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3.1 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 ADSs 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 3.2 of this Annual Report and this Section 3.1 should be read in conjunction with Section 3.2. In those cases where the risks described in this Section 3.1 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 3.1, 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 the management devotes very substantial resources to risk management on an on-going basis as described in Section 3.2 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 3.1.

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 may materially adversely affect our business and profitability, and these conditions may continue

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 two fiscal years. A wide variety of factors including concerns over the availability and cost of credit, the stability and solvency of financial institutions and other companies, future inflation, 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 volatile oil prices, depressed real estate markets, volatile equity market values, declining business and consumer confidence and the risks of increased future inflation and unemployment, have precipitated a significant economic slowdown in many of the countries where we do business. While there are some signs of a recovery in some countries, management believes we are in a period of slow growth 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, which have affected a broad range of asset classes and sectors. As a result, the market for fixed income instruments has continued to experience increased price volatility, credit downgrade events, and increased probability of default. Global equity markets, while improved from 2008, continue to be volatile, with many major markets ending the year still down significantly from their peak.

These events and the continuing market upheavals, 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 products and Variable Life products. In particular, protracted or steep declines in the stock or bond markets typically reduce the popularity of unit-linked products. Also, the account value of these products will be affected by a downturn in financial markets and decreased account values will 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, 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 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, 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 of policies, 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.

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, junior 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 on favorable terms, or at all.

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. As at December 31, 2009 the Company's consolidated solvency margin was 171% (taking into account the proposed 2009 dividend payment of €0.55 per share) which represented a €15.6 billion capital surplus at that date: (i) €22.1 billion of required capital ⁽¹⁾, versus (ii) €37.7 billion of available capital ⁽²⁾. The Company's year-end 2009 solvency margin is significantly higher than its consolidated solvency margin at December 31, 2008 (127%) and at December 31, 2007 (154%). While management believes that consolidated solvency calculation methodologies and calculations are not entirely uniform and comparable across markets and between companies, the Company's consolidated solvency margin is lower than the consolidated solvency margin ratios published by certain of the Company's principal competitors. 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.

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 two 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. For example, in 2009, ACAM (*Autorité de Contrôle des Assurances et des Mutuelles*) undertook a review of Variable Annuity products sold in France as well as the Group's hedging platforms and processes used to hedge certain risks associated with its Variable Annuity business. ACAM's review raised various issues including with respect to compliance of the French Variable Annuity product with French legal requirements and certain aspects of AXA France's statutory reserving methodology for its Variable Annuity business. Discussions with ACAM⁽³⁾ on this review and actions to be undertaken by the Group in response are on-going. 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 through loans, capital contributions or other mechanisms including approximately €2.44 billion loaned to its US subsidiary AXA Financial Inc. that was used to enhance the capitalization of AXA Financial's insurance subsidiaries. In the current financial market environment, management believes that its insurance subsidiaries may become increasingly dependent on the Company for capital resources and funding over the coming months.

Ratings agencies also take into account the Company's consolidated solvency margin and the regulatory capital position of its insurance subsidiaries in assessing our financial strength and credit ratings. Ratings 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 regulatory capital which may negatively impact the Company's regulatory 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.

In the context of the financial crisis, 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.

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 the context of

(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.

(3) 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*.

the current financial market crisis and the deterioration in the credit and equity markets over the past months, certain rating agencies have lowered their outlook on the life insurance sector to negative from stable and have downgraded a growing number of companies. In February 2009, (i) Standard & Poor's affirmed its AA counterparty credit and financial strength ratings on AXA's principal insurance subsidiaries and its A+ counterparty credit ratings on the Company, but revised its outlook on these ratings to negative from stable and indicated that they "believe that AXA's fundamentals are sound and are highly likely to help the Group withstand market conditions and keep ratings in the 'AA' category in the medium term"; and (ii) Moodys' Investors Services reaffirmed the Aa3 counterparty credit and financial strength ratings on AXA's principal insurance subsidiaries and its A2 counterparty credit rating on the Company and maintained its stable outlook. In March 2009, Fitch Ratings downgraded the financial strength ratings of AXA's principal insurance subsidiaries from AA to AA- (one notch) and also downgraded the Company's senior debt from A+ to A- (two notches), subordinated debt from A to BBB+ (two notches) and short term debt from F1+ to F1 (one notch). Fitch Ratings also revised its outlook on these ratings to negative from stable. 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.

Losses due to defaults by financial institution counterparties and other third parties, impairment of our investment assets and unrealized losses could all negatively affect the value of our investments and reduce our profitability

Third parties that owe us money, securities or other assets may not perform under their obligations. These parties include issuers whose securities we hold in our investment portfolios (including mortgage-backed, asset-backed 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. These 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. Negative trends and investment climates in our major markets, such as those experienced in the course of the last two years, may result in an increase in impairments on our invested assets. 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 of a major market participant 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 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. 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 2009 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.

Market conditions and other factors could adversely affect the carrying value of our goodwill, cause us to accelerate amortization of our DAC and VBI and/or to derecognize deferred tax assets and deferred participation assets which could have a material adverse effect on our consolidated results of operations and financial position

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 2009 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. The value of certain of our businesses including, in particular, our US asset management and US unit-linked life insurance and 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, 2009, management concluded that no impairment to the carrying value of our goodwill asset was required, however, to the extent that the operating performance of our businesses or market condition falls below expectation (including, in particular, our US life insurance business), we may be required to significantly impair our goodwill, accelerate our amortization of DAC and VBI and/or derecognize our deferred tax assets which, individually or in the aggregate, could 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 is set forth in Note 9.9 “Financial Assets Recognized at Fair Value” in the 2009 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 two 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 and the period-to-period changes in value could vary significantly. 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, resulting in increased premium payments on products with flexible premium features, and a higher percentage of insurance policies remaining in force from year-to-year, creating asset liability duration mismatches. During a low interest rate period, our investment earnings may be lower because the interest earnings on our fixed income investments will likely have declined in parallel with 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 risk 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 generally 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, 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 our reported earnings

AXA publishes its consolidated financial statements in Euro. For the year ended December 31, 2009, 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 of the Euro against the US Dollar and/or certain other currencies in 2010 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 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 (unlike in the Group's consolidated accounts where hedge accounting is applied to net investments in subsidiaries such that these exchange rate movements have no income statement impact at the consolidated Group level).

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 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 with a resulting increase in market interest rates 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 3.2 “Quantitative and qualitative disclosures about market risk and risk factors” in 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-Pacific Holdings, 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.

In 2010, certain of our principal subsidiaries may pay reduced (or no) dividends and we expect that some of our subsidiaries will 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 28.3 “Other items: Restrictions on Dividend Payments to Shareholders”, and 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, among others, exchange traded equity futures contracts, treasury futures contracts, to hedge certain risks under guarantees provided to our clients, including Guaranteed Minimum Death Benefits (“GMDB”), Guaranteed Minimum Income Benefits (“GMIB”) and/or Withdrawal for Life Benefits (“GMWB”), available under our Accumulator series of Variable Annuity products (the “accumulator guarantees”). These hedging techniques are designed to reduce the economic impact of unfavorable changes to 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 because the derivative market(s) in question may not be of sufficient size or liquidity. 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 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).

The profitability of AXA's flagship 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 avoid future hedging losses on the Accumulator guarantees of the type experienced in 2008. 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 and deferred acquisition costs (DAC) 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 Inforce 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 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, 2009, which represent our best estimate of ultimate claims exposure at December 31, 2009, 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 "Environmental Pollution and Asbestos" in Note 14 to AXA's Consolidated financial statements included in Part 4 of this Annual Report.

The claims experience 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 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 the 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 liability 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 3.2 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 the same, 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 market position and profitability. We may therefore experience the effects of such cyclicity, 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.

We may not be able to sustain the growth of our insurance and Asset Management businesses

The strong growth of our insurance and Asset Management businesses in recent years, both organically and through acquisitions, may not be sustainable in future years. Continued volatility in the financial markets and reduced availability of credit coupled with recession and increasingly negative consumer sentiment in many of our major markets pose significant risks to our ability to achieve continued growth at rates consistent with the recent past and our ability to continue growing through acquisitions. In addition, our ability to sustain growth consistent with rates we have achieved in the recent past may be adversely affected by regulatory changes, including changes in the tax laws applicable to our Life & Savings products and operations. The Group has implemented global product “reuse” and distribution initiatives designed to drive product innovation and reuse of successful products, such as our “Accumulator” line of Variable Annuity products, across major markets where we operate around the world. Our Life & Savings products, including our Accumulator line of annuities, often involve complex features and guarantees that are not easily translated and transposed into the legal, regulatory and tax regimes across multiple jurisdictions. Our inability to successfully execute these product reuse initiatives and/or to develop new distribution channels and partnerships for these products in a timely manner could adversely affect the growth of our Life & Savings business. See also “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 may materially adversely affect our business and profitability, and these conditions may continue ”

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, 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 or 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 1, 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 28 “Contingent assets and liabilities and unrecognized contractual commitments” and also Note 19 “Derivative instruments” of this Annual Report.

The failure to maintain and modernize 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. If 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, may increase our litigation and regulatory exposure and make us incur higher administrative expenses, including remediation costs.

RISK 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 certain of these institutions have taken steps to repay the public assistance they received, many others continue to benefit from direct or indirect government support or are either majority or fully controlled by government authorities. This unprecedented situation, including the risk of government supported or controlled competitors attempting to use this support/control as a marketing advantage, 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 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 across many of the principal jurisdictions where the Group does business. Please see Section 1.2 "Information on the Company – Additional factors which may affect AXA's business" for a description of these initiatives. 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 incoherent and inconsistent measures across the various jurisdictions where the Group does business, with broad potential implications for the

Group and its business. In particular, the question of whether the AXA Group and/or certain of its principal subsidiaries may be designated as "systemically significant" and the potential implications of being so designated are unclear at the present time and have potentially significant 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 regulation 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 in the market place

We are subject to detailed and comprehensive regulation and supervision in all the jurisdictions in which we operate. Our insurance operations are subject to insurance laws and regulations, which are generally intended to protect policyholders, not our shareholders or creditors. Changes in existing insurance laws and regulations may materially affect the way in which we conduct our business and the products we offer. In addition, changes in pension and employee benefit regulation, social security regulation, financial services regulation, taxation and the regulation of securities products and transactions may also adversely affect our ability to sell new policies or our claims exposure on existing policies. Our asset management operations are also subject to extensive regulation in their respective jurisdictions. These regulations are primarily intended to protect investors in the securities markets or investment advisory clients and generally grant supervisory authorities broad regulatory powers. Changes to these laws and regulations may adversely affect our asset management operations. We are also subject to increasing regulation under various laws and regulations governing the solvency of insurers and other financial institutions including with respect to such matters as capital adequacy, intra-group transactions, "double-gearing" of capital at multiple levels within a consolidated group (e.g. at the consolidated Group, holding company and operating company levels). As a large, multinational financial services provider we are also increasingly subject to detailed and comprehensive regulations governing such matters as money laundering, "know your customer," prohibited transactions with countries or counterparties subject to sanctions, and bribery and other anti-corruption measures.

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 this 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 make an estimate of 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 30 “Litigation” and the “Additional Factors which may affect AXA’s business” included in the Part 1, Section 1.2 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 our products. These projects have included proposals to levy tax on the undistributed increase in value of life insurance policies or annuities or similar proposals that affect the tax-favored status of life insurance products and annuities in certain jurisdictions as well as other changes that could adversely affect the attractiveness of the insurance, asset management and other products we offer. For example, in the UK, recently adopted modifications to the capital gains tax regime are expected to reduce the attractiveness of certain products we sell including life insurance bonds and adversely impact sales of these products. In addition legislation enacted in the United States in the spring of 2001 increased the size of estates exempt from the federal estate tax. This legislation is phasing in reductions in the estate tax rate between 2002 and 2009 and repeals the estate tax entirely in 2010. Under the legislation, however, the estate tax will be reinstated, without the increased exemption or reduced rate, in 2011 and will be in effect thereafter. This legislation, and possible future changes to it such as extending or making permanent its repeal or reform to reduce the impact of estate taxes, could have a negative impact on the sales of estate planning products by US life insurance companies, including our US subsidiaries. The enactment of

these or other similar types of legislation in the various countries where we operate, including proposals in the US to create or favor alternative tax-favored long-term savings vehicles, could result in a significant decrease in sales of our currently tax-favored products. In addition, sales of certain of our asset management products may be negatively impacted to the extent that future legislative or regulatory proposals create tax incentives or disincentives to investing in certain asset classes or product types or affect investor sentiment towards or risk-appetite for certain asset classes or products generally.

In addition, changes in tax laws or regulations or an operating performance below currently anticipated levels may lead to a significant 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 development may have a material adverse impact on our results of operations and financial condition.

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, 2009 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 IAS 39 and, consequently, its consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board (IASB). Note 1.2 to the Consolidated financial statements for the year ended December 31, 2009 included in Part 4 of this Annual Report summarizes the significant amendments and interpretations of the Standards effective in 2009. 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. Mandatory adoption dates range from 2013 to 2014. Optional adoption by issuers may be applicable in 2010 (depending on endorsement by the European Union). These amendments, which relate primarily to classification of financial assets and liabilities, impairment and hedge accounting principles, may have potentially significant impacts on the Company’s future financial statement presentation, shareholders equity and earnings and may also affect prior year comparatives depending on the adoption date.
- Insurance contracts – Phase II (IFRS 4 amendment) and Consolidation, Derecognition. Insurance contracts – Phase II which amendments may significantly affect policyholders liabilities and related assets such as Deferred Acquisition Costs at the date of adoption by 2013 or 2014.

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 that have occurred and may occur in the future throughout the world, and other responsive actions, including war.

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 and actions 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 the terrorist attacks and responsive actions, including airlines, lodging 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 reexamine 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, 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, from time to time, 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 OWNERSHIP OF AXA ADSs ⁽¹⁾ OR ORDINARY SHARES

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 ADSs, and dilute the positions of existing shareholders.

Current 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 ADSs 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 at December 31, 2009, approximately 14.12% of the issued ordinary shares of AXA representing approximately 22.20% 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 the 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 ADRs. The Mutuelles AXA may decide to increase their interest in AXA or to sell all or a portion of the ordinary shares they own at some future date.

The trading price of AXA ADSs and dividends paid on AXA ADSs may be materially adversely affected by fluctuations in the exchange rate for converting Euro into US dollars

Fluctuations in the exchange rate for converting Euro into US dollars may affect the value of AXA ADSs. 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 ADSs in the United States to also decline;

- The US dollar equivalent of the proceeds that a holder of AXA ADSs would receive upon the sale in France of any AXA ordinary shares withdrawn from the depository; and
- The US dollar equivalent of cash dividends paid in Euro on the AXA ordinary shares represented by the AXA ADSs.

The holders of AXA ADSs may not be able to exercise their voting rights due to delays in notification to and by the depository

The depository for the AXA ADSs may not receive voting materials for AXA ordinary shares represented by AXA ADSs in time to ensure that holders of AXA ADSs can instruct the depository to vote their shares. In addition, the depository's liability to holders of AXA ADSs 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 ADRs facility. As a result, holders of AXA ADSs may not be able to exercise their right to vote and have limited recourse against the depository or AXA if their shares are not voted according to their request.

Holders of AXA ADSs will have limited recourse if AXA or the depository fails to meet its obligations under the Deposit Agreement and they wish to involve AXA or the depository in a legal proceeding

The Deposit Agreement expressly limits the obligations and liability of AXA and the depository. Neither AXA nor the depository 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 ADR or any other person believed by AXA or the depository in good faith to be competent to give such advice or information. In addition, the depository and AXA have the obligation to participate in any action, suit or other proceeding with respect to the AXA ADSs 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 ADSs to obtain recourse if AXA or the depository fails to meet their obligations under the Deposit Agreement or if they wish to involve AXA or the depository in a legal proceeding.

(1) On January 25, 2010, AXA announced its intention to voluntarily delist its ADSs from the NYSE and to voluntarily deregister with the US Securities and Exchange Commission (SEC). AXA filed its Form 25 with the SEC and the NYSE on March 16, 2010 to delist its ADSs and the delisting is expected to be effective on March 26, 2010. AXA plans to file its Form 15 to deregister with the SEC on March 26, 2010 and its deregistration with the SEC is expected to become effective within 90 days thereafter. Following delisting and deregistration AXA currently expects that its ADSs will continue to trade in the United States in the over-the-counter market.

The holders of AXA ADSs 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 depository (after consultation with AXA) shall have discretion as to the procedure to be followed in making such rights or other securities available to ADR holders including disposing of such rights or other securities and distributing the net proceeds in US dollars to ADR holders. Given the significant number of AXA ADR 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 ADR 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 ADR holders in the US 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. Therefore, there can be no assurance that our ADR holders will be able to participate in such an offering in the same manner as our ordinary shareholders.

Our ADSs and ordinary share price could be volatile and could drop unexpectedly and you may not be able to sell your ADRs or ordinary shares at or above the price you paid

The price at which our ADSs 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 ADSs 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 ADSs 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.

As a "foreign private issuer" in the United States, AXA is exempt from certain rules under the US securities laws and is permitted to file less information with the SEC than US companies

As a "foreign private issuer," AXA is exempt from certain rules under the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), that impose certain disclosure obligations and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, AXA's officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of AXA ordinary shares and ADRs. Moreover, AXA is not required to file periodic reports and financial statements with the SEC as frequently or as promptly as US companies whose securities are registered under the Exchange Act, and for years ended December 31, 2007 and thereafter, AXA will no longer be required to reconcile its IFRS financial statements to US GAAP provided that AXA continues to publish its primary IFRS financial statements in accordance with IFRS as published by the IASB. In addition, AXA is not required to comply with Regulation FD, which restricts the selective disclosure of material information. Accordingly, there may be less publicly available information concerning AXA than there is for US public companies.

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.

3.2 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.

As an integrated part of all of our business processes, our Risk Management is 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 – which strengthens risk reporting, limits and decision processes across four dimensions: earnings, value, capital, liquidity;
- Implementing an internal capital model and leading the approval process with regulators for future Solvency II;
- Building a favorable 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.

Within the AXA Group, Risk Management is coordinated by a central team, supported by local Risk Management teams within each operational entity.

RISK GOVERNANCE WITHIN AXA

In order to manage efficiently our local and global risks, the decision process within our risk governance structure is divided into 4 levels:

- The Management Board 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 key financial indicators;
- Group Risk Committees integrate various existing Committees (such as the Asset-Liability Management Supervisory Committee, Risk & Compliance Committee, Risk Insurance Supervisory Committee), co-chaired by the Group Chief Financial Officer together with other members of the Management Board or CEOs of local entities. Based on risk reports presented by the Group Risk Management together with other central teams, including AXA Cessions for insurance risks, they recommend actions to mitigate risks;

- Group Risk Management (GRM), which reports to the Management Board member in charge of Finance, Strategy, and Operations, 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;
- Local Risk Management teams within each operational entity report to a member of their Executive Committee (CEO/ CFO). 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

The missions of the Group Risk Management Department are:

- Conduct, at local level, regular reviews of the technical reserves 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 Board, with the support of AXA Cessions, the main features of the Group's reinsurance coverage program;
- Challenge 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 Board;
- 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");
- Steer the Risk Management family and develop a risk culture throughout the Group.

The Group's risk management structure is also reinforced by AXA Cessions, which advises and supports local entities in their reinsurance strategy (Property & Casualty; Life & Savings), centralizes the Group's purchasing of reinsurance. Please refer to the Section "controlling exposure and insurance risk" for further details on our 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.

Market risk

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. These two distinct sets of risks can be summarized as follows:

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 statutory, solvency, and economic position of the company;

The Risk Management Departments of operational entities are managed by local Chief Risk Officers, who report directly to a member of their Executive Committee (CEO/CFO). The roles and responsibilities of local Risk Management Departments 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 are set in accordance with the responsibilities stated above. The minimum missions required for all Risk Management teams are:

- Performing a systematic second opinion on P&C reserves, ALM studies & asset allocation, reinsurance;
- Coordinating pre-launch product approval procedures, and regular pricing reviews after launch;
- Coordinating operational risk framework in the Company;
- 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.

- Asset Liability Management (ALM), i.e. the definition of optimal strategic asset allocations with respect to the liabilities they are supporting, 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 is performed by the Group's specialist asset management teams (AXA Investment Managers and AllianceBernstein) as well as AXA Bank Europe and AXA Equitable for the hedging program of GMxB 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 reduced by:

- Its broad range of operations and geographical positions, which provides good diversification; and
- Some 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;

3.2 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK AND RISK FACTORS

- 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 the number of surrenders on some policies with 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 some Variable Annuity products and decrease the Embedded Value;
- 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 currencies, except that it could decrease earnings contribution.

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 and thus by AXA's obligations to its policyholders, is as follows:

- 25% at the end of 2009 (23% at the end of 2008 and 30% at the end of 2007) of the Group's Life & Savings technical reserves cover separate-account (unit-linked) products that do not materially affect AXA's risk exposure. This category includes products that provide a guarantee on invested capital in the event of death. On these products, the underlying financial market performance is mostly passed on to the policyholders. Overall, therefore, they present only a limited market risk for the Group through reduction of shareholders' value;
- 9% at the end of 2009 (7% at the end of 2008 and 8% at the end of 2007) of the Group's Life & Savings technical reserves cover separate-account products with related interest-rate or equity guarantees provided by the insurance company, called Variable Annuities with guaranteed benefits. 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 some market risks linked to Guaranteed Minimum Death Benefits, Guaranteed Minimum Income Benefits, Guaranteed Minimum Accumulation Benefits and Guaranteed Minimum Withdrawal Benefits. Derivatives are used to help reduce the economic impact of, among other things, unfavorable changes in GMDB, GMIB, GMAB and GMWB exposures due to movements in the 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,
 - policyholders' behavior on these products, notably lapses, longevity/ mortality and election rates, are closely monitored and the risk of deviations of these items from our underlying assumptions is limited through updating the dynamic management programs that are in place,
- 16% at the end of 2009 (18% at the end of 2008 and 17% at the end of 2007) of the Group's Life & Savings technical reserves cover products without guaranteed cash values upon surrender:
 - the in-force with-profit policies of AXA UK are managed with a significant surplus of free assets, used to adjust performance over the duration of such policies, while at the same time reflecting financial market performance in policyholders' revenues,
 - annuities in the payout phase are usually backed by fixed-income assets with maturities that match the underlying payout schedules, thereby avoiding reinvestment and liquidity risks,
 - in the UK, surrender options on fixed-rate annuities are monitored through specific analyses and partially covered by interest-rate options;
- 17% at the end of 2009 (16% at the end of 2008 and 14% at the end of 2007) 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, as most concern policies in France and group annuity policies in Japan. Hedging programs have been implemented to cover long-term fixed maturities from the risk of an increase in interest rates;
- 33% at the end of 2009 (36% at the end of 2008 and 32% at the end of 2007) 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:

(in Euro million)	Technical liabilities		
	December 31, 2009 ^(a)	December 31, 2008 Revised ^(b)	December 31, 2007
Personal lines – Motor	15,745	15,349	15,446
Personal lines – Physical damage	3,552	3,240	3,219
Personal lines – Health	1,108	896	1,442
Personal lines – Other	4,993	4,575	4,075
Sub-total Personal lines	25,398	24,060	24,182
Commercial lines – Motor	2,939	2,885	2,698
Commercial lines – Physical damage	2,922	3,012	3,075
Commercial lines – Professional liability	6,130	6,717	6,950
Commercial lines – Health	3,237	3,054	2,799
Commercial lines – Other	6,592	6,896	6,494
Sub-total Commercial lines	21,821	22,565	22,016
Other	739	742	873
TOTAL – PROPERTY & CASUALTY INSURANCE EXCLUDING INTERNATIONAL INSURANCE	47,957	47,366	47,072
International Insurance – Physical damage	1,449	1,604	1,943
International Insurance – Motor, Marine, Aviation	2,787	2,980	3,144
International Insurance – Professional liability	3,578	3,649	3,846
International Insurance – Other	2,338	2,751	2,013
TOTAL – INTERNATIONAL INSURANCE	10,152	10,985	10,946
TOTAL – PROPERTY & CASUALTY INSURANCE INCLUDING INTERNATIONAL INSURANCE	58,109	58,351	58,018

(a) Assets and liabilities of the Australian and New Zealand operations (including local holdings) are classified as held for sale separately from other assets and liabilities in the consolidated statement of financial position as at December 31, 2009 (see Note 5.3.3 of Part 4).

(b) 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.

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:

- 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 currencies, except that it could decrease earnings contribution.

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 an appropriate governance structure.

As stated previously, local insurance operating units are responsible for identifying, measuring, managing and monitoring their risk positions. Strategic asset allocations are based on thorough analyses and are implemented by asset management companies through investment mandates.

At Group level, an ALM coordination Committee, chaired by the Management Board member in charge of Finance, Strategy, and Operations, determines the Group asset liability management policies, ensures that the Group exposures are within the Group risks limits and evaluates the investment results. A regular communication is performed to the Management Board and to the Finance Committee of AXA's Supervisory Board.

REPORTING: MONTHLY CONCENTRATION RISK REPORTING

Operating units produce an asset allocation statement every month, to ensure that strategic allocations are being implemented. This allows regular monitoring of certain key ALM indicators such as the duration and convexity of fixed income portfolios.

This work is carried out by local teams and then consolidated by Group Risk Management to give an overview for the whole Group and to allow any required action to be taken.

ALM PROCESS

The ALM process of a local insurance operating unit can be defined as a sequence of six steps:

- A detailed analysis of the liability structure;
- the proposal of a strategic asset allocation that factors in long-term outlook as well as short-term constraints (the ALM study: see below);
- The validation of this allocation by the unit's ALM Committee, subject to risk management opinion;
- The implementation of the allocation through the set-up of a mandate with asset management companies;
- A tactical allocation and stocks selection by asset management companies;
- A performance reporting and analysis.

ALM STUDY

ALM studies are based on the modeling of commitments resulting from insurance policies, and aim to define asset allocation so that these commitments can be met with a high degree of confidence while maximizing the expected investment return. This work is carried out by local ALM Departments and takes the form of detailed analyses that use consistent methods based on deterministic and stochastic scenarios. The aim of these analyses is to maximize the expected investment return,

net of the cost of the economic capital required to support the strategy, while complying with a series of constraints: stability of earnings, protection of the solvency margin, and preservation of the liquidity. Due care is given to monitoring and analyzing local and consolidated capital adequacy and solvency margin requirements. It is intended to ensure that AXA complies with its regulatory commitments and makes optimum use of capital resources at all times.

These studies are carried out by all significant insurance operating units.

In addition, AXA's insurance operation units are subject to local regulatory requirements in all jurisdictions in which AXA operates. These local regulations may prescribe:

- The required category, nature and diversification (by issuer, geographical zone and type) of investments;
- The minimum proportion of assets invested in the local currency, considering commitments denominated in this currency (congruence rule).

As part of an ongoing capital allocation process, local insurance operating units perform at least twice-yearly simulations of the impact, on the various regulatory constraints, of severe scenarios for assets (in terms of both the market value of equity securities and interest rate trends). The Group Central Finance Department consolidates these results, enabling it to assess operating units' financial flexibility. The results are presented to the Finance Committee of AXA's Supervisory Board on a regular basis.

ALM constraints are also taken into account when new products are being designed as part of the product approval process (see Section "Insurance risk – Product approval").

TACTICAL ALLOCATION DUTIES OF GROUP ASSET MANAGEMENT COMPANIES (AXA INVESTMENT MANAGERS AND ALLIANCEBERNSTEIN)

Asset management specialists, primarily AXA subsidiaries (AXA Investment Managers and AllianceBernstein) are responsible for the day-to-day management of investments. Processes have been put in place in these companies to manage investments without exceeding agreed risk tolerance thresholds imposed by their client insurance companies in the investment management agreements. This organization makes the skills required in these activities available for the benefit of all Group insurance companies.

Group CIO function has been created in 2009 to improve AXA's risk-adjusted investment performance (centralized credit team, relationship with the asset managers) and strengthen checks and balances in the investment & ALM function through the clarification of the roles of CIOs and CROs.

Products that involve hedging programs using derivative instruments are designed with the help of dedicated teams at AXA Bank Europe, AXA IM and AllianceBernstein. This organization means that all entities benefit from the best possible expertise and a high level of legal and operational security in these transactions, which are sometimes complex.

FOCUS ON THE MAIN FINANCIAL RISKS

The main financial risks for the AXA Group are as follows:

- Interest-rate 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 3.2 – "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 in two main ways:

- 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, the Mediterranean and Latin American Region (Spain, Portugal, Italy, Mexico, Morocco, Turkey, the Gulf Region and Greece), Australia, Hong Kong and Japan. At December 31, 2009, these subsidiaries represented 98% 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 non controlling 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) other-than-life businesses.

It is noteworthy that in 2008, for other-than-life businesses, the presentation had been designed to align with the Group EV standard proposed by the Market Consistent Embedded Value (MCEV) Principles[®], issued by the CFO Forum in June 2008. A comparison between both methodologies for 2008 figures is provided hereafter:

Group EV

<i>(in Euro million)</i>	2009			2008 restated			2008 published (CFO Forum methodology)		
	Life & Savings	Other businesses	Total	Life & Savings	Other businesses	Total	Life & Savings	Other businesses	Total
IFRS shareholders' equity at December 31	38,018	8,211	46,229	33,513	3,927	37,440	33,513	3,927	37,440
Net unrealized capital gains/losses, not included in IFRS shareholders' equity	906	1,656	2,561	1,846	1,535	3,381	1,846		1,846
Excluded TSS/TSDI		(7,383)	(7,383)		(7,360)	(7,360)			
Mark-to-market debt		1,389	1,389		2,864	2,864			
Excluded Intangibles	(18,946)	(9,196)	(28,142)	(19,643)	(9,574)	(29,217)	(19,643)		(19,643)
Unrealized capital gains projected in VIF & other stat-GAAP adjustments	(2,687)		(2,687)	(965)		(965)	(965)		(965)
Life & Savings Adjusted Net Asset Value (ANAV) and Other Businesses Tangible Net Asset Value (TNAV)	17,290	(5,323)	11,967	14,750	(8,609)	6,141	14,750	3,927	18,677
Life & Savings Value of Inforce (VIF)	18,456		18,456	12,459		12,459	12,459		12,459
Group EV = AXA Life & Savings EEV + Other Businesses TNAV at December 31	35,745	(5,323)	30,422	27,209	(8,609)	18,600	27,209	3,927	31,136

The Group EV is not an estimate of AXA's «fair value», regardless of how one might define “fair value”. It does not include the value of business to be sold in the future, nor does it include any value for future profits from existing business 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 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.

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. The TNAV for other-than-life businesses is reflecting the consolidated IFRS shareholders' equity adjusted for:

- The elimination of all intangible assets and all undated debt (TSS/TSDI) that are 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 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 in a shortcut 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 2.1% average inflation rate was assumed in 2009 (2.0% in 2008);
- 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 31.8% was assumed in 2009 (31.7% in 2008);
- In 2009, a premium over the swap rate (50 bps in the US and the UK, 30 bps in other European countries, and 20 bps in Japan) is included in the reference rate. This premium reflects the nature of certain types of long term insurance liabilities, which allow insurers to capture, either fully or partially, liquidity premia on credit assets such as corporate bonds. In 2008 the premia used were 100 bps in the US and 50 bps in other countries (except Japan).

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 2008 and 2009 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. Policyholder and management behaviors are adjusted following normal behavioral modeling. As noted in the definitions, these calculations reflect discount rate changes in Life & Savings and for other-than-life discounted reserves, as well as changes to the value of fixed-income assets, but no changes in value for asset classes such as equities or real estate are assumed to accompany the reference interest rate movements (although for Life & Savings future returns are impacted as these equal the risk-free rate on average across scenarios in the market consistent valuation). 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 interest rates would produce different results than a sudden shock, especially for dynamically hedged variable annuities business where a sudden shock tends to overestimate the sensitivities (as in real life the rebalancing of hedging assets would at least partly offset the impact of the shock).
- **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.

	2009						2008 ^(a)					
	Life & Savings		Other businesses		Group		Life & Savings		Other businesses		Group	
	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	831	3%	(1,321)	-4%	(490)	-2%	1,293	4%	(1,814)	-6%	(521)
Downward parallel shift of 100 bps in risk-free rates	(2,253)	-7%	1,273	4%	(980)	-3%	(2,639)	-8%	1,948	6%	(692)	-2%
10% higher value of equity markets at start of projection	1,118	4%	575	2%	1,693	6%	1,085	3%	264	1%	1,348	4%
10% lower value of equity markets at start of projection	(1,140)	-4%	(567)	-2%	(1,707)	-6%	(1,047)	-3%	(317)	-1%	(1,364)	-4%

(a) 2008 sensitivities are different from the ones disclosed last year for other businesses in order to reflect the change in methodology for the Group EV.

All sensitivities are presented net of tax and non controlling interests, and where applicable, net of policyholders' participation.

2009 interest rate sensitivities (% of Group EV) for Life & Savings business of 3% to upward 100 bps and -7% to downward 100 bps (2008: 4% and -8%) 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 in some entities (e.g., the UK and the Mediterranean and Latin American Region), where the business has significantly less interest rate guarantees and 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.

2009 interest rate sensitivities (% of Group EV) for other-than-life businesses of -4% to upward 100 bps and 4% to downward 100 bps (2008: -6% and 6%) reflect mainly the impacts on fixed-income assets, offset somewhat by derivatives. The majority of other-than-life reserves are not sensitive to interest rate changes.

2009 equity market sensitivities (% of Group EV) for Life & Savings business of 4% to upward 10% or -4% to downward 10% (2008 3% and -3%) 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.

2009 equity market sensitivities (% of Group EV) for other-than-life businesses of 2% to upward 10% or -2% to downward 10% (2008: 1% and -1%) 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 90% of Group assets at December 31, 2009 (89% in 2008 and 90% in 2007), assets and liabilities with foreign currency exposure were generally matched or hedged.

■ **Life & Savings business:** 78% of Group assets at the end of 2009 (77% in 2008 and 79% in 2007):

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: €1,323 million vs. €483 million in 2008 and €1,645 million in 2007, pound sterling: €148 million vs. €72 million in 2008 and €338 million in 2007, and Japanese yen: €104 million vs. €136 million in 2008 and €335 million in 2007). AXA France owns these units 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 derivatives (notional of €1,759 million vs. €1,046 million in 2008 and €2,915 million in 2007).

In the United Kingdom, the Life & Savings segment is exposed to exchange-rate risk in both non-profit and with-profit funds.

The exposure in the non-profit funds arises through:

- i. Foreign-currency investments in Group companies with a market value of €878 million (€569 million in 2008 and €868 million in 2007), of which €79 million of Mortgage loan with AXA Financial is hedged. In prior years, an investment in AXA Belgium was exposed to foreign exchange risk but the loan was reissued in 2009 and denominated in Sterling;
- ii. Other foreign-currency investments with a market value of €283 million (€443 million in 2008 and €161 million in 2007), of which (a) €178 million are hedged through foreign exchange derivative instruments, and (b) €105 million represent strategic investments that are not hedged.

In addition, the UK non-profit funds have Euro denominated Credit Default Swaps in place with a nominal value of €75 million (€76 million in 2008 and €199 million in 2007).

The exposure in with-profit funds arises on assets with a market value of €1,426 million (€1,232 million in 2008 and €2,770 million in 2007), while foreign currency liabilities in the fund amount to €51 million (€86 million in 2008 and €136 million in 2007). The UK with-profits funds hold some foreign exchange derivative instruments (including swaptions held in connection with Guaranteed Annuity Options).

AXA Japan's investment strategy is to invest when relevant outside the Japanese market in order to diversify investments. At the end of 2009, the total assets denominated in foreign currencies (mainly US dollar) represented an amount of €7,942 million (€5,725 million in 2008 and €6,083 million in 2007). Excluding assets backing unit-linked contracts, the corresponding exchange rate risk was fully hedged through the use of derivatives.

Companies in the German Life & Savings segment hold investments denominated in foreign currencies (€3,642 million in 2009, €3,688 million in 2008, and €3,558 million in 2007), 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 (€3,200 million in 2009, €3,001 million in 2008, and €2,629 million in 2007), but also in pound sterling (€288 million in 2009, €371 million in 2008, and €674 million in 2007) and Japanese yen (€46 million in 2009, €103 million in 2008, and €178 million in 2007). Exchange-rate risk exposure is hedged using forwards (notional €3,071 million vs. €3,146 million in 2008 and 2,542 million in 2007) and currency swaps (notional of €681 million vs. €314 million in 2008 and €430 million in 2007).

Swiss entities are exposed to exchange rate risk through their investments in foreign currencies (mainly Euro and US Dollar) due to limited investment possibilities in Switzerland. As a result, they have 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 forwards. Switzerland Life & Savings foreign exchange exposure amounted to €16.7 billion (circa 41% of assets) at the end of 2009, of which €11.9 billion were hedged (€12 billion in 2008 and €10.7 billion in 2007).

In Belgium, in the United States, 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 96% at the end of 2009 (96% at the end of both 2008 and 2007) of the Group's Life & Savings companies' assets.

■ **Property & Casualty business:** 9% of Group assets at the end of 2009 (10% at the end of 2008 and 9% at the end of 2007):

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 (€207 million vs. €151 million in 2008 and €492 million in 2007) 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 €210 million vs. €301 million in 2008 and €867 million in 2007).

In Belgium, parts of AXA Belgium's reinsurance portfolio liabilities are in USD. The foreign exchange risk associated to these liabilities is fully hedged through investments in USD. The US dollar exposure was €100 million at the end of 2009 (€106 million in 2008 and €110 million in 2007).

Germany is exposed to US dollar exchange-rate risk on certain investment funds for €1,143 million (€808 million in 2008 and €829 million in 2007). Remaining exchange-rate risk exposure, mainly concerning the pound sterling for €126 million (€57 million in 2008 and €211 million in 2007) and the Japanese yen for €29 million (€22 million in 2008 and €62 million in 2007), is incurred for the purpose of diversifying investments. Germany controls and limits its exchange-rate risk by using forwards (notional €688 million vs. €836 million in 2008 and €785 million in 2007) and currency swaps (notional of €175 million vs. €194 million in 2008 and €124 million in 2007).

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 pounds sterling, and AXA Ireland but have diversified their investment portfolios in line with asset liability management objectives as follows:

- i. directly owned foreign-currency investments and cash of €389 million (€203 million in 2008 and €86 million in 2007), of which €111 million of Mortgage loan with AXA Financial is hedged,
- ii. investments totaling €103 million (€97 million in 2008 and €184 million in 2007) of CDO equity funds and investment funds which predominately invest in foreign-currency investments,
- iii. Euro denominated Credit Default Swaps are in place with a nominal value of €143 million (€144 million in 2008 and €285 million in 2007) and there are foreign exchange forward contracts with a nominal value of €212 million (nil in 2008),
- iv. AXA Ireland also operates in Northern Ireland, and so manages a portfolio of pounds sterling policies in an amount of €167 million (€122 million in 2008 and €140 million in 2007), hedged with investments in the same currency of €139 million (€131 million in 2008 and €150 million in 2007).

In Switzerland, foreign exchange exposure amounted to €3.8 billion (circa 36% of assets) at the end of 2009, of which €3.5 billion were hedged with foreign exchange forwards (€3.0 billion in 2008 and €1.7 billion in 2007).

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 95% at the end of 2009 (95% in both 2008 and 2007) of the Group's Property & Casualty companies' assets.

■ **International Insurance business** (2% of Group assets at the end of 2009 vs. 3% in 2008 and 2% in 2007): In the course of its business, AXA Corporate Solutions Assurance carries some insurance liabilities, denominated in foreign currencies, particularly in US dollar (€1,343 million at the end of 2009 vs. €1,319 million in 2008 and €1,075 in 2007) and, to a lesser extent, pound sterling (€539 million at the end of 2009 vs.

€474 million in 2008 and €590 million in 2007). The Company carries assets denominated in foreign currencies to ensure the 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 movements in reserves.

■ **As regards holding companies** (6% of Group assets at the end of 2009, 2008 and 2007), 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, notably using cross-currency swaps and foreign-currency debt.

At December 31, 2009, the main hedging positions were as follows:

Foreign currency hedging	Amount in currency (in billion)			Amount in Euro (in billion)			Comments
	2009	2008	2007	2009	2008	2007	
US Dollar	13.5	13.2	11.3	9.4	9.5	7.7	In respect of the US activities
<i>of which</i>	4.9	9.6	7.7	3.4	6.9	5.2	<i>Via cross-currency swaps</i>
Japanese Yen	956.3	1,036.0	599.0	7.1	8.2	3.6	In respect of the Japan activities, mainly in the form of cross-currency swaps
British Sterling Pound	1.9	1.9	1.9	2.1	2.0	2.6	In respect of the UK business, mainly in the form of debt
Canadian Dollar	1.7	1.7	1.7	1.1	1.0	1.2	In respect of the Canadian business in the form of cross-currency swaps
Swiss Franc	8.8	8.3	5.0	5.9	5.6	3.0	In respect of the Swiss business, in the form of cross-currency swaps
Australian Dollar	1.3	n/a	n/a	0.8	n/a	n/a	Mainly in form of currency options and swaps

AXA SA's assets accounted for most of the assets of Group holding companies at the end of 2009.

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 Board, are designed to permit the positions of each affiliate to be measured in a consistent manner.

The Group Central Finance Department is in charge of producing reporting data that consolidate interest rate, foreign exchange and liquidity exposures, as well as the interest expenses of the Company. This reporting also includes medium-term forecasts.

These reports, together with information about hedging strategies, are sent to and reviewed by the Finance Committee of AXA's Supervisory Board 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 restrict 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 protect future levels of interest expenses, regardless of movements in interest rates.

ASSESSMENT:

- Variability analyses assess the change in interest expenses over the duration of the strategic plan resulting from a 100bp rise in interest rates;
- Interest rate sensitivity analyses assess changes in the value of interest rate positions by currency and by maturity following a 100bp 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 adjusted net asset value, European Embedded Value and solvency ratios.

ASSESSMENT: exchange rate sensitivity analyses measure the annual change in interest expenses resulting from a 10% appreciation in the Euro against all other currencies together with the impact on shareholders' equity, gearing ratio and European solvency margin.

Credit risk

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

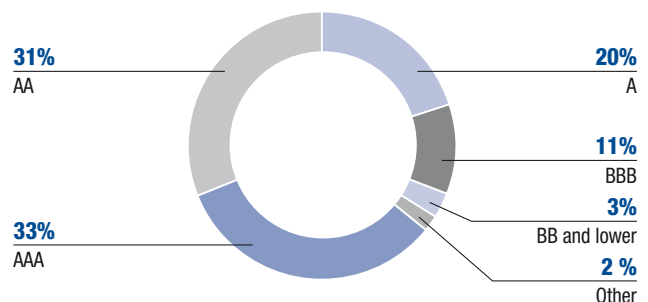
AXA has a database consolidating the Group's assets and analyzing them by issuer, credit rating, sector and geographic region, in order to assess the risk of concentration in its equity and debt security portfolios. This database allows AXA to monitor, on a monthly basis, exposure to the default risk 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. The ALM Supervisory Committee is regularly kept informed of the work performed. These tools also enable coordinated contingency measures to be taken for the most sensitive counterparties.

At December 31, 2009, the breakdown of the debt security portfolio (€325.3 billion, including €9.6 billion of debt securities held through with-profit funds) by credit rating category was as follows:



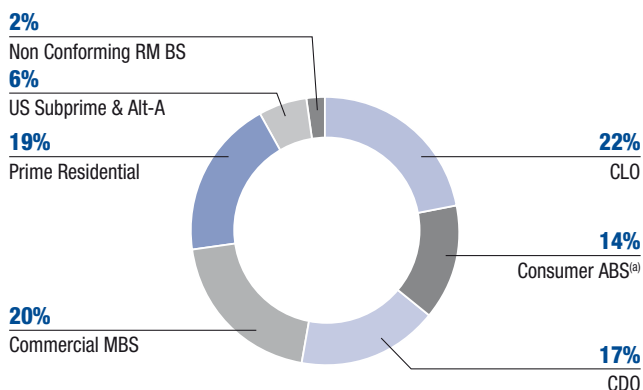
At December 31, 2008, the breakdown of the debt security portfolio (€305.5 billion, including €10.7 billion held through with-profit funds) by rating was: 37% in AAA, 33% in AA, 19% in A, 8% in BBB, 2% in BB and lower, and 2% in other.

At December 31, 2007, the breakdown of the debt security portfolio (€303.2 billion, including €15.5 billion held through with-profit funds) by rating was: 37% in AAA, 30% in AA, 19% in A, 9% in BBB, 1% in BB and lower, and 4% in other.

Credit risk diversification and analysis policies, particularly using credit ratings, are implemented by investment departments and monitored by Risk Management teams.

ASSET BACKED SECURITIES BY UNDERLYING TYPE OF ASSET (EXCLUDING COLLATERALIZED MORTGAGE OBLIGATIONS (CMOS))

At December 31, 2009, the economic breakdown of the total value of ABS (€10.4 billion excluding Australia, CMOs and ABS held through with-profit funds) was:

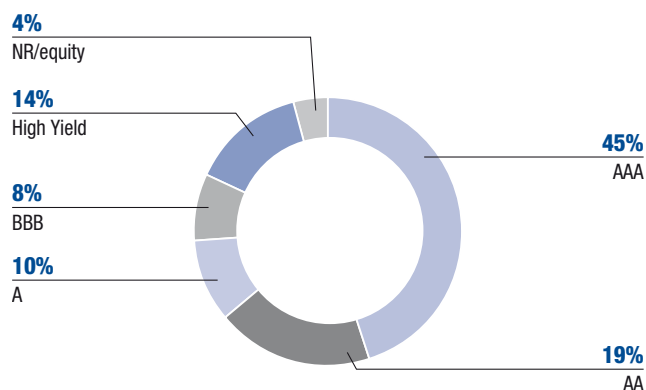


At December 31, 2009, AXA's invested assets included an exposure to US subprime residential and Alt-A mortgage loans of approximately €0.7 billion (30% equaling or above AA rating and 59% estimated policyholders' participation).

At December 31, 2008, the economic breakdown of the total value of ABS (€11.8 billion excluding CMOs and ABS held through with-profit funds) was: 23% in CLO, 15% in Consumer ABS, 12% in CDO, 21% in Commercial MBS, 21% in Prime Residential, 7% in US Subprime & Alt-A, and 3% in Non conforming RMBS. At December 31, 2008, AXA's invested assets included an exposure to US subprime residential and Alt A mortgage loans of approximately €0.8 billion (68% equaling or above AA rating and 56% estimated policyholders' participation).

At December 31, 2007, the economic breakdown of the total value of ABS (€16.2 billion excluding CMOs and ABS held through with-profit funds) was: 18% in CLO, 15% in Consumer ABS, 11% in CDO, 18% in Commercial MBS, 23% in Prime Residential, 10% in US Subprime & Alt-A, and 5% in Non conforming RMBS. At December 31, 2007, AXA's invested assets included an exposure to US subprime residential and Alt A mortgage loans of approximately €1.6 billion (84% equaling or above AA rating and 54% estimated policyholders' participation).

At December 31, 2009, the analysis by rating of the ABS portfolio was as follows and showed that 64% were AAA & AA.



At December 31, 2008, the breakdown of the ABS portfolio by rating was: 60% in AAA, 9% in AA, 13% in A, 11% in BBB, 2% in high yield, and 4% in NR/equity.

At December 31, 2007, the breakdown of the ABS portfolio by rating was: 63% in AAA, 6% in AA, 14% in A, 10% in BBB, 1% in high yield, and 6% in NR/equity.

The positive gross fair value evolution of the ABS assets over the year 2009 was evaluated at €0.5 billion, of which €0.2 billion was recognized in the income statement and €0.4 billion was recognized in shareholders' equity (versus €-3.5 billion in 2008, of which €-2.7 billion in the income statement and €-0.7 billion in shareholders' equity).

Net of policyholders participation, tax and VBI/DAC reactivity, the positive fair value evolution of the ABS assets over the year 2009 was evaluated at €0.1 billion, of which €0 billion was recognized in the income statement and €0.1 billion was recognized in shareholders' equity (versus €-1.3 billion in 2008, of which €-1.0 billion in the income statement and €-0.3 billion in the shareholders' equity).

CREDIT DERIVATIVES

The AXA Group, as part of its investment and credit risk management activities, may use strategies that involve credit derivatives (Credit Default Swaps or CDS), which are mainly used as an alternative to corporate debt security portfolios, when coupled with government debt securities, but also as a protection on single corporate names or specific portfolios. In addition, throughout 2009, the major part of the protection bought via CDS has been taken to build up Negative Basis Trades, which allows AXA to capture the excess spread of the physical instrument over the corresponding CDS.

At December 31, 2009, the nominal amount of positions taken through credit derivatives was €32.3 billion ⁽¹⁾ (cumulated notional amounts of protections bought and protections sold), of which €30.8 billion of CDS, which can be broken down as follows:

- i. €7.4 billion held through consolidated CDOs;

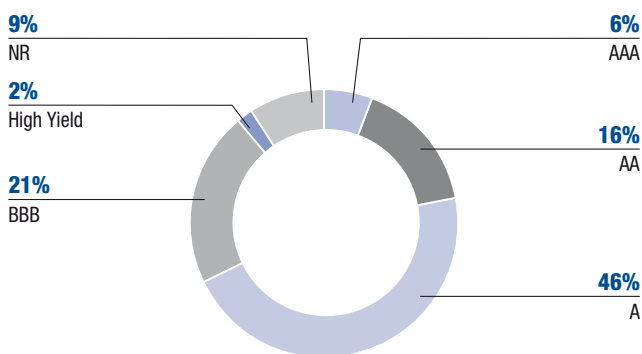
(1) This figure represents an accounting view i.e. 100% of assets held directly and in consolidated "core block" and "satellite" funds.

(a) Mainly consumer loans ABS (plus some leases and operating ABS assets).

- ii. €4.4 billion of CDS protections bought to hedge credit risk with regard to certain investments in corporate bonds mainly in Japan (€2.5 billion) and Switzerland (€1.2 billion);
- iii. €19.0 billion of CDS protections sold and bought to manage our credit exposure, which corresponds to a €13.0 billion ⁽¹⁾ net credit overlay.

For these €13.0 billion 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). Note that the CDOs are consolidated in AXA's balance sheet, in line with IFRS rules, even though AXA's investments in these CDOs assets are limited.

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.

Monolines

At December 31, 2009, the direct general account exposure (excluding the UK with-profit) to monoline credit insurers (“Monolines”) was insignificant and the indirect exposure (debt securities enhanced by Monoline reinsurers) in the general account (excluding the UK with-profit) was €454 million, of which €149 million to Ambac and €151 million to MBIA (versus €306 million indirect exposure at the end of 2008, of which €113 million to Ambac and €135 million to MBIA).

The diversified portfolio of wrapped US municipal bonds underwritten by Colisée RE (formerly AXA RE) and its subsidiaries prior to its run-off and reinsured by MBIA was fully commuted with effect on September 30, 2009. As a consequence, Colisée RE

and its subsidiaries have no exposure left to this portfolio and no credit exposure to MBIA.

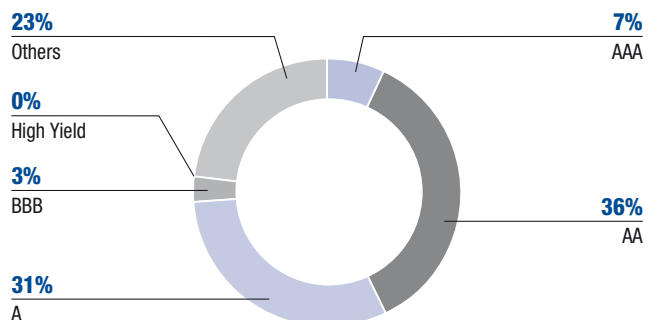
RECEIVABLES FROM REINSURERS: RATING PROCESSES AND FACTORS

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 GRM and AXA Cessions. 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 77% of reinsurers' share of insurance and investment contract liabilities in 2009 (versus 80% in 2008 and 78% in 2007).

The breakdown of all reserves ceded to reinsurers by reinsurer rating as at December 31, 2009 (€11.3 billion) was as follows:



The “others” 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, 2008, the breakdown of reserves ceded to reinsurers (€11.7 billion) by reinsurer rating was: 9% in AAA, 43% in AA, 25% in A, 2% in BBB/BB/B, and 21% in other.

At December 31, 2007, the breakdown of reserves ceded to reinsurers (€11.3 billion) by reinsurer rating was: 9% in AAA, 31% in AA, 36% in A, 1% in BBB/BB/B, and 22% in other.

BANK CREDIT ACTIVITIES

At year end 2009, the total balance sheet of the bank activities (Belgium, France, Germany, Hungary, Switzerland and Czech Republic and Slovakia) was at €25 billion (€23 billion in 2008).

(1) 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.

Credit risks in the banks are:

- Retail credit risk, resulting from the commercial activity - sales of mortgages and other type of loans to clients. Credit risk management is done through careful risk selection (scoring models frequently reviewed to ensure a risk selection consistent with each bank's risk appetite, "Retail Credit Committee" that meets every month) and a continuous monitoring of portfolios by product management teams and risk management teams;

- Other than retail credit risk, resulting from the 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), a dedicated Risk Committee meets every two weeks to validate new credit investments, to review the portfolios, and steer limits.

Credit risks are reviewed regularly by the Management Board of each bank, and are subject to regulation.

Insurance risk

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 pre-launch product approval (new product risk control) that complement strong and basic underwriting rules;
- Regular exposure analysis to ensure that the Group's 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 pre-launch product approval procedures in each subsidiary, to ensure that new risks underwritten by the Group undergo a rigorous approval process before the products are offered to customers. This harmonized approach also facilitates the sharing of product innovation within the Group.

These procedures are defined and implemented locally, and are structured and harmonized using the minimum requirements

defined by GRM. The main characteristics of these procedures are as follows:

- Although the decision to launch a new product is taken locally, it must be the result of a documented approval process that complies with local governance practices and AXA Group standards. For Variable Annuity products with guarantees, this review is centralized, and submitted to the Management Board;
- All significant Life & Savings products must go through this process;
- Guarantees and options embedded in the product must be quantified using stochastic methods defined by GRM in order to ensure that they are correctly reflected in pricing. This work also gives a better understanding of any asset-liability mismatch risk and the actual economic capital requirement at the product design stage. Where significant financial risks exist, an ALM study must be performed to confirm the hedging strategy for the product;
- Stress tests are required on key assumptions to ensure that appropriate 'what if' scenarios are considered in the development process;
- Pricing reports are sent to GRM prior to launch.

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 twofold:

- 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 homogeneously throughout the Group. This is designed to check that the Group's current exposure is within the Group's consolidated risk appetite limits.

This framework includes pricing control systems used by insurance operations as part of their product development process, such as those described in the previous section. This type of analysis quantifies and demonstrates the benefits of the diversification created by AXA's wide range of businesses and regional operations.

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, long-term care, etc.) and uses the results of this work to enhance the structure of its product ranges and its reinsurance coverage. These exposure analyses are completed by risk models in Life & Savings (mortality, longevity, dependance,...).

In addition, in the Property & Casualty business, the above mentioned tools permit analysis 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 Cessions;
- Prior to ceding risks, in-depth actuarial analyses and modeling are conducted on each portfolio by AXA Cessions and GRM to optimize the quality and cost of reinsurance cover. These analyses are performed in collaboration with the technical and reinsurance departments of Group operational entities. They measure frequency risks as well as specific severity risks (natural catastrophes, storms, floods, earthquakes). They provide guidance for determining the most appropriate reinsurance cover (retention levels and scope of cover) for each portfolio and for each type of risk, in accordance with objectives and capital allocation constraints;
- Estimates of catastrophic risks are carried out on the basis of several pieces of modeling software available in the market. Although these software products are key to allow objective discussions with reinsurers, they are regularly assessed within GRM and adjusted to the specific features of AXA's portfolio. Experience shows that these software products give imperfect estimates of real exposure, and can underestimate

some important factors such as inflation following a major catastrophe or the effects of climate change. In addition, 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.

Since 2006, this work has been extended to the Life & Savings business based on the same procedures as in the Property & Casualty business. Certain Group companies now arrange reinsurance through AXA Cessions, which has set up a retention pool protected by Group covers placed on the Reinsurance Market.

Implementation of the reinsurance strategy: role of AXA Cessions

In order to build adjusted and optimized protection, the Group's various operating entities place 100% of their reinsurance treaties with AXA Cessions. Only a small part (10-20%) of most local treaties is placed directly on the reinsurance market through AXA Cessions with the remainder is retained and combined at AXA Cessions level 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 or mortality bonds).

In 2009, four pools were managed by AXA Cessions:

- Property (Catastrophe and per risk + Personal Accident);
- General Liability;
- Marine;
- Life.

For the motor liability segment, AXA Cessions 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 upstream risks through prior product approval and analyzing the reinsurance strategy, operational entities specifically monitor reserve risks, both in Life & Savings and Property & Casualty businesses. 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, the Group Risk Management, together with Group P&C Insurance Operations, Group Claims Department and other entity specialists, 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 or the additional claims ratio);
- Hybrid methods (such as Bornhuetter-Ferguson and Cape Cod);
- Methods based on frequency and severity estimates.

The analysis is segmented differently depending on product type, geographical location, distribution channel, local regulation and other factors, in order to obtain a homogeneous claims base and ensure an appropriate analysis of reserves.

Assumptions depend on available data relating to reported losses at the time of the estimates, as well as local regulations, claims management procedures, pricing, underwriting information and the type of activities and claims (coverage type, attritional or major claims, recent or old occurrence). They also depend on economic, social and environmental factors, as well as on the legislative and political context, which are important variables in terms of reserves. Assumptions are made following discussions with claims managers, pricing actuaries, underwriters and other 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. These processes are designed to ensure that the Group's exposure is within its risk tolerance. This initiative also allows expertise to be shared within the underwriting and risk communities and adequate underwriting policies to be 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 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. This led 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. Furthermore, certain key economic sectors, which work together with the insurance sector, are set to undergo radical changes, due in particular to greenhouse gas emission constraints, following the Copenhagen Climate conference in December 2009.

Gradual premium rate adjustments will be required to widely reflect these risk factors, but are not likely to be sufficient to cover risks underwritten in the most exposed areas to flood or cyclone. By seeking to develop new solutions and actively contributing to the overall debate about the issues involved – particularly as part of the Carbon Disclosure Project – AXA, along with other major market players, intends to promote a better understanding and better forecasting of the risks resulting from global warming.

Pandemic / extreme mortality risk

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 Cessions 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 risk

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 and business practices;
- Damage to physical assets;
- Business disruption and system failures;
- Execution, products, 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 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 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 has been initiated 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 Web site);
- A continuous monitoring of our online reputation (web and media monitoring system);
- An extensive communication of our management team to international media.

PROFESSIONAL ETHICS

AXA adopted the AXA Group Compliance and Ethics Guide ("the Guide") in February 2004. The Guide, which was updated in 2006, covers all of the Group's worldwide employees. It 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, anti-money laundering, confidentiality and control of sensitive information.

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 on the New York Stock Exchange 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 des Assurances et des Mutuelles* ("ACAM")⁽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 1.2 "Additional factors which may affect AXA's business" 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 AXA SA, these lawsuits include actions brought by former shareholders of two German subsidiaries, AXA Konzern AG ("AKAG") and Kölnische Verwaltungs-AG für Versicherungswerte ("KVAG") following the squeeze-out in July 2007 of the minority shareholders of these two companies. In the United States, several AXA subsidiaries (including AXA Equitable Life Insurance Company and AllianceBernstein) are involved in lawsuits (both class actions and individual litigations), investigations, and other actions arising in the various states and jurisdictions where they do business. For further information, please see Part 4 "consolidated financial statements" – Note 30 "Litigations" 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.

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 Cessions, 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 Asia Pacific Holdings and AXA Financial and their subsidiaries, which traditionally arrange cover within their local market;
- Reviewed and approved annually by the Management Board to ensure that AXA has achieved competitive terms and conditions. The insurers used by the Group are acknowledged international leaders and financially solid.

(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.

3.3 CERTAIN FINANCIAL INFORMATION

Please see Part 4 – “consolidated financial statements” of this Annual Report.

LEGAL PROCEEDINGS

Please see Part 4 – “consolidated financial statements” – Note 30 “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 conditions and various other factors. Proposals for dividend payments are made at the discretion of the Management Board, subject to prior approval by the Supervisory Board, and are submitted for final approval to the General Shareholders' Meeting.

AXA determines its dividend policy on the basis of its adjusted earnings minus interest charges on undated debt, and, in each of the past several years, except in 2009, 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%-50% range in certain years. In assessing the dividend to be paid in any given year, management tries to strike the appropriate balance between prudent capital management and 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 Capital Stock”, 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 31 “Subsequent events” of this Annual Report.

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