	0	-3	2	33
Downward parallel shift of 50 bp in risk-free rates	-22	12	0	-37	1	1	0	-6	-1	-53
10% higher value of equity markets at start of projection	50	6	5	0	11	0	0	3	1	75
10% lower value of equity markets at start of projection	-50	-5	-5	0	-10	0	0	-12	0	-82
Overall 10% decrease in the lapse rates	49	18	10	42	10	1	3	3	1	138
Overall and permanent decrease of 10% in expenses	24	45	22	10	10	1	1	2	4	119
5% lower mortality rate for annuity business	3	0	-3	0	0	0	0	0	0	0
5% lower mortality rate for life business	10	4	1	8	21	1	0	0	1	45

VI. Glossary

- ANAV:** *Adjusted Net Asset Value.* The tangible net assets on a marked-to-market-value basis derived equivalently either from consolidating the local regulatory (statutory) balance sheets or adjusting the consolidated IFRS balance sheet.
- APE:** *Annual Premium Equivalent.* A measure of new business volume, equal to 100% of regular premiums on newly issued recurring premium contracts plus 10% of single premiums received. APE links closely to the current period cash inflow of business, but is adjusted from the raw premium number because typically single premium policies will generate less profit than recurring premium policies.
- Certainty Equivalent PVFP:** The present value of future statutory after-tax profits, projected over the remaining duration of liabilities; in a scenario where all investments are assumed to earn the risk-free rate.
- IDR:** *Implied Discount Rate.* This is the discount rate which would reproduce the market consistent VIF from a deterministic projection of statutory distributable earnings in an illustrative “real world” scenario. This is presented in components, building up from a risk free rate (reflecting average liability duration), a margin for financial risks (reflecting the shareholder portion of future investment margins in the illustrative “real world” scenario and cost of any guarantees that are in the money in the certainty-equivalent PVFP), time value of O&G (reflecting the impact of a market consistent stochastic valuation of financial O&G beyond the intrinsic value), and CoC/NFR.
- CoC/NFR:** *Cost of Capital/Non-Financial Risks.* This is the cost of holding capital in excess of the policy reserves. The level of capital held is at least the estimated amount necessary to obtain a AA-rating (or higher if local regulatory basis or internal Economic Capital models have a higher requirement), net of implicit items.
- NBV:** *New Business Value.* The value of new business issued during the current year, after deducting the CoC/NFR. The value of new business issued during the current year consists of the VIF of new business at the end of the year plus the statutory profit result of the business during the year. Usually the first year statutory profit is negative due to the costs of acquiring business; this negative profit at the point of sale is commonly referred to as “new business strain.” AXA calculates this value net of tax.
- NBV/APE Margin:** Equals NBV divided by APE.
- NBV/PVEP Margin:** Equals NBV divided by PVEP.
- Time value of O&G:** *Time value of Options & Guarantees.* This is the difference between the value of business determined across a range of scenarios and the value determined in a single scenario. The single scenario contains some intrinsic value of O&G that are “in the money” in that scenario, and the stochastic projection allows the total value of the O&G to be determined. The difference represents the time value.

- PVEP:** *Present Value of Expected Premiums.* A measure of new business volume, equal to the present value at time of issue of the total premiums expected to be received over the policy term. The present value is determined at the New Business IDR. While the measure is not as closely linked to cash received in the current period as APE, the ratio of NBV/PVEP is a more economical indicator of profit margin than is the ratio of NBV/APE. The amount of PVEP, and therefore its change from one period to the next, is dependent on the New Business IDR.
- VIF:** *Value of inforce.* The discounted value of local regulatory (statutory) profits projected over the future duration of existing liabilities.

VII. Tillinghast Opinion

Tillinghast has assisted AXA in developing the methodology and reviewing the assumptions used in the restated embedded value at December 31, 2004, and the restated 2004 new business value, for the principal life operations of the AXA Group. Our review included the reconciliation of the restated values to the corresponding values published in February 2005, and the sensitivities shown in Section V of the Restatement Report.

Tillinghast has concluded that the methodology and assumptions comply with the EEV Principles. In particular:

- The methodology makes allowance for the aggregate risks in the covered business through the market consistent methodology set out in Section III of the Restatement Report, which includes a stochastic allowance for the cost of financial options and guarantees;
- The operating assumptions have been set with appropriate regard to past, current and expected future experience;
- The economic assumptions used are internally consistent and consistent with observable market data; and
- For participating business, the assumed bonus rates, and the allocation of profit between policyholders and shareholders, are consistent with the projection assumptions, established company practice and local market practice.

The methodology and assumptions used also comply with the EEV Guidance (noting the disclosed exception concerning the treatment of affiliated investment management companies).

Tillinghast has also performed limited high-level checks on the results of the calculations and has confirmed that any issues discovered do not have a material impact on the disclosed embedded values and new business values. Tillinghast has not, however, performed detailed checks on the models and processes involved.

In arriving at these conclusions, Tillinghast has relied on data and information provided by AXA.

Appendix 1: Asset Return Assumptions for Implied Discount Rates

As explained in the main report, the risk-neutral valuation method applied in AXA's EEV means that assumptions about future return spreads for different asset classes do not affect the reported EEV. The methodology is equivalent to assuming that the expected return on all asset classes is the risk-free rate. However, to facilitate comparisons to other companies, and to Traditional EV, we have made calculations with illustrative real world future investment returns, and derived implied risk discount rates.

2004	FI Return	Equity Return	Cash Return	Real Estate Return	"Other" Return
United States	6,54%	9,40%	4,30%	6,96%	7,08%
France	4,36%	8,85%	3,16%	6,14%	4,55%
United Kingdom	5,00%	8,19%	3,50%	6,44%	0,00%
Japan	3,45%	7,00%	5,75%	0,00%	5,75%
Benelux	4,33%	7,64%	2,97%	6,17%	0,00%
Australia	5,50%	9,50%	5,00%	7,25%	0,00%
Hong-Kong	5,45%	9,32%	0,85%	4,84%	0,00%
Germany	4,26%	8,00%	0,00%	6,20%	0,00%
Southern Europe	4,46%	7,53%	1,92%	3,07%	0,00%

Appendix 2: Reconciliation of 2004 Life & Savings shareholders' equity to ANAV – FGAAP vs. IFRS

The table below reflects the main adjustments described in the section III and Components of AXA's European Embedded Value, comparing side by side FGAAP and IFRS.

December 31, 2004 <i>Euro million, Group share</i>	Traditional FGAAP	EEV IFRS	Change
Life & Savings Shareholders' equity	25 490	26 647	4%
Net URCG not included in Shareholders' equity	3 958	801	
Goodwill	-6 889	-6 063	
Deferred Acquisition & Origination Costs (DAC & DOC)	-5 263	-4 720	
Value of Business Inforce (VBI)	-2 710	-1 917	
Other intangibles (1)	-88	-80	
Pension adjustment	-1 069	0	
UCG projected in PVFP & other Stat-GAAP adjustments	-2 447	-3 337	
Life & Savings Adjusted Net Asset Value (ANAV)	10 982	11 331	3%

(1) Other intangibles are reduced by 178m representing Goodwill, DAC and VBI of unmodelled Life & Savings operation which is not eliminated in ANAV, so that the Goodwill, DAC, VBI tie to the Financial Supplement.

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

Life & Savings UCG projected in PVFP and other Stat-GAAP adjustments decreased by Euro 890 million as the Euro 360 million increase related to the new treatment of the Inherited Estate was more than offset by a mechanical adjustment to unrealized gains due to more stringent impairment rules under IFRS.