AXA Assurances IARD Mutuelle

[Mutual Fire, Accident and Diverse Risks Insurance]

[image]

SIMPLIFIED IARD
PROFIT AND LOSS STATEMENT

AXA Assurances IARD Mutuelle

In millions of euros	**12/31/05**	**12/31/04**
ASSESSMENTS ISSUED	704.5	688.8
Assessments accepted	703.8	685.9
Technical costs	(497.6)	(474.5)
GROSS TECHNICAL MARGIN	**206.2**	**211.4**
Technical profit and loss from reinsurance ceded	(21.0)	(33.7)
NET TECHNICAL MARGIN	**185.2**	**177.6**
Acquisition expenses	(99.2)	(89.7)
Administration expenses	(50.6)	(49.7)
Other expenses	(11.9)	(10.4)
TOTAL OPERATING EXPENSES	**(161.7)**	**(149.8)**
PROFIT AND LOSS FROM INSURANCE OPERATIONS	**23.5**	**27.9**
Profit and loss from financial management	141.9	104.6
Extraordinary profit and loss	0.0	0.0
PRE-TAX PROFIT AND LOSS	**165.4**	**132.5**
Tax on profits	(22.1)	(38.5)
NET INCOME	**143.3**	**94.0**

AXA Assurances IARD Mutuelle

General Auditors Report

Annual Financial Statements – Year ending December 31, 2005

PRICEWATERHOUSECOOPERS AUDIT

MAZARS & GUÉRARD

MAZARS

PRICEWATERHOUSECOOPERS AUDIT

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AXA Assurances IARD Mutuelle

Registered Offices: 26, rue Drouot – 75009 Paris
Mutual Insurance Company – Governed by the Insurance Code

General Auditors Report

Annual Financial Statements – Year ending December 31, 2005

PRICEWATERHOUSECOOPERS AUDIT

MAZARS & GUÉRARD

MAZARS

GENERAL AUDITORS REPORT

To the Shareholders:

In performance of the assignment conferred upon us by your General Shareholders Meeting, we herewith present our report for the year ending December 31, 2005 on:

- the audit of the annual accounts of AXA IARD Mutual Insurance, as appended to this report,
- the reasons for our opinions,
- the specific verifications and information required by law.

The annual financial statements were prepared by the Board of Directors. It is our responsibility, based on our audit, to express an opinion on these statements.

I – Opinion on the annual financial statements

We performed our audit in accordance with the professional standards applicable in France; these standards require diligence in obtaining reasonable assurance that the annual financial statements do not include significant anomalies. An audit consists of using spot checks to examine the evidence that justifies the data contained in these statements. It also consists of evaluating the accounting principles followed and the significant valuations used in drawing up the statements and evaluating their presentation as a whole. We believe our audit provides a reasonable basis for the opinion expressed below.

We certify that the annual statements are, with regard to French accounting rules and principles, consistent and genuine and provide a true image of the results of the operations for the last year as well as of the financial situation and assets of the company at the end of that year.

Without calling into question the opinion expressed above, we would like to draw your attention to the point set forth in note 4 of the appendix, which explains the changes in the accounting method resulting from the application, beginning January 1, 2005, of the regulation from the Accounting Regulations Board, CRC no. 2002-10, concerning amortization and depreciation of assets, and CRC no. 2004-06 concerning the definition, posting and evaluation of assets.

II – Justification of the opinions

In application of the provisions of article L. 823-9 of the Code of Commerce related to the justification of our opinions, we would like to bring the following items to your attention:

Change of accounting method:

- Within the scope of our grasp of the accounting rules and principles followed by your company, we are certain of the validity of the changes in the abovementioned accounting method and of the presentation that was made thereof.

Accounting estimates:

- Some technical entries that are distinctive to insurance and reinsurance, assets and liabilities of your company's accounts, are estimated on statistical and actuarial bases, particularly the technical provisions. The methods of determining these items are included in notes 3.1.9 and 3.2.2 of the appendix.

  We are certain of the reasonable nature of the assumptions used in the calculation models employed, particularly with respect to the company's experience, its regulatory and economic environment, as well as the coherence of all of these assumptions.

- The provisions for permanent decline in value on the securities portfolio are evaluated in accordance with the methods set forth in note 3.1.5 of the appendix.

  We are certain that the evaluation of these provisions is coherent with the intention of holding these securities by the company, which confirmed to us that it is able to keep these securities for a period in conformity with its intention to hold them.

The opinions thus provided are included within the scope of our approach in auditing the annual financial statements, taken as a whole, and have therefore contributed to the formation of our unreserved opinion expressed in the first part of this report.

III – Verifications and specific information

Pursuant to the professional standards applicable in France, we also proceeded with the specific verifications stipulated by law.

We have no observations to make about the genuineness and agreement with the annual financial statements of the information given in the Board of Directors' management report and in the documents provided to the shareholders about the financial situation and the annual financial statements.

Given in Neuilly-sur-Seine and Paris-La Défense, April 12, 2006

The Auditors

PRICEWATERHOUSE
COOPERS AUDIT — YVES NICOLAS

JEAN-JACQUES DUSSUTOUR [signature]

MAZARS & GUERARD — JEAN-CLAUDE PAULY [signature]

PATRICK DE CAMBOURG [signature]

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2005

AXA ASSURANCES IARD MUTUELLE

BALANCE SHEET AS OF DECEMBER 31, 2005

(thousands of euros)

	ASSETS	31 DEC 05	31 DEC 04
2	INTANGIBLE ASSETS	0	0
3	INVESTMENTS		
3a	Land and buildings	138,377	175,193
	Investments in related companies and in companies in which		
3b	there is a holding	1,842,272	1,834,183
3c	Other investments	848,719	776,379
3d	Receivables for cash deposited with assignors	6,805	6,866
		2,836,173	2,792,621
5	SHARE OF ASSIGNEES AND RETROCESSIONNAIRES IN THE TECHNICAL PROVISIONS		
5a	Provisions for premiums not accepted	0	2,721
5b	Provisions for life insurance		
5c	*Provisions for life claims*		
5d	Provisions for non-life claims	65,066	58,457
5e	Provisions for life profit sharing and commissions		
5f	Provisions for non-life profit sharing and commissions		
5g	Provisions for equalization		
5h	Other life technical provisions		
5i	Other non-life technical provisions		
5j	Technical provisions of contracts in account units		
		65,066	61,178
6	RECEIVABLES		
6a	Receivables resulting from direct insurance operations:		
6aa	Premiums remaining to be issued	(9,906)	(5,609)
6ab	Other receivables resulting from direct insurance operations	48,625	59,782
		38,718	54,173
6b	Receivables resulting from reinsurance operations	16,274	13,914
6c	Other receivables:		
6ca	Personnel	621	35
6cb	State, social security agencies, public bodies	23,023	5,664
6cc	Miscellaneous debtors	39,761	18,586
6d		63,405	24,286
7	OTHER ASSETS	118,398	92,373
7a	Operating tangible assets		
7b	Cash and banks	1,045	895
7c		112,897	88,561
		113,942	89,456
8	ADJUSTMENT ACCOUNTS – ASSETS		
8a	Interest and rents accepted, not due	14,727	15,856
8b	Acquisition expenses carried forward	25,575	23,995
8c	Other adjustment accounts	17,874	14,567
		58,176	54,418
9	UNREALIZED FOREIGN EXCHANGE LOSSES	1,490	2,501
	TOTAL ASSETS	3,193,244	3,092,547

AXA ASSURANCES IARD MUTUELLE

BALANCE SHEET AS OF DECEMBER 31, 2005

(thousands of euros)

	LIABILITIES	31 DEC 05	31 DEC 04
1	SHAREHOLDERS EQUITY		
1a	Initial capital and additional corporate funds	184,387	184,837
1c	Reserves for valuation adjustments		
1d	Other reserves	983,053	892,933
1e	Brought forward	109	-3,902
1f	Result for the year	143,276	94,022
		1,310,826	1,167,440
2	SUBORDINATED LIABILITIES	249,000	249,000
3	GROSS TECHNICAL PROVISIONS		
3a	Provisions for premiums not acquired	174,636	173,968
3b	Provisions for life insurance		
3c	Provisions for life claims		
3d	Provisions for non-life claims	1,224,100	1,195,018
3e	Provisions for life profit sharing and commissions		
3f	Provisions for non-life profit sharing and commissions		
3g	Provisions for equalization	31,175	32,241
3h	Other life technical provisions		
3i	Other non-life technical provisions	109,216	92,630
		1,539,127	1,493,858
5	PROVISIONS FOR CONTINGENCIES AND LOSS	8,935	12,387
6	DEBTS FOR CASH DEPOSITS RECEIVED FROM ASSIGNEES	8,512	1,921
7	OTHER DEBTS		
7a	Debts resulting from direct insurance operations	9,949	11,651
7b	Debts resulting from reinsurance operations	15,972	16,930
7c	Debenture bonds		
7d	Debts to credit institutions	15,204	13,047
7e	Other debts:		
7ea	Negotiable debt instruments issued by the company		
7eb	Other borrowings, deposits and bonds received	941	3,403
7ec	Personnel	1,940	1,996
7ed	State, social security agencies and public bodies	23,144	57,129
7ee	Miscellaneous creditors	2,811	57,506
		28,836	120,034
		69,961	161,663
8	ADJUSTMENT ACOUNTS - LIABILITIES	6,883	6,278
9	UNREALIZED FOREIGN EXCHANGE GAINS	0	0
	TOTAL LIABILITIES	3,193,244	3,092,547

AXA ASSURANCES IARD MUTUELLE

BALANCE SHEET AS OF DECEMBER 31, 2005

(thousands of euros)

	COMMITMENTS RECEIVED AND GIVEN	31 DEC 05	31 DEC 04
1	COMMITMENTS RECEIVED	81,758	82,542
2	COMMITMENTS GIVEN		
2a	Credit endorsements, surety bonds and guarantees given	813	718
2b	Securities and assets accepted with resale commitment	0	0
2c	Other commitments on securities, assets or revenue	0	0
2d	Other commitments given	30,730	27,433
		31,543	28,151
3	SECURITIES RECEIVED AS COLLATERAL FROM ASSIGNEES AND RETROCESSIONAIRES	15,758	14,076
4	SECURITIES RECEIVED BY REINSURED AGENCIES WITH JOINT SURETY OR WITH SUBSTITUTION	0	0
5	SECURITIES BELONGING TO PROVIDENT SOCIETIES	0	0
6	OTHER SECURITIES HELD ON BEHALF OF THIRD PARTIES	0	0
7	LIABILITY TERM FINANCIAL INSTRUMENTS RECEIVED		
7a	Breakdown of liability term financial instruments by category of strategy:		
	- investment or disinvestment strategies	0	0
	- yield strategies	0	0
7b	Breakdown of liability term financial instruments by market categories:		
	- operations on a mutual agreement market	0	0
	- operations on regulated or similar markets	0	0
7c	Breakdown of liability term financial instruments by type of market risk:		
	- interest rate risk	0	0
	- foreign exchange risk	0	0
	- shares risk	0	0
7d	Breakdown of liability term financial instruments by type of instrument:		
	- foreign exchange contracts	0	0
	- guaranteed interest rate contracts	0	0
	- term contracts	0	0
	- options	0	0
7e	Breakdown of liability term financial instruments by remaining term of strategies according to the following time periods:		
	- 0 to 1 year	0	0
	- 1 to 5 years	0	0
	- More than 5 years	0	0

AXA ASSURANCES IARD MUTUELLE
PROFIT AND LOSS STATEMENT

	NON-LIFE INSURANCE TECHNICAL ACCOUNT	GROSS OPERATIONS 31 DEC 05	ASSIGNMENTS AND RETROCESSIONS 31 DEC 05	NET OPERATIONS 31 DEC 05	NET OPERATIONS 31 DEC 04
1	PREMIUMS ACCEPTED				
1a	Premiums	704,466	(40,979)	663,487	642,849
1b	Variation of premiums not accepted	(668)	(2,721)	(3,389)	(3,273)
		703,799	(43,700)	660,098	639,576
2	RETURN ON ALLOCATED INVESTMENTS	78,264	0	78,264	60,327
3	OTHER TECHNICAL INCOME	0	0	0	0
4	BURDEN OF LOSSES				
4a	Benefits and expenses paid	(455,207)	15,930	(439,277)	(430,878)
4b	Charges from provisions for claims	(29,046)	6,609	(22,437)	(23,192)
		(484,252)	22,538	(461,714)	(454,070)
5	CHARGES FROM OTHER TECHNICAL PROVISIONS	(16,585)	0	(16,585)	(5,315)
6	PROFIT SHARING	0	0	0	0
7	ACQUISITION AND ADMINISTRATION EXPENSES				
7a	Acquisition expenses	(99,246)	0	(99,246)	(89,677)
7b	Administration expenses	(50,602)	0	(50,602)	(49,658)
7c	Commissions received from reinsurers	0	199	199	333
		(149,848)	199	(149,649)	(139,003)
8	OTHER TECHNICAL CHARGES	(11,930)	0	(11,930)	(10,452)
9	VARIATION OF THE PROVISION FOR EQUALIZATION	1,067	0	1,067	(4,928)
	TECHNICAL RESULTS FROM NON-LIFE INSURANCE	120,513	(20,963)	99,550	86,134

	NON-TECHNICAL ACCOUNT	OPERATIONS AT 31 DEC 05	OPERATIONS AT 31 DEC 04
1	TECHNICAL RESULTS OF NON-LIFE INSURANCE	99,550	86,134
3	RETURN ON INVESTMENTS		
3a	Yield from investments	143,366	105,322
3b	Other income from investments	13,530	50,504
3c	Profits from sale of investments	3,577	17,821
		160,472	173,647
5	INVESTMENT EXPENSES		
5a	Internal and outside management expenses of investments and financial expenses	(11,945)	(11,561)
5b	Other investment expenses	(1,725)	(1,747)
5c	Losses from sale of investments	(2,740)	(53,590)
		(16,410)	(66,898)
6	INCOME FROM TRANSFERRED INVESTMENTS	(78,264)	(60,327)
7	OTHER NON-TECHNICAL INCOME	0	0
8	OTHER NON-TECHNICAL EXPENSES	0	0
9	EXTRAORDINARY INCOME (LOSS)		
9a	Extraordinary income		
9b	Extraordinary expenses		
		0	0
10	EMPLOYEE PROFIT SHARING	0	0
11	TAX ON PROFITS	(22,072)	(38,534)
	PROFIT AND LOSS FOR THE YEAR	143,376	94,022

Appendix to the Corporate Financial Statements

A – Information about the choice of methods used

1 – Significant developments

2 – Events that occurred after the close of the year

3 – Accounting principles

4 – Changes of accounting methods or presentation

B – Information about the entries on the Balance Sheet and Profit and Loss Statement

Note 1. For the balance sheet

Note 2. For the profit and loss statement

Note 3. Other information

1 – SIGNIFICANT DEVELOPMENTS FOR THE YEAR

The extraordinary general shareholders' meetings of AXA and FINAXA on December 16, 2005 approved the merger of the two companies. This merger falls within a plan to simplify the holding structure of the AXA group. With respect to accounting, no capital gain was created because this merger had no commercial substance, FINAXA holding only AXA securities and the AXA brand producing an annual royalty due by AXA. The AXA securities received in exchange were therefore recorded as assets at the same accounting value as the previously held FINAXA securities. This operation therefore has no effect on your company's 2005 accounts.

2 – EVENTS OCCURRING AFTER CLOSURE

No event of significant importance occurred after the closing of the accounts.

3 - EVALUATION PRINCIPLES AND METHODS USED

The company's accounts are prepared in compliance with the provisions of the law, pursuant to the provisions of articles L.123-12 to L.123-22 of the Code of Commerce, applicable to insurance companies in application of article R.341-2 of the Insurance Code. In particular, this involves decree No. 94-481 of June 8, 1994 and the order of June 20, 1994 dealing with the adaptation of European directive No. 91-674 of December 19, 1991.

The general accounting principles as well as those that are specific to the accounts of insurance companies were applied in compliance with the rules of prudence, independence of company years and continuity of accounting methods from one year to another, with the exception of changes introduced by the implementation of new regulations.

Nevertheless, whenever the comprehension of the financial statements requires it, the evaluation method is explained in this appendix.

3.1 Balance sheet assets

3.1.1. INTANGIBLE ASSETS

In order to comply with accounting regulations, the expenses of acquiring contracts and the expenses of acquiring fixed assets are shown in the adjustment accounts – assets.

The intangible assets mentioned in the balance sheet are software.

3.1.2. REAL ESTATE INVESTMENTS

The real estate investments are accounted for in accordance with regulation 2002-10 of December 12, 2002 of the CRC (Accounting Regulations Board).

The company used the chart adopted by the FFSA [French Federation of Insurance Companies] (see chart at end of appendix) for the following items:

- nature of components (4 families),
- classification of real property by type,
- length of amortization,
- breakdown percentages in the ranges of the FFSA chart (all real properties of the same category are broken down in accordance with the same percentages)
- mathematical modulation principle for recalculating amortizations at the opening when the holding time of a component is greater than the holding time of the real property. The component is then considered to have been renewed at the end of its technical term.

FFSA Chart and breakdown rates used.

	Prior to 1945			After 1945			Warehouses and business premises			Businesses			High-rises		
	FFSA Range	Distribution Rate	Amortization Term	FFSA Range	Distribution Rate	Amortization Term	FFSA Range	Distribution Rate	Amortization Term	FFSA Range	Distribution Rate	Amortization Term	FFSA Range	Distribution Rate	Amortization Term
Carcass	40-65%	65.0%	120	40-65%	65.0%	80	60-85%	85.0%	30	40-50%	50.0%	50	30-40%	40.0%	70
Wind- and water-tight	10-20%	10.0%	35	5-20%	10.0%	30	5-20%	5.0%	30	10-25%	250%	30	10-35%	30.0%	30
Technical lots	15-25%	15.0%	25	15-30%	15.0%	25	5-15%	5.0%	20	15-35%	20.0%	20	25-40%	25.0%	25
Finishings	10-25%	10.0%	15	10-25%	10.0%	15	5-15%	5.0%	10	5-20%	5.0%	15	5-15%	5.0%	15
Total		100.0%	87		100.0%	60		100.0%	29		100.0%	37		100.0%	44

From the accounting standpoint,

- Only the "buildings" entry at 01/01/05 was broken down by components.
- The "land" entry was not changed (therefore no change of the land/building breakdowns)
- The organization, fitting out, facility was not changed (the amortization is ended when the organizations, fitting out, facilities are completely amortized).
- A capital repairs component was used to cover future major overhauls and major repairs.

3.1.3. INVESTMENTS IN RELATED COMPANIES AND IN COMPANIES IN WHICH THERE IS AN EQUITY INTEREST

Related companies: French or foreign companies meeting the conditions specified by articles 357-1 and 357-3 of the law of July 24, 1966 or by article L. 345-1 of the Insurance Code to be included by full consolidation in the consolidated group to which they belong by full consolidation the insurance company in application of the same provisions, to the exclusion of companies other than insurance companies that can be left outside the consolidation in application of paragraph 1 or 2 of section II of article 357-4 of the law of July 24, 1966. [sic]

Companies in which the insurance company has an equity interest: Companies other than related companies in which the insurance company directly or indirectly holds an equity interest in the sense of article 20 of the decree of November 29, 1986, or they directly or indirectly hold such equity interest in the insurance company; for the application of this provision, securities representing at least 10% of the capital are assumed to be equity interest securities.

They are recorded at their cost of acquisition in accordance with the Insurance Code (Art. R 332-20).

3.1.4. OTHER INVESTMENTS

These are evaluated and entered into in the books based on their purchase or selling price, pursuant to the provisions of the Insurance Code (Art. R 332-20), the value of the bonds meeting the definition of article R 332-19, however, having been corrected by actuarial or linear depreciation of the premium/discount on their residual economic life. These are the following depreciable securities (paragraphs 1, 2 and 2 bis of Art. 332-2).

- bonds and other securities issued or guaranteed by one of the member states of the OECD;
- bonds, debt mutual fund units and equity loans registered on the stock exchange list of a member state of the OECD;
- negotiable debt instruments issued by legal entities other than member states of the OECD.

The premium or discount represents the arithmetic difference between the purchase price and the redemption value of the security.

Accumulated depreciations are shown in the adjustment account on the liabilities side of the balance sheet. The variation for the year is shown in other investment income and expenses of the profit and loss statement.

3.1.5. PROVISIONS FOR DEPRECIATION OF INVESTMENTS

The provisions for permanent decline in value are treated in accordance with notice No. 2002-F from the National Accounting Board, dated December 18, 2002.

Property holdings and securities, other than those covered in article R 332-19, constitute a provision if and only if they have a permanent decline in value. The reference value to be used in calculating a permanent decline provision includes in particular the following factors:

- the extent of the decline recorded for the asset and its duration,
- the impact of the decline on the market as a whole,
- the possible inadequacy of the asset on the market,
- the possible difficulties the asset may cause in the long-term, due to the liquidity constraints of the company.

This reference value is also a function of the nature of the asset in question, and of the holding strategy followed by the company.

Thus, property holdings are broken down into:

- real property intended to be sold, for which the appraised value or the sale price is used, whichever is more reliable,
- real property intended to remain on a long-term basis as part of the company's assets. This type of property is in turn divided into two categories:
    - rental property, for which an investment value is determined on the basis of expected operating cash flow established by the managers of the assets and converted to presented value at the average rate of the liabilities of the owner company on a horizon of infinite holding;
    - operational buildings, which are evaluated on the basis of their going value for the company.

When a decrease in value is permanent, particularly in the case of irreversible physical depreciation of a building, the depreciation is then recorded in the form of an exceptional amortization, and not a provision.

For securities, the calculation of the reference value results from the opinion of the company, which is substantiated by a financial analysis from the issuing company. It must comply with the following principles:

- The realizable value (stock price or probable trade value) is used for securities intended to be sold quickly,
- The useful value, which depends on the usefulness of the asset for the shareholder, is used for evaluating investments that are meant to remain in the insurance company's assets for the long-term,

- when the earning power of the issuing company is compromised for the long-term, particularly in case of bankruptcy, a provision for long-term depreciation is established.

  The securities are recorded at their acquisition cost and are not given any kind of revaluation. Consequently, in the event of significant loss of value, a provision for long-term depreciation can be established. The securities concerned are those with an unrealized capital loss of more than 20% continuously over the six months prior to the close of the year, or those for which the loss of value is deemed to be significant and enduring. The method of calculating the provision to be accounted for differs, depending on the classification to which the security belongs:

- For bonds:

  Bonds called "Below Investment Grade" (not rated or rated BB or below by rating agencies):

  • are depreciated as soon as they are in an unrealized capital loss situation for more than twelve months (unless evidence can be provided that there is no risk of default),
  • are given a default risk analysis (the decision not to set up a provision for it must be documented in detail) as soon as they have an unrealized capital loss of more than 20% over a continuous period of at least six months.

  Bonds called "Investment Grade" (rated AAA and BBB or equivalent ratings) are also given a default risk analysis when they are in an unrealized capital loss situation of more than 50% (with no term condition) or more than 20% (but less than 50%) for at least 6 consecutive months.

- For Mutual Funds: the provision to be recorded corresponds to the difference between the acquisition cost and the market value at close, plus a coefficient that conveys the prospects for recovery of the sector or market concerned on the holding horizon.

- For Shares: the amount of the provision is equal to the lesser of the difference between:

  • the cost of acquisition and the market value
  or
  • the cost of acquisition and a recoverability value, called "Holt," determined according to different economic criteria.

The Holt method was developed by Holt Value Associates and has been used by AXA Investment Managers to calculate the recoverability value of a share in the medium-term. It is based on a method derived from discounted cash flows for which the discount rate used corresponds to the rate of return expected by the shareholder in the sector in which the share in question is found. The use of this reference value relies on the verification that the company has the resources and intention to keep the securities with unrealized capital loss over the long-term.

There are some exceptions to this general principle:

- provisions for securities that are intended to be sold are funded at the closing price;
- provisions for securities for which the long-term holding is proven within the group's activity are not funded as long as there is no counterparty risk;

With respect to provision recaptures, a provision is recaptured if the stock exchange value of a security exceeds 85% of its initial purchase price for more than 6 months.

3.1.6. DEBTS RESULTING FROM DIRECT INSURANCE OPERATIONS

These are essentially composed of the debit balances of the insured.
A provision can be established to offset the risk of non-payment of the debt.

3.1.7. OTHER DEBTS

These essentially concern debts to personnel, social security agencies and the other companies of the group, through current account debtor balances.

3.1.8. OTHER OPERATING ASSETS

These fixed assets are accounted for at flat cost, and if applicable, allocations are made to amortizations calculated at the rates normally used.

3.1.9. ACQUISITION EXPENSES CARRIED FORWARD

Pursuant to article R 332-33 of the Insurance Code, during inventory the company evaluated the acquisition expenses of contracts carried forward to the subsequent fiscal year(s).

- this calculation is done for each branch of insurance and the cumulative total is entered into as an asset on the balance sheet.
- for each ministry category, the ratio of acquisition expense (internal + external expenses)/contributions made is applied to the amount of contributions to carry forward.

3.1.10 OTHER ADJUSTMENT ACCOUNTS

These are essentially the interest and rents received but not due, and the differences on redemption price to be collected.

3.2 Balance sheet liabilities

3.2.1. SHAREHOLDERS' EQUITY

- **Capitalization reserve**

  The capitalization reserve is "intended to deal with the depreciation of securities included in the company's assets and with the decrease of their income" (Art. R 331-6, paragraph 3). It forms part of the shareholders' equity and is recorded under "Other reserves" in account 10645 "Capitalization reserve."

This reserve is established during outflows (sale or conversion), done prior to maturity, of regulated amortizable securities (except for variable rate bonds).

3.2.2. TECHNICAL PROVISIONS

a) Provision for unreceived premiums

The provision for unreceived premiums records, for all contracts in hand, the calculated portion, prorated for time, of the premiums issued and premiums remaining to be issued for the period between the inventory date and the next premium due date, or if none, the term of the contract (Art. A 331-16).

b) Provision for current risks

The purpose of the provision for current risks is to cover, from the issuing year, the cost of future claims that are not covered by the premiums not received. This provision, which records a shortfall of rate making on the portion of issued premiums not received in the year, should be calculated for all contract categories, except for managed capitalization categories or in exercise of underwriting.

The provision for current risks should be funded when, for a given regulated category, the ratio between the burden of loss for the current year plus the acquisition and administration expenses other than those immediately committed to and the gross premiums received is more than 100% for the past two years. In this case, the provision for current risks for the category in question is equal to the product of the ratio defined above minus one, to the unreceived premium pertaining to the category in question.

The calculation of the provision for the automobile category is achieved by adding the damage and liability coverage.

c) Provision for claims payable

The provision for claims payable corresponds to the estimated value of the expenses in principle and in outside expenses required for settling claims made and not yet paid, whether declared or not, including capital comprised of annuities for which the company is not yet responsible.
It is calculated first case by case, then adjusted or completed using statistical methods.

Future expenditures are estimated at their future cost unconverted to present value, except in the case of capital composed of annuities, and augmented by a provision for claim management expenses.

- Case by case estimate

  The claim provision of a case results from the evaluation of the burden of loss made on the date of the declaration, which may be revised over time depending on new items of available information, then reduced by all settlements already made for this case.

- Statistical estimate

  A provision produced by adding the estimated reserves case by case is not sufficient for estimating the economic level of reserves needed, for three essential reasons:

  - by construction, this amount of provision does not include the estimate of late cases.
  - the evaluation of each case depends on information given to the managers. This information can prove to be cautious or insufficient.
  - the estimate by case does not necessarily include the additional cost related to the development of case law or the technological environment.

In order to have a realistic image of the level of provisions necessary, the case by case estimates are therefore adjusted through the use of chain ladder type statistical methods.

d) Provision for claim management expenses

The claim management expenses provision (CMEP) seeks to cover management expenses of only those claims it manages directly. No CMEP is established for claims of which management is delegated to the contributor, when the contributor has already received its remuneration.

The CMEP is evaluated by branch by multiplying the following 3 components:

- The number of current claims in the inventory that corresponds to the sum of:
  - o declared cases in progress in the inventory,
  - o an estimate of claims occurred in the inventory but not yet declared.
- The annual unit cost of management equal to the ratio of claim management expenses (CME) for the year, to the number of cases managed in the year in which:
  - o The CME exclude commissions but include part of the "Other Technical Expenses"
  - o The number of cases managed in the year includes the claims closed in the year and the claims declared still in progress in the inventory.
- The average residual period estimated from the pace of termination observed in the past.

To this calculation, verified additional items are added and/or deducted. They correspond to taking into account events that have been verified but not yet characterized by the cases declared in the inventory.

e) Provision for claims that are not yet apparent

The provision for claims not yet apparent in construction insurance is calculated according to the provisions of article A 331-21 of the Insurance Code.

This provision is therefore estimated, on the one hand, from the amount of premiums issued and premiums to be issued, net of the premiums to be cancelled and acquisition expenses, and on the other hand, from the total cost of claims occurred on the date of the inventory, pertaining to each company year the construction site is open.

The amount of premiums to be issued results from a statistical calculation, based on chain ladder type evaluation methods.

f) Provision for payability risk

Intended to cover commitments in the case of unrealized capital loss of assets mentioned in article R332-20, the provision for payability risk (PPR) is calculated in accordance with the provisions of article R331-5-1 of the Insurance Code (amended by article 2 II of decree 2003-1236 of December 22, 2003). In the event of net unrealized capital loss of the investments mentioned in article R-332-20, the PPR is funded:

- either for one-third of the unrealized capital loss (without the PPR established in this way being able to exceed the unrealized capital loss on the closing date), since on the one hand, the company covers its regulated commitments, and on the other hand, the regulated solvency margin,
- or for the total amount of the unrealized capital loss on the closing date.

The realizable value corresponds to a market value defined by the Insurance Code in article R 332-20-1. The methods of calculating it vary depending on the type of investments concerned.

g) Provisions for equalization

The company makes the necessary provisions to deal with fluctuations in the total loss experience in compliance with the laws governing these types of provisions – article R 331-6, paragraph 6 for non-life.

These provisions are applied to cyclical risks having different effects on the successive years of account, such as natural elements, credit and atomic risk.

The annual funding of these provisions does not exceed 75% of the underwriting profit for the category concerned. Moreover, the total provision does not exceed 200% of the premiums issued during the year, net of cancellation and reinsurance, for hail insurance and 300% for storms and natural disasters.

h) Mathematical provisions for annuities

The mathematical provisions for annuities represent the actual value of the company's commitments relating to annuities and annuity accessories.
They are calculated, for incapacity and disability pensions covering corporal risk from the death table 88-90 in accordance with article A 331-10 of the Insurance Code. The rate for conversion to present value used in the accounts as of December 31, 2005 is 1.95% (60%TME).
The annuities of the victims' successors in interest are evaluated in accordance with Article 335-1.

3.2.3. PROVISIONS FOR CONTINGENCIES AND LOSS

- Provision for major repairs:

The provisions for major repairs were fully recaptured on January 1, 2005 by equity capital (carry forward account) in application of the change of method related to the components approach. In compensation for stopping the recognition of provisions for major repairs, the company accounts for its major expenses for maintenance and refitting (expenses called second category) according to the components approach.

3.2.4. OTHER DEBTS

These primarily include debts to personnel, other third parties and credit balances of the current accounts with the other companies of the group.

3.2.5. UNREALIZED FOREIGN EXCHANGE GAINS AND LOSSES (assets or liabilities)

According to the provisions included in the 1995 insurance accounting plan, the "conversion differences" resulting from differences in valuation of the entries made in foreign currencies were neutralized and are shown, in a single balance, in the specific balance sheet account entitled "conversion differences – assets" or "conversion differences – liabilities."
A provision is made under "provision for contingencies and loss" of the liabilities at the close of the year for an amount equal to the "conversion difference – assets" net of all foreign currencies taken together.

3.3 Profit and loss statement

3.3.1. MANAGEMENT EXPENSES (GENERAL EXPENSES AND COMMISSIONS)

Due to the way the company is organized, a large part of its general expenses is managed in sections directly devoted to functions (production, claims, etc.), indeed, in these functions (destinations) directly to products (categories of contracts).

The other expenses borne or rebilled are poured over into these qualified sections of principles according to keys established as a function of work units or resulting from appropriate studies.

Expenses for services that cannot be allocated in this way are transcribed in the other technical expenses (General Management, General Accounting, Audit, etc.), then broken down by categories of contracts using a key which depends on the sales figure or expenses already poured over.

The expense for employee profit sharing is integrated into the general expenses, broken down by destination.

The commissions are allocated by product and their breakdown by destination derives from analytical studies done by the company.

3.3.2. DISCREPANCIES WHEN RECORDING REINSURANCE ACCEPTANCES

Missing information from assigning companies is estimated in order to complete the accounts.

When the company knows of a foreseeable loss, provision is made for it.

3.3.3. INVESTMENT INCOME AND EXPENSES

Investment income and expenses are recorded, in detail, in the non-technical operating account. The portion of this net income related to the technical provisions is transferred from the non-technical account to the non-life technical account.

This portion is determined in accordance with a compulsory formula (on the whole, in proportion to the technical provisions and the equity capital).

In order to determine the interest accrued from bonds, a calculation is made, prorated for time, of the debt instrument's accrued interest during each settlement of account. However, the buyer is only owner of the accrued interest D + 3 (settlement/delivery date) and not at D (negotiation date); thus, an amount of accrued interest accounted for up to the settlement/delivery date.

3.3.4. DEFERRED TAXES

The accrual method applies to temporary differences, according to the comprehensive concept. Provisions are made for net liability deferred taxes, but net asset deferred taxes are not recorded in the accounts.
At the end of 2005, deferred taxes have an active situation resulting in 26 million euros of liability deferred taxes and 94 million euros of asset deferred taxes.

3.3.5. NON-TECHNICAL, EXTRAORDINARY INCOME AND EXPENSES

The non-technical income and expenses are those with no technical relationship to the insurance activity (distribution of banking income, sale of unserviceable equipment or waste materials).

The extraordinary income or expenses are those that are non-recurrent, unrelated to the operation, or exceptional with respect to their amount or impact (provision for restructuring, etc.).

3.4 Off-balance sheet commitments

3.4.1. CORPORATE COMMITMENTS OR RETIRMENT COMMITMENTS

None.

3.4.2. OPERATIONS ON TERM FINANCIAL INSTRUMENTS OR DERIVATIVE PRODUCTS

None.

3.5. Other agreements

None

4 – CHANGES OF METHODS

In application of regulation 2002-10 of the CRC, beginning on January 1, 2005, the company applied new accounting rules concerning amortization and depreciation of fixed assets. One of the important changes consists of introducing a method of amortization by components.
The terms and conditions of applying this regulation are described in paragraph 3.1.2 of this appendix.
The € 109,000 impact of the change in method on the equity capital is not significant. It is accounted for as a credit in the carry forward account.

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AXA Courtage Assurance Mutuelle
[AXA Brokerage Mutual Insurance]

[image]

SUMMARY INCOME STATEMENT
PROPERTY AND CASUALTY

AXA COURTAGE ASSURANCE MUTUELLE

In millions of euros

	12/31/05	12/31/04
ASSESSMENTS ISSUED	**160.2**	**154.7**
Assessments accepted	159.0	152.7
Technical costs	(119.5)	(119.2)
GROSS TECHNICAL MARGIN	**39.5**	**33.5**
Technical profit and loss from reinsurance ceded	(13.7)	(12.8)
NET TECHNICAL MARGIN	**25.8**	**20.7**
Acquisition expenses	(26.7)	(25.0)
Administration expenses	(11.3)	(10.0)
Other expenses	(2.3)	(1.7)
TOTAL OPERATING EXPENSES	**(40.3)**	**(36.7)**
PROFIT AND LOSS FROM INSURANCE OPERATIONS	**(14.5)**	**(16.0)**
Profit and loss from financial management	52.8	43.4
Extraordinary profit and loss	0.1	0.0
PRE-TAX PROFIT AND LOSS	**38.4**	**27.4**
Tax on profits	(9.5)	(13.0)
NET INCOME	**28.9**	**14.4**

AXA Courtage Assurance Mutuelle

General Auditors Report

Annual Financial Statements – Year ending December 31, 2005

PRICEWATERHOUSECOOPERS AUDIT

MAZARS & GUÉRARD

MAZARS

PRICEWATERHOUSECOOPERS AUDIT

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AXA Courtage Assurance Mutuelle

Registered Offices: 26, rue Drouot – 75009 Paris
Mutual Insurance Company – Governed by the Insurance Code

General Auditors Report

Annual Financial Statements – Year ending December 31, 2005

PRICEWATERHOUSECOOPERS AUDIT

MAZARS & GUÉRARD

MAZARS

General Auditors Report

To the Shareholders:

In performance of the assignment conferred upon us by your General Shareholders Meeting, we herewith present our report for the year ending December 31, 2005 on:

- the audit of the annual accounts of AXA Courtage Assurance Mutuelle, as appended to this report,
- the reasons for our opinions,
- the specific verifications and information required by law.

The annual financial statements were prepared by the Board of Directors. It is our responsibility, based on our audit, to express an opinion on these statements.

I – Opinion on the annual financial statements

We performed our audit in accordance with the professional standards applicable in France; these standards require diligence in obtaining reasonable assurance that the annual financial statements do not include significant anomalies. An audit consists of using spot checks to examine the evidence that justifies the data contained in these statements. It also consists of evaluating the accounting principles followed and the significant valuations used in drawing up the statements and evaluating their presentation as a whole. We believe our audit provides a reasonable basis for the opinion expressed below.

We certify that the annual statements are, with regard to French accounting rules and principles, consistent and genuine and provide a true image of the results of the operations for the last year as well as of the financial situation and assets of the company at the end of that year.

Without calling into question the opinion expressed above, we would like to draw your attention to the point set forth in note 4 of the appendix, which explains the changes in the accounting method resulting from the application, beginning January 1, 2005, of the regulation from the Accounting Regulations Board, CRC no. 2002-10, concerning amortization and depreciation of assets, and CRC no. 2004-06 concerning the definition, posting and evaluation of assets.

II – Justification of the opinions

In application of the provisions of article L. 823-9 of the Code of Commerce related to the justification of our opinions, we would like to bring the following items to your attention:

<u>Change of accounting method</u>:

- Within the scope of our grasp of the accounting rules and principles followed by your company, we are certain of the validity of the changes in the abovementioned accounting method and of the presentation that was made thereof.

<u>Accounting estimates</u>:

- Some technical entries that are distinctive to insurance and reinsurance, assets and liabilities of your company's accounts, are estimated on statistical and actuarial bases, particularly the technical provisions. The methods of determining these items are included in notes 3.1.9 and 3.2.2 of the appendix.

  We are certain of the reasonable nature of the assumptions used in the calculation models employed, particularly with respect to the company's experience, its regulatory and economic environment, as well as the coherence of all of these assumptions.

- The provisions for permanent decline in value on the securities portfolio are evaluated in accordance with the methods set forth in note 3.1.5 of the appendix.

  We are certain that the evaluation of these provisions is coherent with the intention of holding these securities by the company, which confirmed to us that it is able to keep these securities for a period in conformity with its intention to hold them.

The opinions thus provided are included within the scope of our approach in auditing the annual financial statements, taken as a whole, and have therefore contributed to the formation of our unreserved opinion expressed in the first part of this report.

III – Verifications and specific information

Pursuant to the professional standards applicable in France, we also proceeded with the specific verifications stipulated by law.

We have no observations to make about the genuineness and agreement with the annual financial statements of the information given in the Board of Directors' management report and in the documents provided to the shareholders about the financial situation and the annual financial statements.

Given in Neuilly-sur-Seine and Paris-La Défense, April 12, 2006

The Auditors

PRICEWATERHOUSE COOPERS AUDIT — YVES NICOLAS

JEAN-JACQUES DUSSUTOUR [signature]

MAZARS & GUERARD — JEAN-CLAUDE PAULY [signature]

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2005

AXA COURTAGE ASSURANCE MUTUELLE
BALANCE SHEET AT DECEMBER 31, 2005

(in thousands of euros)

	ASSETS	Dec. 31, 2005	Dec. 31, 2004
1	UNCALLED SUBSCRIBED CAPITAL	0	0
2	INTANGIBLE ASSETS		
3	INVESTMENTS		
3a	Land and buildings	39 895	40,287
3b	Investments in related companies and in companies in which there is a holding	511,652	500,882
3c	Other investments	383,903	346,732
3d	Receivables for cash deposited with assignors	2,137	2,148
		937,586	**890,048**
4	INVESTMENTS REPRESENTING TECHNICAL PROVISIONS RELATED TO UNIT-LINKED CONTRACTS	0	0
5	SHARE OF ASSIGNEES AND RETROCESSIONAIRES IN THE TECHNICAL PROVISIONS		
5a	Provisions for premiums not accepted	501	1,058
5d	Provisions for non-life claims	15,890	17,523
5f	Provisions for non-life profit sharing and conditions	0	0
5g	Provisions for equalization	0	0
5i	Other non-life technical provisions	0	0
		16,391	**18,581**
6	RECEIVABLES		
6a	Receivables resulting from direct insurance operations:		
6aa	Premiums remaining to be issued	13,037	11,509
6ab	Other receivables resulting from direct insurance operations	2	19
		13,039	11,528
6b	Receivables resulting from reinsurance operations	6,169	2,964
6c	Other receivables:		
6ca	Personnel	11	17
6cd	State, social security agencies, public bodies	1,590	296
6cc	Miscellaneous debtors	8,348	5,476
		9,949	5 ,789
6d	Unpaid called capital	0	0
		29,157	**20,281**
7	OTHER ASSETS		
7a	Operating tangible assets	0	0
7b	Cash and banks	26,074	21,561
7c	Own shares	0	0
		26,074	**21,561**
8	ADJUSTMENT ACCOUNTS – ASSETS		
8a	Interest and rents accepted, not due	5,646	5,650
8b	Acquisition expenses carried forward	4,628	4,012
8c	Other adjustment accounts	6,068	4,997
		16,341	**14,659**
9	UNREALIZED FOREIGN EXCHANGE LOSSES	0	0
	TOTAL ASSETS	**1,025,549**	**965,131**

AXA COURTAGE ASSURANCE MUTUELLE
BALANCE SHEET AT DECEMBER 31, 2005

(in thousands of euros)

	LIABILITIES	Dec. 31, 2005	Dec. 31, 2004
1a	Initial capital and additional corporate funds	23,014	23,190
1c	Reserves for valuation adjustments	9	9
1d	Other reserves	433,488	424,035
1e	Brought forward	0	(4,988)
1f	Result for the year	28,880	14,440
		485,391	**456,687**
2	SUBORDINATED LIABILITIES	0	0
3	GROSS TECHNICAL PROVISIONS		
3a	Provisions for premiums not acquired	24,660	24,579
3d	Provisions for non-life claims	376,833	349,409
3f	Provisions for non-life profit sharing and commissions	1,920	1,714
3g	Provisions for equalization	13,053	11,465
3i	Other non-life technical provisions	86,039	75,817
		502,504	**462,984**
4	TECHNICAL PROVISIONS FROM UNIT-LINKED CONTRACTS	0	0
5	PROVISIONS FOR CONTINGENCIES AND LOSSES	0	948
6	DEBTS FOR CASH DEPOSITS RECEIVED FROM ASSIGNEES	2,140	3,001
7	OTHER DEBTS		
7a	Debts resulting from direct insurance operations	3,490	2,664
7b	Debts resulting from reinsurance operations	8,314	7,623
7c	Debenture bonds		
7d	Debts to credit institutions	4,591	0
7e	Other debts:		
7ea	Negotiable debt instruments issued by the company	0	0
7eb	Other borrowings, deposits and bonds received	6,199	5,931
7ec	Personnel	636	629
7ed	State, social security agencies and public bodies	9,071	18,920
7ee	Miscellaneous creditors	941	1,077
		16,848	**26,557**
		33,243	**36,844**
8	ADJUSTMENT ACOUNTS – LIABILITIES	2,271	4,667
9	UNREALIZED FOREIGN EXCHANGE GAINS	0	0
	TOTAL LIABILITIES	**1,025,549**	**965,131**

AXA COURTAGE ASSURANCE MUTUELLE
BALANCE SHEET AT DECEMBER 31, 2005

(in thousands of euros)

	OFF BALANCE-SHEET ASSETS AND LIABILITIES	Dec. 31, 2005	Dec. 31, 2004
1	COMMITMENTS RECEIVED	30,318	30,526
2	COMMITMENTS GIVEN		
2a	Credit endorsements, surety bonds and guarantees given	151	105
2b	Securities and assets accepted with resale commitment	0	0
2c	Other commitments on securities, assets or revenue	0	0
2d	Other commitments given	0	0
		151	**105**
3	SECURITIES RECEIVED AS COLLATERAL FROM ASSIGNEES AND RETROCESSIONAIRES	4,282	4,447
4	SECURITIES RECEIVED BY REINSURED AGENCIES WITH JOINT SURETY OR WITH SUBSTITUTION	0	0
5	SECURITIES BELONGING TO PROVIDENT SOCIETIES	0	0
6	OTHER SECURITIES HELD ON BEHALF OF THIRD PARTIES	0	0
7	LIABILITY TERM FINANCIAL INSTRUMENTS RECEIVED		
	Breakdown of liability term financial instruments by category of strategy:		
7a	- investment or disinvestment strategies	0	0
	- yield strategies	0	0
	Breakdown of liability term financial instruments by market categories:		
7b	- operations on a mutual agreement market	0	0
	- operations on regulated or similar markets	0	0
	Breakdown of liability term financial instruments by type of market risk:		
7c	- interest rate risk	0	0
	- foreign exchange risk	0	0
	- shares risk	0	0
	Breakdown of liability term financial instruments by type of instrument:		
7d	- foreign exchange contracts	0	0
	- guaranteed interest rate contracts	0	0
	- term contracts	0	0
	- options	0	0
7e	Breakdown of liability term financial instruments by remaining term of strategies according to the following time periods:	0	0
	- 0 to 1 year	0	0
	- 1 to 5 years	0	0

AXA COURTAGE ASSURANCE MUTUELLE
INCOME STATEMENT

	NON-LIFE INSURANCE TECHNICAL ACCOUNT	GROSS OPERATIONS 31 DEC 05	ASSIGNMENTS AND RETROCESSIONS 31 DEC 05	NET OPERATIONS 31 DEC 05	NET OPERATIONS 31 DEC 04
1	PREMIUMS ACCEPTED				
1a	Premiums	160,238	(15,916)	144,322	134,281
1b	Variation of premiums not accepted	(1,204)	(557)	(1,761)	(1,957)
		159,035	**(16,473)**	**142,562**	**132,324**
2	RETURN ON ALLOCATED INVESTMENTS	28,485	0	28,485	23,380
3	OTHER TECHNICAL INCOME	0	0	0	
4	BURDEN OF LOSSES				
4a	Benefits and expenses paid	(74,982)	3,426	(71,556)	(83,835)
4b	Charges from provisions for claims	(31,646)	(1,633)	(33,279)	(26,481)
		(106,628)	**1,793**	**(104,836)**	**(110,316)**
5	CHARGES FROM OTHER TECHNICAL PROVISIONS	(10,222)	0	(10,222)	(2,165)
6	PROFIT SHARING	(2,852)	0	(2,852)	(712)
7	ACQUSITION AND ADMINISTRATIVE EXPENSES				
7a	Acquisition expenses	(26,696)	0	(26,696)	(25,048)
7b	Administrative expenses	(11,281)	0	(11,281)	(9,976)
7c	Commissions received from reinsurers	0	947	947	4,198
		(37,978)	**947**	**(37,030)**	**(30,826)**
8	OTHER TECHNICAL CHARGES	(2,349)	0	(2,349)	(1,744)
9	VARIATION OF THE PROVISION FOR EQUALIZATION	(1,588)	0	(1,588)	(4,362)
	TECHNICAL RESULTS FROM NON-LIFE INSURANCE	**25,903**	**(13,733)**	**12,170**	**5,579**

	NON-TECHNICAL ACCOUNT	OPERATIONS AT 31 DEC 05	OPERATIONS AT 31 DEC 04
1	TECHNICAL RESULTS OF NON-LIFE INSURANCE	12,170	5,579
3	RETURN ON INVESTMENTS		
3a	Yield from investments	53,742	37,529
3b	Other income from investments	2,561	8,850
3c	Profits from sale of investments	4,228	8,507
		60,532	**54,886**
5	INVESTMENT EXPENSES		
5a	Internal and outside management expenses of investments and financing expenses	(863)	(480)
5b	Other investment expenses	(3,249)	(3,647)
5c	Losses from sale of investments	(1,877)	(5,469)
		(5,989)	**(9,596)**
6	INCOME FROM TRANSFERRED INVESTMENTS	(28,485)	(23,380)
7	OTHER NON-TECHNICAL INCOME	1	3
8	OTHER NON-TECHNICAL EXPENSES	0	0
9	EXTRAORDINARY INCOME (LOSS)		
9a	Extraordinary income	117	0
9b	Extraordinary expenses	0	0
		117	**0**
10	EMPLOYEE PROFIT SHARING	0	0
11	TAX ON PROFITS	(9,465)	(13,051)
	NET INCOME FROM THE PERIOD	**28,880**	**14,440**

Appendix to the Corporate Financial Statements

A – Information about the choice of methods used

B – Information about the entries on the Balance Sheet and Profit and Loss Statement

1 – SIGNIFICANT DEVELOPMENTS FOR THE YEAR

- In 2005, AXA Courtage Assurance Mutuelle transferred a portfolio containing its co-insurance activities, via the broker Monvoisin Assurance, to AXA France IARD.

- The extraordinary general shareholders' meetings of AXA and FINAXA on December 16, 2005 approved the merger of the two companies. This merger falls within a plan to simplify the holding structure of the AXA group. With respect to accounting, no capital gain was created because this merger had no commercial substance, FINAXA holding only AXA securities and the AXA brand producing an annual royalty due by AXA. The AXA securities received in exchange were therefore recorded as assets at the same accounting value as the previously held FINAXA securities. This operation therefore has no effect on your company's 2005 accounts.

2 – EVENTS OCCURRING AFTER CLOSURE

No event of significant importance occurred after the closing of the accounts.

3 – EVALUATION PRINCIPLES AND METHODS USED

The company's accounts are prepared in compliance with the provisions of the law, pursuant to the provisions of articles L.123-12 to L.123-22 of the Code of Commerce, applicable to insurance companies in application of article R.341-2 of the Insurance Code. In particular, this involves decree No. 94-481 of June 8, 1994 and the order of June 20, 1994 dealing with the adaptation of European directive No. 91-674 of December 19, 1991.

The general accounting principles as well as those that are specific to the accounts of insurance companies were applied in compliance with the rules of prudence, independence of company years and continuity of accounting methods from one year to another, with the exception of changes introduced by the implementation of new regulations.

Nevertheless, whenever the comprehension of the financial statements requires it, the evaluation method is explained in this appendix.

3.1. Balance sheet assets

3.1.1. INTANGIBLE ASSETS

In order to comply with accounting regulations, the expenses of acquiring contracts and the expenses of acquiring fixed assets are shown in the adjustment accounts – assets.

The intangible assets mentioned in the balance sheet are software.

3.1.2. REAL ESTATE INVESTMENTS

The real estate investments are accounted for in accordance with regulation 2002-10 of December 12, 2002 of the CRC (Accounting Regulations Board).

The company used the chart adopted by the FFSA [French Federation of Insurance Companies] (see chart at end of appendix) for the following items:

- nature of components (4 families),
- classification of real property by type,
- length of amortization,
- breakdown percentages in the ranges of the FFSA chart (all real properties of the same category are broken down in accordance with the same percentages)
- mathematical modulation principle for recalculating amortizations at the opening when the holding time of a component is greater than the holding time of the real property. The component is then considered to have been renewed at the end of its technical term.

FFSA Chart and breakdown rates used.

	Prior to 1945			After 1945			Warehouses and business premises			Businesses			High-rises		
	FFSA Range	Distribution Rate	Amortization Term	FFSA Range	Distribution Rate	Amortization Term	FFSA Range	Distribution Rate	Amortization Term	FFSA Range	Distribution Rate	Amortization Term	FFSA Range	Distribution Rate	Amortization Term
Carcass	40-65%	65.0%	120	40-65%	65.0%	80	60-85%	85.0%	30	40-50%	50.0%	50	30-40%	40.0%	70
Wind- and water-tight	10-20%	10.0%	35	5-20%	10.0%	30	5-20%	5.0%	30	10-25%	250%	30	10-35%	30.0%	30
Technical lots	15-25%	15.0%	25	15-30%	15.0%	25	5-15%	5.0%	20	15-35%	20.0%	20	25-40%	25.0%	25
Finishings	10-25%	10.0%	15	10-25%	10.0%	15	5-15%	5.0%	10	5-20%	5.0%	15	5-15%	5.0%	15
Total		100.0%	87		100.0%	60		100.0%	29		100.0%	37		100.0%	44

From the accounting standpoint,

- Only the "buildings" entry at 01/01/05 was broken down by components.
- The "land" entry was not changed (therefore no change of the land/building breakdowns)
- The organization, fitting out, facility was not changed (the amortization is ended when the organizations, fitting out, facilities are completely amortized).
- A capital repairs component was used to cover future major overhauls and major repairs.

3.1.3. INVESTMENTS IN RELATED COMPANIES AND IN COMPANIES IN WHICH THERE IS AN EQUITY INTEREST

Related companies: French or foreign companies meeting the conditions specified by articles 357-1 and 357-3 of the law of July 24, 1966 or by article L.345-1 of the Insurance Code to be included by full consolidation in the consolidated group to which they belong by full consolidation the insurance company in application of the same provisions, to the exclusion of companies other than insurance companies that can be left outside the consolidation in application of paragraph 1 or 2 of section II of article 357-4 of the law of July 24, 1966. [sic]

Companies in which the insurance company has an equity interest: Companies other than related companies in which the insurance company directly or indirectly holds an equity interest in the sense of article 20 of the decree of November 29, 1986, or they directly or indirectly hold such equity interest in the insurance company; for the application of this provision, securities representing at least 10% of the capital are assumed to be equity interest securities.

They are recorded at their cost of acquisition in accordance with the Insurance Code (Art. R 332-20).

3.1.4. OTHER INVESTMENTS

These are evaluated and entered into in the books based on their purchase or selling price, pursuant to the provisions of the Insurance Code (Art. R 332-20), the value of the bonds meeting the definition of article R 332-19, however, having been corrected by actuarial or linear depreciation of the premium/discount on their residual economic life. These are the following depreciable securities (paragraphs 1, 2 and 2 bis of Art. 332-2).

- bonds and other securities issued or guaranteed by one of the member states of the OECD;
- bonds, debt mutual fund units and equity loans registered on the stock exchange list of a member state of the OECD;
- negotiable debt instruments issued by legal entities other than member states of the OECD.

The premium or discount represents the arithmetic difference between the purchase price and the redemption value of the security.

Accumulated depreciations are shown in the adjustment account on the liabilities side of the balance sheet. The variation for the year is shown in other investment income and expenses of the profit and loss statement.

3.1.5. PROVISIONS FOR DEPRECIATION OF INVESTMENTS

The provisions for permanent decline in value are treated in accordance with notice No. 2002-F from the National Accounting Board, dated December 18, 2002.

Property holdings and securities, other than those covered in article R 332-19, constitute a provision if and only if they have a permanent decline in value. The reference value to be used in calculating a permanent decline provision includes in particular the following factors:

- the extent of the decline recorded for the asset and its duration,
- the impact of the decline on the market as a whole,
- the possible inadequacy of the asset on the market,
- the possible difficulties the asset may cause in the long-term, due to the liquidity constraints of the company.

This reference value is also a function of the nature of the asset in question, and of the holding strategy followed by the company.

Thus, property holdings are broken down into:

- real property intended to be sold, for which the appraised value or the sale price is used, whichever is more reliable,
- real property intended to remain on a long-term basis as part of the company's assets. This type of property is in turn divided into two categories:
  - rental property, for which an investment value is determined on the basis of expected operating cash flow established by the managers of the assets and converted to presented value at the average rate of the liabilities of the owner company on a horizon of infinite holding;
  - operational buildings, which are evaluated on the basis of their going value for the company.

When a decrease in value is permanent, particularly in the case of irreversible physical depreciation of a building, the depreciation is then recorded in the form of an exceptional amortization, and not a provision.

For securities, the calculation of the reference value results from the opinion of the company, which is substantiated by a financial analysis from the issuing company. It must comply with the following principles:

- The realizable value (stock price or probable trade value) is used for securities intended to be sold quickly,
- The useful value, which depends on the usefulness of the asset for the shareholder, is used for evaluating investments that are meant to remain in the insurance company's assets for the long-term,

- when the earning power of the issuing company is compromised for the long-term, particularly in case of bankruptcy, a provision for long-term depreciation is established.

  The securities are recorded at their acquisition cost and are not given any kind of revaluation. Consequently, in the event of significant loss of value, a provision for long-term depreciation can be established. The securities concerned are those with an unrealized capital loss of more than 20% continuously over the six months prior to the close of the year, or those for which the loss of value is deemed to be significant and enduring. The method of calculating the provision to be accounted for differs, depending on the classification to which the security belongs:

- For bonds:

  Bonds called "Below Investment Grade" (not rated or rated BB or below by rating agencies):

  - are depreciated as soon as they are in an unrealized capital loss situation for more than twelve months (unless evidence can be provided that there is no risk of default),
  - are given a default risk analysis (the decision not to set up a provision for it must be documented in detail) as soon as they have an unrealized capital loss of more than 20% over a continuous period of at least six months.

  Bonds called "Investment Grade" (rated AAA and BBB or equivalent ratings) are also given a default risk analysis when they are in an unrealized capital loss situation of more than 50% (with no term condition) or more than 20% (but less than 50%) for at least 6 consecutive months.

- For Mutual Funds: the provision to be recorded corresponds to the difference between the acquisition cost and the market value at close, plus a coefficient that conveys the prospects for recovery of the sector or market concerned on the holding horizon.

- For Shares: the amount of the provision is equal to the lesser of the difference between:

  - the cost of acquisition and the market value

    or
  - the cost of acquisition and a recoverability value, called "Holt," determined according to different economic criteria.

  The Holt method was developed by Holt Value Associates and has been used by AXA Investment Managers to calculate the recoverability value of a share in the medium-term. It is based on a method derived from discounted cash flows for which the discount rate used corresponds to the rate of return expected by the shareholder in the sector in which the share in question is found. The use of this reference value relies on the verification that the company has the resources and intention to keep the securities with unrealized capital loss over the long-term.

  There are some exceptions to this general principle:

  - provisions for securities that are intended to be sold are funded at the closing price;
  - provisions for securities for which the long-term holding is proven within the group's activity are not funded as long as there is no counterparty risk;

With respect to provision recaptures, a provision is recaptured if the stock exchange value of a security exceeds 85% of its initial purchase price for more than 6 months.

3.1.6. DEBTS RESULTING FROM DIRECT INSURANCE OPERATIONS

These are essentially composed of the debit balances of the insured.
A provision can be established to offset the risk of non-payment of the debt.

3.1.7. OTHER DEBTS

These essentially concern debts to personnel, social security agencies and the other companies of the group, through current account debtor balances.

3.1.8. OTHER OPERATING ASSETS

These fixed assets are accounted for at flat cost, and if applicable, allocations are made to amortizations calculated at the rates normally used.

3.1.9. ACQUISITION EXPENSES CARRIED FORWARD

Pursuant to article R 332-33 of the Insurance Code, during inventory the company evaluated the acquisition expenses of contracts carried forward to the subsequent fiscal year(s).

- this calculation is done for each branch of insurance and the cumulative total is entered into as an asset on the balance sheet.

- for each ministry category, the ratio of acquisition expense (internal + external expenses)/contributions made is applied to the amount of contributions to carry forward.

3.1.10 OTHER ADJUSTMENT ACCOUNTS

These are essentially the interest and rents received but not due, and the differences on redemption price to be collected.

3.2 Balance sheet liabilities

3.2.1. SHAREHOLDERS' EQUITY

- **Capitalization reserve**

  The capitalization reserve is "intended to deal with the depreciation of securities included in the company's assets and with the decrease of their income" (Art. R 331-6, paragraph 3). It forms part of the shareholders' equity and is recorded under "Other reserves" in account 10645 "Capitalization reserve."

This reserve is established during outflows (sale or conversion), done prior to maturity, of regulated amortizable securities (except for variable rate bonds).

3.2.2. TECHNICAL PROVISIONS

a) Provision for unreceived premiums

The provision for unreceived premiums records, for all contracts in hand, the calculated portion, prorated for time, of the premiums issued and premiums remaining to be issued for the period between the inventory date and the next premium due date, or if none, the term of the contract (Art. A 331-16).

b) Provision for current risks

The purpose of the provision for current risks is to cover, from the issuing year, the cost of future claims that are not covered by the premiums not received. This provision, which records a shortfall of rate making on the portion of issued premiums not received in the year, should be calculated for all contract categories, except for managed capitalization categories or in exercise of underwriting.

The provision for current risks should be funded when, for a given regulated category, the ratio between the burden of loss for the current year plus the acquisition and administration expenses other than those immediately committed to and the gross premiums received is more than 100% for the past two years. In this case, the provision for current risks for the category in question is equal to the product of the ratio defined above minus one, to the unreceived premium pertaining to the category in question.

The calculation of the provision for the automobile category is achieved by adding the damage and liability coverage.

c) Provision for claims payable

The provision for claims payable corresponds to the estimated value of the expenses in principle and in outside expenses required for settling claims made and not yet paid, whether declared or not, including capital comprised of annuities for which the company is not yet responsible.
It is calculated first case by case, then adjusted or completed using statistical methods.

Future expenditures are estimated at their future cost unconverted to present value, except in the case of capital composed of annuities, and augmented by a provision for claim management expenses.

- Case by case estimate

  The claim provision of a case results from the evaluation of the burden of loss made on the date of the declaration, which may be revised over time depending on new items of available information, then reduced by all settlements already made for this case.

- Statistical estimate

  A provision produced by adding the estimated reserves case by case is not sufficient for estimating the economic level of reserves needed, for three essential reasons:

  - by construction, this amount of provision does not include the estimate of late cases.
  - the evaluation of each case depends on information given to the managers. This information can prove to be cautious or insufficient.
  - the estimate by case does not necessarily include the additional cost related to the development of case law or the technological environment.

In order to have a realistic image of the level of provisions necessary, the case by case estimates are therefore adjusted through the use of chain ladder type statistical methods.

d) Provision for claim management expenses

The claim management expenses provision (CMEP) seeks to cover management expenses of only those claims it manages directly. No CMEP is established for claims of which management is delegated to the contributor, when the contributor has already received its remuneration.

The CMEP is evaluated by branch by multiplying the following 3 components:

- The number of current claims in the inventory that corresponds to the sum of:
  - declared cases in progress in the inventory,
  - an estimate of claims occurred in the inventory but not yet declared.
- The annual unit cost of management equal to the ratio of claim management expenses (CME) for the year, to the number of cases managed in the year in which:
  - The CME exclude commissions but include part of the "Other Technical Expenses"
  - The number of cases managed in the year includes the claims closed in the year and the claims declared still in progress in the inventory.
- The average residual period estimated from the pace of termination observed in the past.

To this calculation, verified additional items are added and/or deducted. They correspond to taking into account events that have been verified but not yet characterized by the cases declared in the inventory.

e) Provision for claims that are not yet apparent

The provision for claims not yet apparent in construction insurance is calculated according to the provisions of article A 331-21 of the Insurance Code.

This provision is therefore estimated, on the one hand, from the amount of premiums issued and premiums to be issued, net of the premiums to be cancelled and acquisition expenses, and on the other hand, from the total cost of claims occurred on the date of the inventory, pertaining to each company year the construction site is open.

The amount of premiums to be issued results from a statistical calculation, based on chain ladder type evaluation methods.

f) Provision for payability risk

Intended to cover commitments in the case of unrealized capital loss of assets mentioned in article R332-20, the provision for payability risk (PPR) is calculated in accordance with the provisions of article R331-5-1 of the Insurance Code (amended by article 2 II of decree 2003-1236 of December 22, 2003). In the event of net unrealized capital loss of the investments mentioned in article R-332-20, the PPR is funded:

- either for one-third of the unrealized capital loss (without the PPR established in this way being able to exceed the unrealized capital loss on the closing date), since on the one hand, the company covers its regulated commitments, and on the other hand, the regulated solvency margin,
- or for the total amount of the unrealized capital loss on the closing date.

The realizable value corresponds to a market value defined by the Insurance Code in article R 332-20-1. The methods of calculating it vary depending on the type of investments concerned.

g) Provisions for equalization

The company makes the necessary provisions to deal with fluctuations in the total loss experience in compliance with the laws governing these types of provisions – article R 331-6, paragraph 6 for non-life.

These provisions are applied to cyclical risks having different effects on the successive years of account, such as natural elements, credit and atomic risk.

The annual funding of these provisions does not exceed 75% of the underwriting profit for the category concerned. Moreover, the total provision does not exceed 200% of the premiums issued during the year, net of cancellation and reinsurance, for hail insurance and 300% for storms and natural disasters.

h) Mathematical provisions for annuities

The mathematical provisions for annuities represent the actual value of the company's commitments relating to annuities and annuity accessories.
They are calculated, for incapacity and disability pensions covering corporal risk from the death table 88-90 in accordance with article A 331-10 of the Insurance Code. The rate for conversion to present value used in the accounts as of December 31, 2005 is 1.95% (60%TME).
The annuities of the victims' successors in interest are evaluated in accordance with Article 335-1.

3.2.3. PROVISIONS FOR CONTINGENCIES AND LOSS

- **Provision for major repairs:**

The provisions for major repairs were fully recaptured on January 1, 2005 by equity capital (carry forward account) in application of the change of method related to the components approach. In compensation for stopping the recognition of provisions for major repairs, the company accounts for its major expenses for maintenance and refitting (expenses called second category) according to the components approach.

3.2.4. OTHER DEBTS

These primarily include debts to personnel, other third parties and credit balances of the current accounts with the other companies of the group.

3.2.5. UNREALIZED FOREIGN EXCHANGE GAINS AND LOSSES (assets or liabilities)

According to the provisions included in the 1995 insurance accounting plan, the "conversion differences" resulting from differences in valuation of the entries made in foreign currencies were neutralized and are shown, in a single balance, in the specific balance sheet account entitled "conversion differences – assets" or "conversion differences - liabilities."
A provision is made under "provision for contingencies and loss" of the liabilities at the close of the year for an amount equal to the "conversion difference – assets" net of all foreign currencies taken together.

3.3. Profit and loss statement

3.3.1. MANAGEMENT EXPENSES (GENERAL EXPENSES AND COMMISSIONS)

Due to the way the company is organized, a large part of its general expenses is managed in sections directly devoted to functions (production, claims, etc.), indeed, in these functions (destinations) directly to products (categories of contracts).

The other expenses borne or rebilled are poured over into these qualified sections of principles according to keys established as a function of work units or resulting from appropriate studies.

Expenses for services that cannot be allocated in this way are transcribed in the other technical expenses (General Management, General Accounting, Audit, etc.), then broken down by categories of contracts using a key which depends on the sales figure or expenses already poured over.

The expense for employee profit sharing is integrated into the general expenses, broken down by destination.

The commissions are allocated by product and their breakdown by destination derives from analytical studies done by the company.

3.3.2. DISCREPANCIES WHEN RECORDING REINSURANCE ACCEPTANCES

Missing information from assigning companies is estimated in order to complete the accounts.

When the company knows of a foreseeable loss, provision is made for it.

3.3.3. INVESTMENT INCOME AND EXPENSES

Investment income and expenses are recorded, in detail, in the non-technical operating account. The portion of this net income related to the technical provisions is transferred from the non-technical account to the non-life technical account.

This portion is determined in accordance with a compulsory formula (on the whole, in proportion to the technical provisions and the equity capital).

In order to determine the interest accrued from bonds, a calculation is made, prorated for time, of the debt instrument's accrued interest during each settlement of account. However, the buyer is only owner of the accrued interest D + 3 (settlement/delivery date) and not at D (negotiation date); thus, an amount of accrued interest accounted for up to the settlement/delivery date.

3.3.4. DEFERRED TAXES

The accrual method applies to temporary differences, according to the comprehensive concept. Provisions are made for net liability deferred taxes, but net asset deferred taxes are not recorded in the accounts.
At the end of 2005, deferred taxes have an active situation resulting in 26 million euros of liability deferred taxes and 94 million euros of asset deferred taxes.

3.3.5. NON-TECHNICAL, EXTRAORDINARY INCOME AND EXPENSES

The non-technical income and expenses are those with no technical relationship to the insurance activity (distribution of banking income, sale of unserviceable equipment or waste materials).

The extraordinary income or expenses are those that are non-recurrent, unrelated to the operation, or exceptional with respect to their amount or impact (provision for restructuring, etc.).

3.4. Off-balance sheet commitments

3.4.1 CORPORATE COMMITMENTS OR RETIRMENT COMMITMENTS

None.

3.4.2 OPERATIONS ON TERM FINANCIAL INSTRUMENTS OR DERIVATIVE PRODUCTS

None.

3.5. Other agreements

None

4 – CHANGES OF METHODS

In application of regulation 2002-10 of the CRC, beginning on January 1, 2005, the company applied new accounting rules concerning amortization and depreciation of fixed assets. One of the important changes consists of introducing a method of amortization by components.
The terms and conditions of applying this regulation are described in paragraph 3.1.2 of this appendix.
The € 109,000 impact of the change in method on the equity capital is not significant. It is accounted for as a credit in the carry forward account.

o O o

AXA Assurances Vie Mutuelle
[AXA Mutual Life Insurance]

[image]

SIMPLIFIED
PROFIT AND LOSS STATEMENT

AXA ASSURANCES VIE MUTUELLE *In millions of Euros*	**12/31/2005**	**12/31/2004**
FINANCIAL MARGIN	**84.6**	**70.1**
of which, from financial management	240.3	229.6
of which, distribution to insured	*(155.7)*	*(159.5)*
OPERATING ITEMS	**83.5**	**80.5**
NET TECHNICAL MARGIN FROM SALES	1.0	14.5
OPERATING EXPENSES	**(111.1)**	**(105.8)**
of which, commission	(45.7)	(39.9)
of which, general expenses	*(65.4)*	*(65.9)*
RESULT BEFORE TAXES	**58.0**	**59.4**
Tax on income	(11.9)	(10.8)
NET ACCOUNTING RESULT	**46.0**	**48.6**

CONTRIBUTIONS ISSUED	717.9	684.0

AXA ASSURANCES VIE MUTUELLE

GENERAL REPORT BY THE INDEPENDENT AUDITORS REGARDING THE ANNUAL ACCOUNTS

Year ending December 31, 2005

PricewaterhouseCoopers Audit **Mazars & Guérard**

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

Mazars & Guérard
Le Vinci – 4 allée de l'Arche
92075 La Défense Cedex

GENERAL REPORT BY THE INDEPENDENT AUDITORS REGARDING THE ANNUAL ACCOUNTS

Year ending December 31, 2005

To the Members
AXA ASSURANCE VIE MUTUELLE
26, rue Drouot
75009 Paris

Dear Sir or Madam,

In carrying out the mandate that was entrusted to us by your General Assembly, we are submitting to you our report relating to the year ending December 2005, regarding:

- examination of the annual accounts of the company AXA Assurances Vie Mutuelles, which are attached to this report,
- justification of our assessments,
- specific verifications and information provided for by the law.

The annual accounts have been ordered by your Administrative Council. It is our duty, on the basis of our audit, to express an opinion on these accounts.

I. Opinion on the annual accounts

We carried out our audit according to the professional standards that are applicable in France; these standards require the use of diligence that makes it possible to obtain reasonable assurance that the annual accounts do not contain significant anomalies. An audit consists of examination, by probing to find convincing elements justifying the data contained in these accounts. It also consists of appraising the overall presentation. We believe that our examinations supply a reasonable base for the opinion expressed below.

We certify that, under consideration of French accounting rules and principles, the annual accounts are legitimate and honest and give a true image of the operating result of the past accounting period, as well as the financial situation and the holdings of the company at the end of this accounting period.

Without drawing the opinion expressed below into question, we draw your attention to the item explained in Note 4 of the Appendix which discloses the changes in accounting methods resulting from the application to the account on January 1, 2005, of the rule by the Accounting Regulations Board CRC no. 2002-10 relating to amortizing and depreciation of assets and CRC no. 2004-06 relating to the definition, accounting and valuation of the assets.

II. Justification of our assessments

In application of the provisions of Article L. 823.9 of the Commercial code relating to the justification of our assessments, we bring the following elements to your attention:

Changes in accounting method:

In the scope of our assessment of the accounting rules and principles followed by your company, we have assured ourselves of the validity of the changes in the accounting method mentioned above and the presentation that has been made of them.

Accounting assessment:

- Certain technical items pertaining to insurance and reinsurance, assets and liabilities of the accounts of your company, are assessed on statistical and actuarial bases, in particular the technical reserves. The determination methods for these elements are detailed in note 3.2.2 of the appendix.

  We have assured ourselves of the reasonable nature of the assumptions maintained in the calculation models used, in particular with regard to the experience of the company, its regulatory and economic environment and the consistency of all these assumptions.

- The provisions for long-term deprecation on the securities are evaluated according to the methods listed in note 3.1.6 in the appendix.

  We have assured ourselves that the evaluation of these provisions was consistent with the intention of holding these securities by the company, which we have confirmed has the capacity to maintain these securities over the long-term, according to its intention.

The assessments thus set forth in the scope of the progress of our audit of the annual accounts, taken in total, have thus contributed to the formation of our opinion expressed in the first section of this report.

III. Verifications and specific information

We have also proceeded, according to the professional standards applicable in France, with specific verifications provided for under the law.

We have no remarks to make regarding the honesty and the congruence with the annual accounts of the information given in the management report of the Administrative Council and in the documents addressed to the shareholders regarding the financial situation and the annual accounts.

In application of the law, we have assured ourselves that various information relating to acquisitions and takeovers has been communicated to you in the management report.

Signed at Neuilly-sur-Seine and Paris-La Défense, April 12, 2006

The Independent Auditors

PricewaterhouseCoopers Audit		**Mazars & Guérard**
[signature]	[signature]	[signature]
Yves Nicolas	Jean-Jacques Dussutour	Jean-Claude Pauly

ACCOUNTS AS OF DECEMBER 31, 2005

AXA ASSURANCES VIE MUTUELLE

BALANCE SHEET AS OF DECEMBER 31, 2005

(in thousands of Euros)

	ASSETS	December 31, 2005	December 31, 2004
A1	UNCALLED SUBSCRIBED CAPITAL		
A2	INTANGIBLE ASSETS		
A3	INVESTMENTS		
A3a	Land and buildings	130,511	151,963
A3b	Investments in affiliated companies and participations	681,152	658,821
A3c	Other investments	3,617,315	3,326,048
A3d	Receivables for cash deposited by ceding companies	135	122
	Total investments	4,429,113	4,136,954
A4	INVESTMENTS REPRESENTING TECHNICAL RESERVES RELATING TO UNIT-LINKED CONTRACTS	1,028,380	809,062
A5	SHARE OF CEDING COMPANIES AND RETROCESSIONAIRES IN THE TECHNICAL RESERVES		
A5a	Reserves for premiums not received		
A5b	Life insurance reserves	20,996	23,080
A5c	Reserves for life claims	1,392	1,178
A5d	Reserves for non-life claims	584	549
A5e	Reserves for participation in life benefits	641	1,547
A5f	Reserves for participation in non-life benefits		
A5g	Reserves for equalization		
A5h	Other life technical reserves		
A5i	Other non-life technical reserves		
A5j	Technical reserves of the unit-linked contracts		
	Total assignments in the technical provisions	23,613	26,354
A6	RECEIVABLES		
A6a	Receivables related to direct insurance operations:		
A6aa	Premiums remaining to be issued	755	2,100
A6ab	Other receivables	38,766	58,925
A6b	Reinsurance operations	2,490	7,779
A6c	Other receivables:		
A6ca	Personnel		
A6cb	State, social security bodies, public communities	700	961
A6cc	Various payables	36,238	14,661
A6d	Called-up unpaid capital		
		78,949	84,426
A7	OTHER ASSETS		
A7a	Tangible operating assets	0	1,052
A7b	Current accounts and cash	619,337	451,605
A7c	Equity shares		
		619,337	452,657
A8	EQUALIZATION ACCOUNTS - ACTIVE		
A8a	Outstanding interest and rents acquired	70,063	67,270
A8b	Costs of acquisition reported	3,775	4,098
A8c	Other equalization accounts	109,020	102,188
		182,858	173,556
	Total receivables and other assets	881,144	710,639
A9	EXCHANGE RATE DIFFERENCE		
	TOTAL ASSETS	6,362,250	5,683,009

AXA ASSURANCES VIE MUTUELLE

BALANCE SHEET AS OF DECEMBER 31, 2005

(in thousands of Euros)

	LIABILITIES	December 31, 2005	December 31, 2004
P1	EQUITY CAPITAL	118,838	118,838
P1a	Guaranteed capital and additional registered funds		
P1c	Revaluation reserves		
P1d	Other reserves	243,925	243,627
P1e	Unappropriated earned surplus	165,451	114,761
P1f	PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	46,045	48,623
		574,259	525,849
P2	SUBORDINATE LIABILITIES	84,000	33,000
P3	GROSS TECHNICAL RESERVES		
P3a	Reserves for premiums not received	12,249	13,896
P3b	Life insurance reserves	3,683,976	3,466,079
P3c	Reserves for life claims	62,468	54,023
P3d	Reserves for non-life claims	92,637	76,544
P3e	Reserves for participation in life benefits	104,015	104,657
P3f	Reserves for participation in non-life benefits	374	374
P3g	Reserves for equalization	8,635	9,311
P3h	Other life technical reserves	6,618	5,532
P3i	Other non-life technical reserves	84,257	77,060
		4,055,229	3,807,476
P4	TECHNICAL RESERVES OF UNIT-LINKED CONTRACTS	1,031,404	815,168
P5	RESERVES FOR RISKS AND EXPENSES	2,375	1,407
P6	PAYABLES FOR DEPOSITS IN CASH RECEIVED FROM CEDING COMPANIES	23,139	24,819
P7	OTHER PAYABLES		
P7a	Payables related to direct insurance operations	38,909	25,436
P7b	Payables related to reinsurance operations	3,373	2,806
P7c	Bond loans		
P7d	Payables to credit institutions	4,160	22,096
P7e	Other payables:		
P7ea	Negotiable payable instruments issued by the company		
P7eb	Other loans, deposits and guarantee deposits received	517	517
P7ec	Personnel	760	674
P7ed	State, social security bodies and public communities	10,709	15,687
P7ef	Various creditors	494,089	372,174
		552,517	439,390
P8	EQUALIZATION ACCOUNTS – LIABILITY	39,327	35,900
P9	EXCHANGE RATE DIFFERENCE		
	TOTAL LIABILITIES	6,362,250	5,683,009

AXA ASSURANCES VIE MUTUELLE

BALANCE SHEET AS OF DECEMBER 31, 2005

(in thousands of Euros)

	COMMITMENTS RECEIVED AND GIVEN	December 31, 2005	December 31, 2004
1	COMMITMENTS RECEIVED	1,384,093	2,189,654
2	COMMITMENTS GIVEN		
2a	Sureties, bonds and credit guarantees given	1,032	1,132
2b	Securities and assets with resale commitment		
2c	Other commitments regarding securities, assets or revenues	137,591	154,751
2d	Other commitments given		
		138,623	155,883
3	VALUES RECEIVED AS COLLATERAL FROM CEDING COMPANIES AND RETROCESSIONAIRES		
4	VALUES RECEIVED BY REINSURED BODIES WITH JOINT SURETY OR WITH SUBSTITUTION	36	36
5	VALUES PERTAINING TO PROVIDENT AGENCIES		
6	OTHER VALUES RETAINED FOR THIRD PARTY ACCOUNTS		
7	OUTSTANDING IFT AMOUNTS RECEIVED	1,381,375	2,032,179
7a	Breakdown of outstanding amounts of forward financial instruments by category		
	- investment or disinvestment strategies		
	- yield strategies	1,381,375	
7b	Breakdown of outstanding amounts of forward financial instruments by category		
	- operations on a market by mutual agreement	1,381,375	
	- operations on regulated or assimilated transactions		
7c	Breakdown of outstanding amounts of forward financial instruments by type of		
	- interest rate risk	1,381,375	
	- exchange risk		
	- share risk		
7d	Breakdown of outstanding amounts of forward financial instruments by type		
	- exchange contracts	137,590	
	- interest rate guarantee contracts	1,243,785	
	- forward contracts		
	- options		
7e	Breakdown of outstanding amounts of forward financial instruments by durations		
	- from 0 to 1 year	255,470	
	- from 1 to 5 years	1,000,025	
	- more than 5 years	125,880	

AXA ASSURANCES VIE MUTUELLE

PROFIT AND LOSS ACCOUNT AS OF DECEMBER 31, 2005

(in thousands of Euros)

	LIFE INSURANCE TECHNICAL ACCOUNT	GROSS OPERATIONS DECEMBER 31 2005	CESSIONS AND RETRO-CESSIONS DECEMBER 31 2005	NET OPERATIONS DECEMBER 31 2005	NET OPERATIONS DECEMBER 31 2004
II1	PREMIUMS	531,214	(3,902)	527,312	490,113
II2	PROFITS FROM INVESTMENTS:				
II2a	Revenues from investments	237,278		237,278	198,542
II2b	Other revenues from investments	20,052		20,052	19,052
II2c	Profits resulting from implementation of investments	16,537		16,537	33,582
		273,867	0	273,867	251,176
II3	UNIT-LINKED ASSET ADJUSTMENTS (increase in values)	120,803		120,803	68,918
II4	OTHER TECHNICAL PROFITS	0		0	0
II5	CLAIMS EXPENSES				
II5a	Benefits and fees paid	(346,760)	3,750	(343,010)	(345,845)
II5b	Expenses of reserves for claims	(8,356)	215	(8,141)	2,894
		(355,116)	3,965	(351,151)	(342,951)
II6	LIFE INSURANCE EXPENSES AND RESERVES AND OTHER TECHNICAL RESERVES				
II6a	Life insurance reserves	(59,105)	(2,084)	(61,189)	(129,976)
II6b	Reserves for unit-linked contracts	(215,697)		(215,697)	(30,209)
II6c	Other technical reserves	(1,085)		(1,085)	(1,565)
		(275,887)	(2,084)	(277,971)	(161,750)
II7	PROFIT SHARING	(165,059)	(906)	(165,965)	(168,934)
II8	ACQUISITION AND ADMINISTRATION COSTS				
II8a	Acquisition costs	(29,581)		(29,581)	(28,981)
II8b	Administration costs	(19,181)		(19,181)	(18,791)
II8c	Commissions received from reinsurers	0	638	638	719
		(48,762)	638	(48,124)	(47,053)
II9	INVESTMENT EXPENSES				
II9a	Internal and external expenses for management of investments and interest	(17,851)		(17,851)	(14,661)
II9b	Other investment expenses	(9,425)		(9,425)	(7,103)
II9c	Losses resulting from implementation of investments	(9,170)		(9,170)	(9,115)
		(36,446)	0	(36,446)	(30,879)
II10	UNIT-LINKED ASSET ADJUSTMENTS (decrease in values)	(3,523)		(3,523)	(35,908)
II11	OTHER TECHNICAL EXPENSES	(5,780)		(5,700)	(5,201)
II12	PROFIT FROM TRANSFERRED INVESTMENTS				
	TECHNICAL PROFIT FROM LIFE INSURANCE	35,311	(2,289)	33,022	17,452

	NON-LIFE INSURANCE TECHNICAL ACCOUNT	GROSS OPERATIONS DECEMBER 31 2005	CESSIONS AND RETRO-CESSIONS DECEMBER 31 2005	NET OPERATIONS DECEMBER 31 2005	NET OPERATIONS DECEMBER 31 2004
I1	PREMIUMS EARNED				
I1a	Premiums	186,719	(867)	185,852	189,570
I1b	Variation in unearned premiums	1,646	0	1,646	(272)
		188,365	(867)	187,498	189,298
I2	PROFITS FROM ALLOCATED INVESTMENTS	9,160		9,160	13,147
I3	OTHER TECHNICAL PROFITS			0	
I4	CLAIMS EXPENSES				
I4a	Benefits and costs paid	(129,469)	461	(129,008)	(126,311)
I4b	Expenses of reserves for claims	(15,801)	34	(15,767)	(11,579)
		(145,270)	495	(144,775)	(137,890)
I5	EXPENSES OF OTHER TECHNICAL RESERVES	(4,973)		(4,973)	2,709
I6	PROFIT SHARING	(3,157)		(3,157)	(7,043)
I7	ACQUISITION AND ADMINISTRATION COSTS				
I7a	Acquisition costs	(25,159)		(25,159)	(24,969)
I7b	Administration costs	(12,901)		(12,901)	(12,040)
I7c	Commissions received from reinsurers		16	16	20
		(38,060)	16	(38,044)	(36,909)
I8	OTHER TECHNICAL EXPENSES	(2,466)		(2,466)	(2,559)
I9	VARIATION IN RESERVES FOR EQUALIZATION	674		674	(486)
	TECHNICAL PROFIT FROM NON-LIFE INSURANCE	4,273	(356)	3,917	20,187

AXA ASSURANCES VIE MUTUELLE

PROFIT AND LOSS ACCOUNT AS OF DECEMBER 31, 2005

(in thousands of Euros)

	NON-TECHNICAL ACCOUNT	OPERATIONS ON DECEMBER 31 2005	OPERATIONS ON DECEMBER 31 2004
III2	TECHNICAL RESULT OF LIFE INSURANCE	33,022	17,452
III1	TECHNICAL RESULT OF NON-LIFE INSURANCE	3,917	20,187
III3	PROFITS FROM INVESTMENTS		
III3a	Revenues from investments	30,121	31,441
III3b	Other profits from investments	2,546	3,017
III3c	Profits resulting from the implementation of investments	2,099	5,318
		34,766	39,776
III4	PROFITS FROM ALLOCATED INVESTMENTS		
III5	EXPENSES OF INVESTMENTS		
III5a	Internal and external management costs for investments and financial costs	(2,201)	(2,322)
III5b	Other investment expenses	(1,196)	(1,125)
III5c	Losses resulting from implementation of investments	(1,164)	(1,443)
		(4,561)	(4,890)
III6	PROFITS FROM TRANSFERRED NON-LIFE INVESTMENTS	(9,160)	(13,147)
III7	OTHER NON-TECHNICAL PROFITS		
III8	OTHER NON-TECHNICAL EXPENSES		
III9	EXTRAORDINARY PROFIT		
III9a	Extraordinary income		
III9b	Extraordinary expenses		
III10	PROFIT SHARING		
III11	TAX ON BENEFITS	(11,939)	(10,755)
	NET PROFIT FOR THE YEAR	46,045	48,623

Appendix to the Company Accounts

A – Information on the choice of methods used

1 – Outstanding occurrences
2 – Events occurring after the close of the accounting period
3 – Accounting principles
4 – Changes in method or presentation of the accounts

B – Information on the balance sheets items and on the profit and loss account

Note 1. For the balance sheet
Note 2. For the profit and loss account
Note 3. Other information

1 - OUTSTANDING OCCURRENCES

The extraordinary general assemblies of AXA and FINAXA on December 16, 2005 approved the merger of the two companies. This merger is recorded in a simplification step of the structure of the holdings of the AXA group. In the chart of accounts, no increase in value has been decreased such that this merger has no commercial substance, Finaxa only holding AXA shares and the AXA brand that is the subject of an annual reimbursement due from AXA. The AXA shares received in exchange have thus been recorded in the assets for the same accounting value that the previously held Finaxa shares had. Thus this operation had no impact on the 2005 accounts of your company.

2 - EVENTS OCCURRING AFTER THE CLOSE OF THE ACCOUNTING PERIOD

No events of significant importance occurred after the close of the accounting period.

3 – PRINCIPLES AND METHODS OF EVALUATION USED

The accounts of the company are drawn up with compliance to the regulations of the legislation, conforming to the provisions resulting from articles L123-12 to L123-22 of the Commercial Code, applicable to insurance businesses in application of article R341-2 of the Insurance Code; this involves in particular decree no. 94-481 dated June 8, 1994 and the order dated June 20, 1994 supporting implementation of the European directive no. 91-674 dated December 19, 1991.

The general accounting principles, as well as those specific to insurance company accounting, have been applied with compliance to the rules of prudence, independence of the accounting periods and continuity of the accounting methods from one accounting period to the other, with the exception of changes introduced by the implementation of the new regulations.

Nevertheless, each time it is required for understanding of the accounts, the valuation method has been explained in this appendix.

Additional information on entry of the auxiliary entries into the appropriations account is given in chapter 3.5.

3.1. Assets balance sheet

3.1.1. INTANGIBLE ASSETS

To comply with the accounting regulations, the acquisition costs of contracts are used in the accruals and deferrals accounts – assets.

3.1.2. FIXED INVESTMENTS

The real estate investments are accounted for in accordance with regulation 2002-10 of December 12, 2002 of the CRC (Accounting Regulations Board).

The company used the chart adopted by the FFSA [French Federation of Insurance Companies] (see chart at end of appendix) for the following items:

- nature of components (4 families),
- classification of real property by type,
- length of amortization,
- breakdown percentages in the ranges of the FFSA chart (all real properties of the same category are broken down in accordance with the same percentages)
- mathematical modulation principle for recalculating amortizations at the opening when the holding time of a component is greater than the holding time of the real property. The component is then considered to have been renewed at the end of its technical term.

From the accounting standpoint,

- Only the "buildings" entry at 01/01/05 was broken down by components.
- The "land" entry was not changed (therefore no change of the land/building breakdowns)
- The organization, fitting out, facility was not changed (the amortization is ended when the organizations, fitting out, facilities are completely amortized).
- A capital repairs component was used to cover future major overhauls and major repairs.

3.1.3. INVESTMENTS IN RELATED COMPANIES AND IN COMPANIES IN WHICH THERE IS AN EQUITY INTEREST

Related companies: French or foreign companies meeting the conditions specified by articles 357-1 and 357-3 of the law of July 24, 1966 or by article L.345-1 of the Insurance Code to be included by full consolidation in the consolidated group to which they belong by full consolidation the insurance company in application of the same provisions, to the exclusion of companies other than insurance companies that can be left outside the consolidation in application of paragraph 1 or 2 of section II of article 357-4 of the law of July 24, 1966. [sic]

Companies in which the insurance company has an equity interest: Companies other than related companies in which the insurance company directly or indirectly holds an equity interest in the sense of article 20 of the decree of November 29, 1986, or they directly or indirectly hold such equity interest in the insurance company; for the application of this provision, securities representing at least 10% of the capital are assumed to be equity interest securities.

They are recorded at their cost of acquisition in accordance with the Insurance Code (Art. R 332-20).

3.1.4. OTHER INVESTMENTS

These are evaluated and entered in the books based on their purchase or selling price, pursuant to the provisions of the Insurance Code (Art. R 332-20), the value of the bonds meeting the definition of article R 332-19, however, having been corrected by actuarial or linear depreciation of the premium/discount on their residual economic life. These are the following depreciable securities (paragraphs 1, 2 and 2 bis of Art. 332-2).

- bonds and other securities issued or guaranteed by one of the member states of the OECD;
- bonds, debt mutual fund units and equity loans registered on the stock exchange list of a member state of the OECD;
- negotiable debt instruments issued by legal entities other than member states of the OECD.

The premium or discount represents the arithmetic difference between the purchase price and the redemption value of the security.

The cumulative amortizations are recorded in the accruals and deferrals account in the liabilities balance sheet. The variation in the accounting period is recorded in other profits and other investment expenses of the profit and loss account.

3.1.5. INVESTMENTS REPRESENTATIVE OF THE UNIT-LINKED CONTRACTS

These investments are recorded in the balance sheet at their known value on the day of the inventory according to the provisions of the Insurance Code (Art. R 332-5).

3.1.6. RESERVES FOR DEPRECIATION OF INVESTMENTS

The provisions for long-term depreciation are treated according to note no. 2002-F of the Emergency Committee of the National Council on Accounting, dated December 18, 2002.

The fixed assets and transferable values, other than those mentioned in article R 332-19, are the object of a reserve when they present a sustainable depreciation and only in this case. The reference value to be used for calculation of a sustainable reserve integrates, in particular, the following factors:

- the scope of the decrease confirmed on the assets side of the balance sheet and its duration,
- the impact of the decrease on the overall market,
- the possible unfitness of the assets on the market,
- the possible difficulties in supporting the assets over the long-term, taking into account the liquidity constraints of the company.

This reference value is also a function of the nature of the asset considered and the holding strategy pursued by the business.

Thus, the fixed assets are broken down into:

- the real property intended to be sold, for which the lowest value is used between the lowest value of the business value or the sale price,

- real property intended to remain permanently in the holdings of the company, divided into two categories:

  - real property in the rental sector, for which a commitment value is determined on the basis of the expected operating cash flows established by the asset managers and updated to the average rate of the liabilities of the owning company over an infinite holding horizon;

  - operating real assets that are evaluated on the basis of its useful value for the company.

  When a lowering of the value is of a permanent nature, in particular in the case of irretrievable physical depreciation of a building, the depreciation is then confirmed in the form of an extraordinary amortization and not a reserve.

For the transferable values, the calculation of the reference value comes from of the judgment of the company, which is supported by a financial analysis of the issuing company and must comply with the following principles:

- the implementation value (stock market price or probable negotiation value) is used for shares intended to be sold quickly,

- the usage value, which depends on the usefulness of the share for the shareholder, is used for the evaluation of shares of participation of which the allotted purpose is to remain permanently in the holdings of the insurance company,

- when the benefits capacity of the issuing company is permanently compromised, in particular in the case of balance sheet deposits, a reserve is set up for depreciation of a long-term nature.

  The shares are registered at their acquisition cost and do not benefit from any type of reevaluation measures. As a result, if there is a significant loss of value, a reserve for depreciation of a long-term nature can be set up. In a case of unrealized decrease in value, the values involved are those at more than 20% continuously over the six months preceding the end of the accounting period, or that for which the loss of value is judged significant and permanent. The calculation method for the provision to be recorded in the accounts differs as a function of the classification to which the share pertains:

- For the bonds:

  The bonds called "Below Investment Grade" (not rated or rated BB or below by the rating agencies):

  • are depreciated when they are in an unrealized decrease in value situation for more than twelve months (except for supplying proof that it is not at risk of default),

  • are subjected to an analysis of risk of default (the non-crediting decision must be documented in a detailed manner) when they present an unrealized decrease in value greater then 20% over a continuous period of at least six months.

  The bonds called "Investment Grade" (rated between AAA and BBB or equivalent ratings) are also the object of an analysis of the risk of default when they are in an unrealized decrease in value situation of more than 50% (without permanent condition) or more than 20% (but less than 50%) for at least 6 consecutive months.

- For the equity unit trusts: the reserve to be registered corresponds to the difference between the acquisition cost and the market value at the end of the year, plus a coefficient representing the prospects of adjustment of the sector or market involved over the holding period.

- For the shares: the amount of the reserve is equal to the minimum of the difference between:

  • the acquisition cost and the market value

  or

  • the acquisition cost and a recoverability value, called "Holt," determined as a function of different economic criteria

The "Holt" method was developed by Holt Value Associates and is used by AXA investment managers to calculate the recoverability value of a share over the medium-term. It is based on a method derived from the "discounted cash flows" for which the rate of discount used corresponds to the rate of yield expected by the shareholder in the sector in which the share involved occurs. The use of this reference value is based on the confirmation that the company has the means and the intention to permanently hold the shares with unrealized decrease in value.

To this general principle, several exceptions can be added:

- the shares intended to be sold are to be credited in the course of closing the accounts;
- the shares of which permanent holding is proven in the scope of the group activity are not credited unless there is no risk of a contra.

As regards the write-backs of reserves, a reserve is written back if the stock market value of a share exceeds 85% of its initial purchase price for more than 6 months.

3.1.7. APPLICATION OF THE FIFO METHOD TO THE CEDED COMMITMENTS

The increase in values is calculated and reported in the accounts on the basis of asset segments, set up for the purpose of management. The differences between the increase in values calculated globally at the level of the business and those calculated at the level of the segments are the object of fiscal restatements for determination of the tax on the companies.

3.1.8. RECEIVABLES ARISING FROM DIRECT INSURANCE OPERATIONS

These mainly comprise the premiums remaining to be issued calculated by the technical departments and the non-recovered premiums due on the insured, as well as the commission advances to the transferors. The receivables of over two years are credited at 100%.

3.1.9. OTHER OPERATING ASSETS

These fixed assets are recorded in the accounts at the replacement price and, if necessary, are the objects of allocation to the amortizations, which are calculated according to the rates that are usually used.

3.1.10. OTHER RECEIVABLES

- Intangibles:

  The other receivables are essentially made up by the amounts unpaid by the lessees. This item can be analyzed in two parts:

  - payment delays (receivables from 1 to 3 months)
  - the older arrears that may have several reasons: default by the lessee, dispute between lessee and lessor, etc.

The latter, considered as doubtful receivables, must be the object of a reserve as a function of the risk of non-recoverability determined by the manager.

- Other elements:

  The other receivables essentially correspond to sums due through the state by virtue of the legal increase in the retirement pensions and to the current accounts with associated companies.

3.1.11. ACQUISITION COSTS REPORTED

- Life insurance

These are defined and calculated according to the principles announced in article R 332-35 of the Insurance Code. Recorded on the assets side of the balance sheet, they represent the part of acquisition costs of the contracts to be reported as a function of the service life of the latter. Their amount is at least equal to the difference between the amounts of the mathematical reserves recorded in the balance sheet according to article L 331-1 (mathematical reserves with Zillmer adjustment) and the amount of the reserves that will be recorded if the acquisition items were not taken into account in the evaluation of the commitments.

They are amortized over the life of the contracts.

A reserve of the same amount is recorded on the liabilities side of the balance sheet under the "life insurance reserves" item.

- Non-life insurance

According to article R 332-33 of the Insurance code, the company then proceeds at the time of the inventory with the evaluation of acquisition costs of the contracts recorded for the following accounting period or years:

- this calculation is carried out by the insurance sector and the total is recorded on the assets side of the balance sheet.

- the acquisition charges report (internal + external charges)/contributions issued is applied to the contributions to be recorded for each regulatory category.

3.1.12. OTHER EQUALIZATION ACCOUNTS

These essentially comprise the following elements:

• Concerning fixed assets, the most significant items are the expenses paid in advance.

• Concerning the transferable values, the other equalization accounts essentially comprise the current interests on the forward financial instruments and the discount relating to the bonds.

3.2. Liabilities side of the balance sheet

3.2.1. EQUITY CAPITAL

- **Capitalization reserve**

The capitalization reserve is "intended to prepare for the depreciation of the values included in the assets of the company and the decrease in their revenue" (Art. R 331-3, line 3). It is part of the equity capital and is recorded in the item "Other reserves" in account 10645 "Capitalization reserve." This reserve is set up at the time of outflow (sale or conversion), implemented before their maturity, of the regulated amortizable transferable values (with the exception of the variable rate bonds).

3.2.2. TECHNICAL RESERVES

a) Reserve for unearned premiums

In life insurance, the reserves for unearned premiums are calculated in the scope of certain group insurance death benefit contracts. They are calculated prorata temporis on the basis of statistical estimation. On the balance sheet, the reserves for unearned premiums are classified with the life insurance reserves.

In non-life insurance (physical injury), for all of the current contracts, the reserve for unearned premiums takes note of the issued premiums and the premiums remaining to be issued, calculated prorate temporis, which involves the period between the inventory date and the next due date of the premium or at default of the term of the contract (Art. A 331.16).

b) Life insurance reserves

The "life insurance reserves" item combines three elements, mathematical reserves, possibly with Zillmer adjustment, the management reserve when it proves to be necessary and the reserve for deferred acquisition costs for an amount equal to the deferred acquisition costs shown in the assets.

- **the individual life mathematical reserves** represent "the difference between the current values of the commitments, respectively made by the insurer and by the insured" (Art. R 331-3). They are recorded in account 30 "Life insurance reserves." The mathematical reserves are calculated policy by policy according to the technical bases required by the provisions of the Insurance Code.

  In the case of contracts with periodic premiums, the commitments are evaluated by applying the "Zillmer adjustment" method , which consists of deducting the current value of the acquisition expenses included in the future premiums payable by the subscribers from the mathematical reserves.

The mathematical reserves for the individual pensions are calculated using the pension rate and with the use of the TPG93 table, according to the provisions of article A 335-1 of the Insurance Code.

- Group life mathematical reserves: their evaluation has essentially been harmonized by application of the tables and rates in force.

- Group retirement

Immediate retirement pensions (RVI):

All of the reserves are evaluated one by one and calculated according to Mortality Table TPG 93. For contracts with defined contributions, the technical rate in force at the time of payment of contributions is used.

Deferred retirement pensions (RVD):

The reserves of the portfolio are calculated using a technical balance equal to a survival derivative and a mortality derivative. The mortality tables were those in force at the time of the different payments.

- Group death benefit

Reserves for immediate retirement pensions, for conjoint pensions: the reserves are calculated according to the prospective table per generation (TPG). The reserves for survival pensions have been evaluated by taking into account the lowest life expectancy of the insured population.

The education loans are evaluated according to the separate management and non-management experience tables since 2005.

Modification of the Evin Law: maintenance of the death benefit of retired persons

In application of the Law dated July 17, 2001, the coverage of the risk of death must include a clause for maintenance of the death benefit in the case of cancellation for the insured that are unable to work or are disabled.
The commitments resulting from incapacities and disabilities in force on January 1, 2002 can be credited on a linear basis over 10 years and are classified in group accident.

The amount remaining to be amortized by the company on December 31, 2005 increases to 0.3 million Euros.

- **The management reserve** is allocated, if necessary, to the amount of future expenses for management of the contracts that are not covered by the expenses on premiums or by deduction from financial products provided for them, by homogeneous contract portfolio.

  No reserve has been set up.

- **The provision for minimum guarantee** covers the risk of repayment, in case of death, of an amount at least equal to the premiums paid by the insured. The society has used a credited method based on different prospective studies. On December 31, 2006, this reserve increases to 2 million Euros.

c) Reserves for life claims

In individual life, the reserve set up essentially corresponds to claims that occur, to resale and to capital due not yet paid at the closing date.

In group life, the reserves for claims to be paid represents the estimated value of the expenses, both internal and external, relating to the regulation of unpaid claims that have occurred, declared or not, and include capital making up pensions not yet charged to the company. They are calculated by year of occurrence, for the gross amount. The reserves for claims to be paid are calculated file by file for the known claims and using statistical methods for unknown claims.

d) Reserves for non-life claims

- In group physical injury on the contracts of salaried and non-salaried employees:

  The provisions for benefits for incapacity and disability (with the exception of contracts contributed to by credit establishments and official bodies) are calculated by using the scales instituted by the decree dated March 28, 1996 (tables of BCAC); the discount rate taken into account in these scales is equal to 2.5%, no matter what date retirement occurs.

  The reserves for later claims and unknown claims are evaluated using the monitoring status for the accounting year and by year of occurrence as a function of the performance of the portfolio in the past.

- In physical injuries on the borrower contracts:

  As regards the contracts contributed to by credit establishments, the provision for proof of incapacity and disability are calculated using the old BCAC tables at 2.5%.

In care expenses, the reserves for claims to be paid are estimated using the monitoring states of the portfolio for the accounting year and for the accounting period of occurrence. The reserves take into account the behavior of the portfolio in the past and the rate of payments of the claims. A reserve for claims management expenses is calculated for the contracts for which management is ensured by AXA.

e) Reserves for participation in benefits and reserve for equalization.

These reserves represent participations in benefits attributed to the insured, but not incorporated in the benefits, reserves for claims or mathematical reserves. They are determined to comply with the three following constraints:

1. a minimum contribution provided for by the Insurance Code (90% of the technical benefits and 85% of the financial benefits plus the weight of the equity capital must be distributed over eight years),

2. the application of the contractual clauses (reevaluations product by product),

3. a provision for participations in the benefits adequate for covering the reevaluations decided upon (including those of prior years not allocated, e.g.: bonus).

In group insurance, the provident contracts frequently include a clause for participation in the technical and financial benefits. This clause stipulates that the insurer establishes a profit and loss account for the group of contracts involved.

If the balance of the account is positive, it will supply the reserve for participation in the benefits and the equalization reserve provided for in articles R 331-3 and R 331-6 of the Insurance Code, in application of article 39 quinquies GB of the General Tax Code after application of a contractual attribution rate making it possible to decrease the margin of the insurer, of the deferred reserves according to the fiscal type that is reserved for them.

f) Other technical reserves

- **Reserves for price contingencies**

  According to article A 331-2 of the Insurance Code, the reserve for price contingencies must be discounted when the average updating rate of the mathematic reserves of the life insurance contracts other than the unit-linked contract becomes greater than 80% of the rate of yield of the assets, other than the unit-linked contract supports in the course of the last accounting year.

  There was no need to allocate this reserve on December 31, 2005.

- **Reserve for collection risks**

  Intended to deal with commitments in the case of unrealized decrease in value of the assets mentioned in article R332-20, the reserve for collection risks (PRE) is calculated according to the provisions of article R 331-5-1 of the Insurance Code (modified by article 2 II of decree 2003-1236 dated December 22, 2003). In the case of unrealized net decrease in values of the reserves mentioned in article R 332-20, an allocation to the PRE is made:
  - either, for third parties of the unrealized decrease in value (without the PRE thus set up exceeding the unrealized decrease in value at the closing date), at the time the business covers its regulated commitments, on the one hand, and on the other hand, the regulatory solvency margin,
  - or for the total amount of the unrealized decrease in value at the closing date.

The implementation value corresponds to a transaction value defined by the Insurance Code in article R 332-20-1. The calculation methods of them vary according to the nature of the investments concerned.

There was no reason to allocate this reserve on December 31, 2005.

- **Reserves for pensions in personal non-life insurance**

  The mathematic reserves for individual pensions have been calculated on the basis of an updating rate of 2.5% and using the regulator tables of the BCAC conforming to the provisions of article A 331-22 of the Insurance Code.

- **Reserve for current risks**

  The object of the reserve for current risks is to make it possible at the time of the issue year, to meet the costs of claims not covered by the unearned premiums. This reserve, which confirms an insufficiency of the rating on the proportional share of the premiums issued that are unearned at the accounting period, must be calculated for all the categories of contracts with the exception of the categories managed in capitalization or by subscription .

  The reserve for current risks must be allocated when, for a given regulatory category, the relationship between the expense for claims in the current accounting period plus the acquisition costs and the administration costs other than immediately committed and the gross premiums earned is greater than 100% for the two last previous accounting periods. In this case, the reserve for current risks of the category considered is equal to the product of the relationship defined below minus one and of the unearned premium corresponding to the category under consideration.

- **Reserve for increasing risks**

  According to article R 331-6, line 5 of the Insurance Code, the reserve for increasing risks is equal to the difference in current values of the commitments made by the insurer and the insured concerning the risks of illness and disability.

3.2.3. OTHER PAYABLES

The other payables essentially comprise:

- commissions to be paid to transferors of transactions;
- the current accounts of co-insurers, ceding companies and retrocessionaires;
- the current creditor accounts opened with banking establishments;
- social and fiscal payables;
- the current accounts of associated companies;
- payables connected with management of the shares.

3.2.4. GOODWILL (assets or liabilities)

According to the provisions set forth by the insurance accounting plan, the conversion differences resulting from the differences in valuation of the items posted to the accounts in foreign currencies have been neutralized and appear in a single balance in the specific items of the balance sheet titled "Conversion differences – assets" or "Conversion differences – liabilities."

A provision is posted to the item "provision for risks and charges" under liabilities at the end of the fiscal year in an amount equivalent to the "conversion difference- net assets," all currencies together.

3.3. Profit and Loss Account

3.3.1. MANAGEMENT EXPENSES (GENERAL EXPENSES AND COMMISSIONS)

Under consideration of the organization of the company, a significant part of these general expenses is managed in the sectors dedicated to the functions (purposes), i.e. directly to the products (contract categories).

The other expenses borne or reinvoiced are unloaded in these segments qualified according to the keys established as a function of work units or resulting from appropriate studies.

The expenses for services that cannot be allocated in this way are carried over to the other technical expenses (General Management, General Accounting, Audit, etc.), then broken down by contract category using a key that is a function of sales or of expenses already unloaded.

The commissions are allocated by product and their breakdown by purpose results from an analytical study carried out by the company.

3.3.2. SHIFT CARRIED OUT AT THE TIME OF REGISTRATION OF REINSURANCE AGREEMENTS

The missing information from the ceding companies has been estimated to complete the accounts.

When the company is aware of a foreseen loss, a reserve is set up for this.

3.3.3. PROFITS AND INVESTMENT EXPENSES

The different profits and different investment expenses are directly affected, either in the life technical account (net life technical reinsurance reserves) or in the non-technical account (non-life technical provisions and equity capital).

Part of the net profits from investments recorded in the non-technical account is then allocated to the non-life technical account according to the relationship between the net non-life reinsurance technical reserves and capitalization reserve in total of these same reserves and of the equity capital of the business.

To determine current interests from bonds, there was a prorata temporis calculation of the current coupon of the payable share at each settlement of the account. However, the buyer is not the holder of the coupon except at D + 3 (date of payment/delivery) and not on D (negotiation date); which results in an amount of current interest that can be recorded in the account up to the date of payment/delivery.

3.3.4. DEFERRED TAXES

The variable reporting method is applied to the temporary deferrals, according to the extended design. The net deferred tax liabilities are credited, but the net deferred tax assets are not recorded in the accounts.
At the end of accounting period 2005, the deferred taxes present an assets situation that results in 7.7 million euros of deferred tax assets and 1.9 million euros of deferred tax liabilities.

3.3.5. NON-TECHNICAL AND EXTRAORDINARY PROFITS AND EXPENSES

The non-technical profits and expenses are those without technical connection with the insurance activity (distribution of bank profits, sale of retired equipment or waste).

The extraordinary profits and expenses are those of a non-recurring nature, outside of operations or extraordinary due to their amount or their occurrence (reserve for restructuring, etc.).

No extraordinary profits or expenses are included in the 2005 profit and loss account.

3.4 Off-balance sheet commitments

OPERATIONS ON FORWARD FINANCIAL INSTRUMENTS OR DERIVED PROFITS

1) **Intervention in the accounting period – Nature and characteristics**

Group AXA has recourse to derivative income in order to more effectively manage the financial assets held by the insurance companies in France. This income is not used except from a coverage perspective, and not for speculation. The operations initiated on this basis, only on a case by case basis, are all recorded in the scope of substitution strategies for the physical operations.

2) **Analysis of the significant strategies and accounting treatment**

- **CAPS ON TEC 10**

  - **Objective:** increase the revenues on bond portfolios of life funds in case rates go up (spot start). The buyer of the cap receives, at each annual payment date, the difference if positive between the variable reference rate and the fixed reference rate multiplied by the underlying nominal.

  - **Accounting treatment:** Throughout the year, the amount of the current premium to be paid is recorded in the profit. The unrealized increase in value or loss is integrated into the detailed state of the investments (article R 332-19). The commitment (the nominal) is taken into account in the off-balance-sheet in commitment received. This is a case of a yield strategy, of which the results are scaled in a linear manner, this treatment not being very different from an actuarial scaling.

- **CAPS FORWARD**

  - **Objective:** Increase the revenues of the bond portfolios of the life funds if the interest rate goes up over the long-term (future protection).

  - **Accounting treatment:** the premium to be paid will be recorded in the profits on the starting date of the cap. The unrealized increase in value or loss is integrated into the detail account of the investments (article R 332-19). The commitment (the nominal) is taken into account off the balance sheet, in commitments received. This involves a yield strategy of which the profits are scaled in a linear manner, this treatment exhibiting little difference from an actuarial scaling.

- **RATE SWAPS**

  - **Objective:** either increase the duration of the bond portfolio that is initially judged to be too short (e.g. 3-5 years), or increase the portfolio of the variable rate bonds indexed over a long-term reference (CMS10 types).

- **Accounting treatment:** At each accounting period closing, the net current interest differential is recorded. The unrealized gain or loss in value is integrated into the detail account of investments (article R 332-19). The investment (the nominal) is taken into account off the balance sheet, in commitments received and given. This involves a yield strategy in which the profits are scaled in a linear manner, with little difference between it and an actuarial scaling.

- **FORWARD RATE SWAPS**

  - **Objective:** either to increase the duration of the bond portfolio that is initially too short (e.g. 3-5 years) with respect to the strategic allocation, or increase the bond portfolio, variable rate portfolio to the detriment of the fixed portfolio (CMS10 in contrast to EURIBOR).

  - **Accounting treatment:** No calculation of current interests before the starting date of the swap. The unrealized increase or decrease in value is integrated into the detailed statement of investments (article R 332-19). The commitment (the nominal) is taken into account off balance sheet, in commitments received and given. This involves a yield strategy in which the profits are scaled in a linear manner, with little difference between it and an actuarial scaling.

3) **Off balance sheet commitments by strategies and by type of profits derived (in thousands in euros):**

Strategy	Derivatives	Commitments given	Commitments received
Investment/disinvestment			
Yield	Rate swap	137,080	137,080
	Forward rate swap	511	511
	Cap	0	388,315
	Cap forward	0	855,470
		137,591	1,381,376

3.5 AUXILIARY ENTRY INTO ALLOCATION ACCOUNTS

The valuation principles and methods used explained above apply to PERP contracts with the exception of the methods described below.

The accounting methods for operations relating to plans are those provided in paragraph VII of article no. 108 of law no. 2003-775 dated 08/21/2003 and taken up again in art. 31 of decree no. 2004-342 dated 04/21/2004.
In view of implementation of this provision, the company uses an accounting method that can be combined with a multi-establishment accounting method, the holding of allocations of each PERP making up a distinct establishment and the general holdings of the company constituting the principle establishment.
In the scope of this mechanism, transfers of the assets of the general assets of the company to the holdings of each PERP involve the release of cession earnings.

3.5.1 CAPITALIZATION RESERVE

According to recommendation no. 2004-R.01 dated 06/23/04 of the CNC, the capitalization reserve of the plans is included in the "Other technical reserves" line.

3.5.2 APPLICATION OF THE FIFO METHOD BY PLAN FOR CALCULATING THE PROFITS FROM TRANSFERS

The FIFO method is applied separately to the transfers of each plan without fiscal restatement.

3.5.3 "DIVERSIFIED EUROS" PERP CONTRACTS

Not applicable

3.5.4 COMMITMENT REPRESENTATION AGREEMENT

Not applicable

3.5.5 ESTIMATING METHODS

Due to the estimating method used for the settlement of the accounts of AXA France View, the amounts included in the annual accounts of the managing insurance entity may differ from those included in the auxiliary PERP accounts that are settled later.

4 - CHANGES IN METHOD

Starting on January 1, 2005, in application of rule 2002-10 and 2004-06 of the CRC (Accounting Regulations Board), the company applied new accounting rules relating to amortization and depreciation of the intangible assets. One of the significant modifications consists of the institution of a method of amortization of components.
The application methods of this regulation are described in paragraph 3.1.2 of the present attachment. AXA Assurances View Mutuelle is not involved.

FFSA Grid and yield rates used.

	Prior to 1945			After 1945			Warehouses and business locations			Businesses			IGH		
	Adjustment of the FFSA overlap	Compen-sation rate	Amortiza-tion period	Adjustment of the FFSA overlap	Compen-sation rate	Amortiza-tion period	Adjustment of the FFSA overlap	Compen-sation rate	Amortiza-tion period	Adjustment of the FFSA overlap	Compen-sation rate	Amortiza-tion period	Adjustment of the FFSA overlap	Compen-sation rate	Amortiza-tion period
Shell	40-65%	65.0%	120	40-65%	65.0%	80	60-85%	85.0%	30	40-50%	50.0%	50	30-40%	40.0%	70
Closed and covered	10-20%	10.0%	35	5-20%	10.0%	30	5-20%	5.0%	30	10-25%	25.0%	30	10-35%	30.0%	30
Technical blocks	15-25%	15.0%	25	15-30%	15.0%	25	5-15%	5.0%	20	15-35%	20.0%	20	25-40%	25.0%	25
Finishings	10-25%	10.0%	15	10-25%	10.0%	15	5-15%	5.0%	10	5-20%	5.0%	15	5-15%	5.0%	15
Total		100.0%	87		100.0%	60		100.0%	29		100.0%	37		100.0%	44

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I, Katharine Perekslis, hereby certify that the following is, to the best of my knowledge and belief, a true and accurate translation of the AXA Financial Documents from French into English

Katharine L. Perekslis

Katharine L. Perekslis

Sworn to before me this
September 5, 2006.

Paul D. Ralston

Signature, Notary Public

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otary Public, State of New Yo
No. 01RA6023867
Qualified in Queens County
mission Expires May 3, 2007

Stamp, Notary Public

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