Press Release
04-09

PARIS RE Holdings Ltd. announces net operating income of US $61.0 million for the fourth quarter and US $158.0 million for the year ended December 31, 2008

ROATE of 7.4% for the full year 2008

Including distribution, Tangible Book Value per Share increased by 8.3% in 2008

Zug, Switzerland, March 16, 2009, PARIS RE Holdings Limited (Euronext: PRI) announced that the Company earned net operating income[1] of US $61.0 million, or US $0.76 per share, for the fourth quarter ended December 31, 2008, compared to net operating income of US $67.9 million in the fourth quarter of 2007. Net operating income for the year ended December 31, 2008 was US $158.0 million, or US $1.88 per share, a decrease of 41.8% from US $271.7 million for 2007.

Highlights include:

- The Company generated a 7.4% return on average tangible equity (ROATE) for the year ended December 31, 2008, compared to 13.3% for the same period of 2007 despite significant catastrophe activity in 2008, including Hurricane Ike.
- Gross written premium[2] was US $1,403.7 million for the year ended December 31, 2008 compared to US $1,456.0 million for the comparable prior year period.
- The combined ratio was 89.6% for the fourth quarter of 2008 and 102.7% for the year ended December 31, 2008 compared to 87.7% and 91.1%, respectively, for the comparable prior year periods.
- Shareholders' equity was US $2,171.8 million as of December 31, 2008, or US $25.62 per share on an "if converted" basis. Adjusting for the US $3.09 per share distribution in July 2008, shareholders' equity per share increased by 5.9% between December 31, 2007 and December 31, 2008.
- Tangible shareholders' equity[3] was US $2,009.6 million as of December 31, 2008, or US $23.86 per share on an "if converted" basis. Adjusting for the US $3.09 per share distribution in July 2008, tangible shareholders' equity per share increased by 8.3% between December 31, 2007 and December 31, 2008.
- The Company's investment portfolio generated a pre-tax investment yield (including capital gains and impairment) of 4.5% on average invested assets and cash for the year ended December 31, 2008. Excluding US $16.4 million in realized gains net of impairments in the Funds Withheld Account (FWA) during

STOCK INFORMATION

→ **Mnemo**: PRI
→ **ISIN**: CH0032057447
→ **Bloomberg**: PRI FP
→ **Reuters**: PRI PA
→ **Euronext** Paris - B

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[1] Net operating income or result is defined as IFRS net income adjusted to eliminate (i) the after-tax impact of the amortization of intangibles resulting principally from the acquisition of the AXA RE business, (ii) the after-tax impact of foreign exchange gains and losses principally in connection with the revaluation of US dollar denominated capital in subsidiaries with non-US dollar functional currencies, (iii) after-tax realized capital gains and losses during the period, and (iv) after-tax impairments on invested asset.
[2] The pro forma includes adjustments to (i) gross written premium to reflect the fact that, prior to October 1, 2007, the Company wrote business through AXA RE and retroceded such business to PARIS RE. Gross written premiums are adjusted for retrocession accounted by AXA RE in the name of PARIS RE, (ii) the Reserve Agreement impact to reallocate it to the original accounts (premium, claims and commissions, instead of claims only).
[3] Tangible shareholders' equity is defined as IFRS shareholders' equity of US $2,171.8 million reduced by intangible assets (primarily related to the acquisition of AXA RE's business), net of deferred tax liabilities, in the amount of US $162.2 million.

the period and realized capital losses and impairments in the directly held assets for respectively US $0.6 million and US $1.0 million , the pre-tax investment yield was 4.3%.

- The Company's investment portfolio (including the Funds Withheld Account) had an unrealized gain of US $69.8 million as of December 31, 2008[4] compared to an unrealized loss of US $32.3 million as of September 30, 2008. The total pre-tax return on the investment portfolio, including realized gains and impairments and the change in unrealized gains, was 4.9% in 2008.

- The Company repurchased 2.9 million shares during 2008 at an average price of EUR12.5 per share through its share buy back facility and another 4.6 million shares from FI Equity Partners through a block trade at a price of EUR12.1 per share on September 29, 2008.

Hans-Peter Gerhardt, Chief Executive Officer of PARIS RE Holdings Ltd., commented:

"We are very satisfied to have concluded one of the most difficult years the reinsurance industry has ever faced with a 7.4% operating return on capital, an increase in tangible book value per share of 8.3%, and the ability to once again provide our shareholders with a substantial return of capital.
Whilst we suffered from catastrophe losses and the recession's impact on our credit bond business consistent with our market position, we are quite pleased with the performance of our investment portfolio, with the quality of our assets, with the diversification of our underwriting exposures and with the unquestionable strength of our balance sheet. These strengths coupled with the shift in the market's direction towards better rates give us optimism for the current year. With the continuing turmoil in the financial markets, there is no substitute for disciplined underwriting."

Operating Results

Gross written premium was US $61.7 million in the fourth quarter of 2008 compared to US $129.2 million in the fourth quarter of 2007. The decline is due primarily to reduced writings in facultative lines reflecting the company decision to no longer provide wind covers in the Gulf of Mexico and to a lower extent to the company decision to reduce its catastrophe exposure in some regions. For the year ended December 31, 2008, gross written premium was US $1,403.7 million, a decrease of 3.6% from 2007. At constant exchange rates, gross written premium decreased by 6.1%. The reduction in premium is a consequence of the Company's disciplined underwriting approach, reduced writings in facultative lines and, more generally, a general decline in pricing in the reinsurance market.

Net written premium was US $69.7 million in the fourth quarter of 2008 compared to US $104.0 million in the fourth quarter of 2007. The decrease is due to the decline in gross written premium partly offset by higher retentions in 2008 and by a one-off correction in the last quarter of 2008 in the estimated ceded premium of 2008. For the year ended December 31, 2008, net written premium was US $1,196.2 million, an increase of 4.0% from the comparable period in 2007. The increase in net written premium is due primarily to the Company's increased retentions in property lines in 2008.

The loss ratio in the quarter was 65.5% compared to 57.5% in the fourth quarter of 2007. This increase is due primarily to higher loss ratios in the credit and surety line

[4] The unrealized gain was comprised of US $39.7 million in unrealized gains in the directly held assets and US $ 30.1 million in the Funds Withheld Account. The unrealized gains in the FWA are not reflected in the Company's shareholders' equity account.
[5] For the twelve months ended December 31, 2008, the pre-tax capital gain, net of impairment, in the amount of US $16.4 million in the Funds Withheld Account was comprised of the following: (i) US $47.7 million of realized capital gains, of which US $20.3 million related to equity securities and US $27.4 million related to fixed income securities and (ii) US $31.4 million of impairment charges principally related to ABS.

of business which is exposed to the financial crisis. Moreover, the 2007 results included favorable development on prior years.

The loss ratio for the year ended December 31, 2008 was 73.6% compared to 61.8% for the comparable period in 2007. The company registered favorable prior year developments on reserves representing 2.1 points of loss ratio in 2008. The net major loss associated with Hurricane Ike was US $130 million, representing 11.8 points of loss ratio for the twelve month period. Windstorm Emma, Hurricane Gustav and hail storm Hilal contributed an additional US $25.8 million for the twelve month period ended December 31, 2008, representing 2.3 points of loss ratio. The credit and surety line was affected by the economic crisis with a loss ratio of 66.8% in 2008 (which included the effect of the booking of an unexpired risk reserve in an amount of US $3.8 million representing 3.2 points of loss ratio) compared to 50.4% in 2007.

For the three and twelve month periods ended December 31, 2008, the Company's combined ratio was 89.6% and 102.7%, compared to 87.7% and 91.1% for the comparable 2007 periods.

The following table summarizes the Company's underwriting results for the three and twelve month periods ended December 31, 2008:

US $ million

Underwriting results	Twelve months ended December 31			Variation / pro forma		Three months ended December 31			Variation / pro forma	
	2008	2007 Pro forma	2007	US $ million	%	2008	2007 Pro forma	2007	US $ million	%
Gross written premium [1]	1,403.7	1,456.0	1,410.7	(52.3)	(3.6%)	61.7	129.2	126.4	(67.5)	(52.2%)
Net written premium [1]	1,196.2	1,150.7	1,113.5	45.5	4.0%	69.7	104.0	99.4	(34.4)	(33.0%)
Net earned premium [1]	1,210.9	1,168.0	1,131.3	42.9	3.7%	285.4	274.8	270.6	10.6	3.8%
Net underwriting income [1]	122.6	243.0	243.0	(120.4)	(49.6%)	64.8	76.8	76.8	(12.0)	(15.7%)
Attritional loss ratio	62.7%	57.8%	57.3%	-	-	64.0%	57.1%	60.3%	-	-
Major loss ratio	10.9%	4.0%	4.2%	-	-	1.5%	0.4%	0.4%	-	-
Loss ratio	73.6%	61.8%	61.4%	-	-	65.5%	57.5%	60.7%	-	-
Combined ratio	102.7%	91.1%	90.9%	-	-	89.6%	87.7%	87.6%	-	-
Combined ratio (excluding management equity plan expense)	99.9%	88.8%	88.4%	-	-	86.4%	85.2%	84.7%	-	-

1 Unaudited -Pro forma
Gross written premiums as shown in the table above have been adjusted to include business fronted by AXA RE for the benefit of PARIS RE during a transition period following the acquisition of the AXA RE business. In addition, the impact of the reserve agreement with AXA RE, initially booked as claim only, has been reclassified between premium, commissions and claims expense

Investment Results

Net investment income for the quarter ended December 31, 2008 was US $42.3 million, down 20.3% from the fourth quarter of 2007. Net investment income for the full year ended December 31, 2008 was US $225.8 million, down 2.3% from the comparable 2007 period.

The net investment income for year ended December 31, 2008 includes pre-tax realized capital gains, net of impairments, in the amount of US $16.4 million[5] which were realized within the Funds Withheld Account (FWA). The realized capital gains generated in the FWA and discussed above are included in "net investment income" for reporting purposes in accordance with IFRS accounting conventions.

As of December 31, 2008, PARIS RE had cash and invested assets, including assets held by AXA RE on a funds-withheld basis for the benefit of PARIS RE, of US $5,061 million, a decrease of 9.8% from December 31, 2007. The decline in invested assets is principally the result of distribution to shareholders and the repurchase of shares.

The Company returned approximately US $400 million to shareholders through distributions (US $264 million) and share repurchases (US $134 million) during the twelve month period ended December 31, 2008. Moreover, PARIS RE approved an additional distribution in the amount of CHF173 million (approx. US $150 million) on February 24, 2009 payable in May 2009 which demonstrates the Company's continued commitment to proactive capital management.

The asset allocation as of December 31, 2008 was 83.7% fixed income (of which 29.2% was in government bonds, 19.5% in agencies, 2.5% in ABS, 32.5% in corporate bonds), 15.2% cash, cash equivalents and money market funds, and 1.1% other. The fixed income portfolio had an average Standard & Poor's credit rating of "AA-" with an average effective duration of 3.4 years as of December 31, 2008.

The Company has no exposure to collateralized loan obligations or collateralized debt obligations. The Company has US $10.2 million in asset backed securities (ABS) collateralized by US sub-prime and "Alt-A" or low documentation mortgages[6]. The market value of the Company's ABS securities collateralized by sub-prime and "Alt-A" mortgages represented 0.2% of total invested assets. As of December 31, 2008, the Company's total ABS exposure was US $120.9 million, of which US $77.2 million was agency CMO/MBS and US $15.5 million was U.S. student loans issued under the US Federal Family Education Loan Program and reinsured for 97% to 100% of their value by the US Department of Education.

During 2008, the Company recognized impairments of US $32.3 million (using average rate of exchange and including FWA impairments) through the income statement, including US $12.6 million in the fourth quarter ended December 31, 2008.

For the year ended December 31, 2008, the Company realized US $0.6 million in net capital losses before impairments, compared to a gain of US $7.1 million for the prior year period. The US $0.6 million in net realized capital losses are in addition to the US $47.7 million in net capital gains (before impairments) realized through the FWA for the same period. Net realized capital gains generated in the FWA are included in "net investment income" for reporting purposes in accordance with IFRS accounting conventions.

The Company's investment portfolio had unrealized gains of US $69.8 million (including a US $30.0 million of unrealized gains in the FWA which are not reflected in the Company's shareholders' equity account) as of December 31, 2008, an improvement of US $15.7 million as compared to December 31, 2007 and an improvement of US $102.1 million compared to September 30, 2008.

The Company did not use the flexibility offered by a recent amendment on IAS 39 and chose not to reclassify some assets as loans.

General Expenses

General expenses for the three month and the full year periods ended December 31, 2008 were US $35.0 million and US $154.7 million, respectively, as compared to US $43.1 million and US $139.5 million for the comparable periods of 2007. Before the impact of exchange rates, general expenses increased by US $4.5 million for the full year 2008 compared to 2007, representing an increase of 3.2%. The year-over-year increase is attributable to the inclusion of the Company's space operation in the scope of consolidation, additional headcount to support the Company's stand-alone back office operations and certain favorable one-time items in 2007 which reduced general expenses in 2007.

Expenses relating to restricted stock and options were US $30.4 million for the twelve month period ended December 31, 2008, compared to US $26.9 million for the comparable period of 2007. The non-cash expenses in connection with the management equity incentive plan are expected to decrease significantly in 2009 as many of PARIS RE's initial equity grants vested during 2008.

[6] See Table 1 for details

Currency Policy and Foreign Exchange Impact

PARIS RE's currency policy remained unchanged. The Company reports its results in US dollars and, accordingly, it is the Company's policy to invest the shareholders' equity of its major operating subsidiaries (*i.e.*, the Swiss and French subsidiaries) primarily in US dollars in order to minimize currency-related volatility in the Company's shareholders' equity account. As these subsidiaries report their results in their local functional currencies, this policy may create volatility in the Company's IFRS income statement resulting from exchange rate movements. This volatility has increased in 2008 with the merger of the former Bermuda subsidiary in its Swiss sister company as the assets coming from Bermuda have been kept in US dollar. The income statement impact is, however, partially offset by a corresponding credit to the Company's shareholders' equity.

As a result of this policy, the Company's IFRS accounts included after-tax foreign exchange charges for the fourth quarter of 2008 in the amount of US $97.5 million, compared to foreign exchange charges of US $52.2 million for the fourth quarter of 2007. For the full year ended December 31, 2008, the after tax foreign currency impact in the net result was a loss of US $146.1 million which is attributable to the appreciation of the Swiss Franc against the US dollar and the depreciation of the Euro against the US dollar.

These non-cash losses were partially offset by a gain in the Currency Translation Reserve within the consolidated shareholders' equity at the holding company level which amounted to US $69.9 million for the full year ended December 31, 2008. The net effect on the shareholders' equity was negative in an amount of US $76.3 million for the full year ended December 2008, compensating prior year net positive impacts in the shareholders' equity.

IFRS Results

The Company's IFRS net income, which includes amortization expense related to the purchase of AXA RE's business, currency fluctuations, realized capital gains and losses, and impairments was US $(36.0) million, or US $(0.45) per share for the fourth quarter of 2008, and US $(34.2) million, or US $(0.41) per share, for the year ended December 31, 2008. These losses were mainly attributable to foreign exchange charges which, as discussed above, were partially offset by a corresponding credit to the Company's shareholders' equity.

The following table provides a reconciliation of net operating income to IFRS net income and related diluted per share results.

US $ million, except per share data in US $

From net operating income to net income	Twelve months ended December 31		Three months ended December 31	
	2008	2007	**2008**	2007
Net operating income	**158,0**	**271,7**	**61,0**	**67,9**
Net realized capital gains / (losses)	(0,6)	7,1	(1,8)	1,3
Taxes on net realized capital (gains) / losses	0,3	(1,1)	0,9	(0,2)
Impairment	(1,0)	-	3,5	-
Tax on impairment	0,1	-	(0,9)	-
Amortization of intangibles	(61,8)	(127,7)	(2,0)	(27,8)
Taxes associated with intangibles	16,9	33,9	0,7	4,7
Net FX gains / (losses) & changes in fair value in FX	(160,6)	(113,8)	(114,8)	(56,4)
Taxes on FX (gains) / losses & changes in fair value in FX	14,5	17,0	17,3	4,2
IFRS net income	**(34,2)**	**87,0**	**(36,0)**	**(6,3)**
Diluted per common share results				
Net operating income (US $ per share)	1,88	3,13	0,76	0,77
IFRS net income (US $ per share)	(0,41)	1,00	(0,45)	(0,07)
Weighted average common shares outstanding - diluted (million of shares)	83,98	86,70	79,85	88,33

Diluted weighted average common shares and common share equivalents outstanding used in the calculation of net operating income and IFRS net income per common share were 91.92 million in the full year ended December 31, 2008.

Shareholders' Equity; Book Value Per Share

Shareholders' equity at December 31, 2008 was US $2,171.8 million and tangible shareholders' equity was US $2,009.6 million. Book value per share and book value per share on an "if converted" basis was US $26.66 and US $25.62, respectively, as of December 31, 2008. Tangible book value per share and tangible book value per share on an "if converted" basis was US $24.67 and US $23.86, respectively, as of December 31, 2008[7].

Shareholders' equity was reduced by a distribution to shareholders in the amount of US $264 million, or US $3.09 per share, in July 2008.

Events Post December 31, 2008

Capital Management. At the Company's Extraordinary General Meeting held on February 24, 2009, the Company's shareholders approved the distribution of capital by way of a reduction in the nominal value of the Company's shares in an amount of CHF172.87 million (equivalent to approximately US $150 million), or CHF2.02 per share, corresponding to approximately 95% of net operating income in 2008.

Due to unfavorable market conditions, the Company has decided not to issue subordinated debt or hybrid securities at the present time.

Preliminary estimations of the cost associated with **storm Klaus** give a net cost in the range of EUR25-30 million (approx. US $32-38 million), net of reinsurance and net of reinstatement premium.

A slide presentation which may be used for reference during the earning call can be downloaded from the Company's website one hour prior to the conference.

A replay of the conference call will be available from March 16 to March 22, 2009 by dialing in:

For France + 33 (0)1 71 23 02 48
For the UK + 44 (0)20 7806 1970
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Consolidated financial statement for the 12-month period ending December 30, 2008 will be posted on the Company's website, Investor relations section on March 26, 2009.

COMING NEXT

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Wednesday May 13, 2009

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→ **About PARIS RE**

PARIS RE is a global provider of re-insurance solutions through its operating subsidiaries located in Switzerland, France, the United States, Singapore, Canada and Bermuda. PARIS RE employs approximately 400 people. PARIS RE operates in all lines of facultative and treaty reinsurance covering property, casualty, marine, aviation & space, credit & surety, life, accident & health as well as a wide range of other risks. At its formation, PARIS RE acquired essentially all of the active business of AXA RE.
PARIS RE's majority shareholders are an investor group led by Hellman & Friedman, Stone Point Capital, Vestar Capital Partners and Crestview Partners.

[7] See Table 2 - *Tangible Shareholders' equity* for a reconciliation of shareholders' equity to tangible shareholders' equity.

APPENDICES

Consolidated Balance Sheet

US $ million (net)

Assets	December 31, 2008	December 31, 2007
Intangible assets	**224.9**	**306.5**
Funds Withheld Asset (FWA)	2,472.8	3,496.4
Directly held assets[1]	2,206.9	1,660.4
Financial invested assets	**4,679.8**	**5,156.8**
Ceded technical reserves	**230.4**	**126.2**
Deferred tax assets	**18.8**	**3.5**
Receivables arising from reinsurance operations	151.5	58.8
Reserve agreement	39.6	27.9
Other operating receivables	58.5	106.3
Fixed assets	3.6	3.1
Technical accruals - assets	603.9	625.0
Other assets	**857.1**	**821.0**
Cash and cash equivalents[1]	**380.7**	**451.6**
Total assets	**6,391.7**	**6,865.6**

Liabilities	December 31, 2008	December 31, 2007
Capital and capital in excess of nominal value	1,317.2	1,773.9
Retained earnings and other reserves	658.5	452.8
Currency translation reserves	230.2	160.4
Net income for the year	(34.2)	87.0
Common shareholders' equity	**2,171.8**	**2,474.1**
Gross technical reserves	3,781.4	3,981.6
Foreign exchange natural hedging	6.4	7.2
Liabilities relating to reinsurance and investment contracts	**3,787.8**	**3,988.8**
Provisions for risks and charges	**11.9**	**13.4**
Deferred tax liabilities	**92.5**	**81.8**
Debt	**-**	**-**
Payables relating to reinsurance operations	130.1	72.1
Reserve agreement	109.6	114.1
Payables - current tax position	8.8	47.3
Other operating payables	50.6	55.5
Technical accruals - liabilities	28.6	18.5
Other payables	**327.7**	**307.5**
Bank overdrafts	**-**	**-**
Total liabilities	**6,391.7**	**6,865.6**

[1]: An amount of US $ 370 million was reclassified from the category " Directly held assets" to the category "Cash and cash equivalents" in the comparative balance sheet of December 31, 2007.

US $ million (net)

Tangible shareholders' equity	December 31, 2008	December 31, 2007
Shareholders' equity	2,171.8	2,474.1
Intangible	(224.9)	(306.5)
Deferred taxes on intangible	62.8	85.1
Tangible shareholders' equity	**2,009.6**	**2,252.6**

US $ million

Net operating income

(After breakdown of net income from retrocessions)	Twelve months ended December 31 2008	2007 Pro forma	2007	Three months ended December 31 2008	2007 Pro forma	2007
Gross written premiums [1]	**1,403.7**	**1,456.0**	**1,410.7**	**61.7**	**129.2**	**126.4**
Premiums ceded [1]	(207.5)	(305.3)	(297.2)	8.0	(25.2)	(27.1)
Net written premium [1]	**1,196.2**	**1,150.7**	**1,113.5**	**69.7**	**104.0**	**99.4**
Net variation in unearned premium reserves [1]	14.7	17.3	17.8	215.7	170.8	171.2
Net earned premium [1]	**1,210.9**	**1,168.0**	**1,131.3**	**285.4**	**274.8**	**270.6**
Claims net of retrocession [1]	(891.6)	(722.4)	(695.1)	(186.9)	(158.1)	(164.3)
Commissions and brokerage net of retrocession [1]	(196.8)	(202.6)	(193.1)	(33.7)	(39.9)	(29.5)
Net underwriting income	**122.6**	**243.0**	**243.0**	**64.8**	**76.8**	**76.8**
Net investment income	225.8	231.0	231.0	42.3	53.1	53.1
Financial results – other	(1.2)	(12.0)	(12.0)	0.0	(2.2)	(2.2)
Net financial income before realized gains and losses and exchange rate impact	**224.6**	**219.0**	**219.0**	**42.3**	**50.9**	**50.9**
General expenses before amortization of intangibles	**(154.7)**	**(139.5)**	**(139.5)**	**(35.0)**	**(43.1)**	**(43.1)**
Net operating income before tax	**192.4**	**322.5**	**322.5**	**72.0**	**84.6**	**84.6**
Income tax	(34.4)	(50.8)	(50.8)	(11.0)	(16.7)	(16.7)
Net operating income	**158.0**	**271.7**	**271.7**	**61.0**	**67.9**	**67.9**

1 Unaudited -Pro forma
Gross written premiums are adjusted for retrocession accounted by AXA RE in the name of PARIS RE and claims are adjusted for the impact of the Reserve Agreement with AXA RE which has been split between premiums, commissions and claims instead of claims only in the previous disclosures.

Ratios

	2008 (12 months)	2007 Pro forma	2007	2008 (3 months)	2007 Pro forma	2007
Loss ratio	**73.6%**	**61.8%**	**61.4%**	**65.5%**	**57.5%**	**60.7%**
of which attritional loss ratio	62.7%	57.8%	57.3%	64.0%	57.1%	60.3%
of which major loss ratio	10.9%	4.0%	4.2%	1.5%	0.4%	0.4%
Net expense ratio	**29.0%**	**29.3%**	**29.4%**	**24.1%**	**30.2%**	**26.8%**
Commission and brokerage ratio	**16.2%**	**17.3%**	**17.1%**	**11.8%**	**14.5%**	**10.9%**
General expenses ratio	**12.8%**	**11.9%**	**12.3%**	**12.3%**	**15.7%**	**15.9%**
General expenses ratio (excluding management equity plan expense)	**10.1%**	**9.6%**	**9.9%**	**9.1%**	**13.2%**	**13.1%**
Combined ratio	**102.7%**	**91.1%**	**90.9%**	**89.6%**	**87.7%**	**87.6%**
Combined ratio (excluding management equity plan expense)	**99.9%**	**88.8%**	**88.4%**	**86.4%**	**85.2%**	**84.7%**

Non-IFRS Measures

In addition to the IFRS measures included within this release, we have presented the following non-IFRS measures:

Net Operating Income. We define net operating income as IFRS net income plus (i) the after-tax impact of the intangible amortization resulting from the acquisition of AXA's reinsurance operations, (ii) the after-tax impact of foreign exchange gains and losses principally in connection with the revaluation of US dollar-denominated capital in subsidiaries with non-US dollar functional currencies, (iii) after-tax realized capital gains and losses during the period, and (iv) after-tax impairments on invested asset.

Diluted Book Value and Tangible Book Value Per Share Using "If Converted" Method. We define diluted book value and tangible book value per share assuming that all warrants and options (both vested and unvested) are exercised if their strike price does not exceed the fully diluted book value per share on an "if converted" basis. See the reconciliation in Table 2.

Tangible Shareholders' Equity. Tangible shareholders' equity is defined as IFRS shareholders' equity reduced by (i) intangible assets primarily related to the acquisition of AXA RE net of (ii) deferred tax liabilities in connection with the intangible assets.

Accounting for Currencies

Foreign Currency Translations in Local Accounts. Transactions conducted in foreign currencies (currencies other than the functional currency) are converted into the functional currency at the exchange rate in effect on the closing date of the transaction, using for practical purposes, the average annual exchange rate.

Conversion of Financial Statements of a Foreign Affiliate. Where the functional currency of a PARIS RE affiliate does not match the reporting currency, the consolidated balance sheet of such entity is converted using the closing date exchange rate while the income statement is converted using the average exchange rate of the period. Exchange rate differences are recorded as variations in shareholders' equity on the line item "currency translation reserve".

TABLE 1

US $ million

Exposure to ABS	December 31, 2008	September 30, 2008	December 31, 2007
ABS Residential	28.8	37.6	60.8
of which "Subprime"	7.8	10.0	13.3
of which "Alt A"	3.7	7.6	12.6
of which "Manufactured housing"	7.3	7.4	9.2
of which "Prime"	10.1	12.6	25.7
CMBS	2.7	2.6	7.0
ABS Auto	-	-	15.1
ABS Credit Card	-	-	4.6
ABS Equipment	-	-	2.5
Agency CMO/MBS	76.5	77.1	35.9
ABS Student Loan	16.0	16.9	16.3
Total book value net of impairments	**124.1**	**134.2**	**142.2**
Unrealized losses	(3.2)	(4.1)	(5.1)
Total market value	**120.9**	**130.0**	**137.1**
Total financial investments	5,060.5	5,303.2	5,608.4
% of total financial investments	**2.4%**	**2.5%**	**2.4%**

US $ million

Detail of impairment and unrealized losses on ABS	December 31, 2008	September 30, 2008	December 31, 2007
Unrealized gains and losses on ABS before impairment	(30.2)	(24.6)	(8.9)
Total impairment on balance sheet	(27.0)	(20.5)	(3.7)
Outstanding unrealized losses on ABS	(3.2)	(4.1)	(5.1)

TABLE 2

US $ million, except per share data in US $

Book value per share	December 31, 2008	September 30, 2008	December 31, 2007
Common shareholders’ equity	2,171.8	2,106.9	2,474.1
Number of shares net of treasury shares	80,659.7	78,574.3	85,557.1
Plus: RSUs including directors' equity plan	806.3	3,551.8	2,949.7
Number of shares	81,466.1	82,126.1	88,506.8
Book value per share (Primary)	**26.66**	**25.65**	**27.95**

Common shareholders’ equity	2,171.8	2,106.9	2,474.1
Less: Intangible	(224.9)	(238.9)	(306.5)
Less: Deferred tax liability associated with intangible	62.8	66.9	85.1
Tangible shareholders' equity	2,009.6	1,934.9	2,252.6
Number of shares	81,466.1	82,126.1	88,506.8
Tangible book value per share (Primary)	**24.67**	**23.56**	**25.45**

Common shareholders’ equity	2,171.8	2,106.9	2,474.1
Plus: Proceeds from exercise of options	40.1	36.8	38.2
Plus: Proceeds from exercise of warrants	143.5	143.5	169.8
Adjusted shareholders' equity	2,355.4	2,287.2	2,682.1
Common shares outstanding	80,659.7	78,574.3	85,557.1
Plus: RSUs	806.3	3,551.8	2,949.7
Plus: Options	1,968.7	1,839.3	1,910.0
Plus: Warrants	8,487.8	8,487.8	8,487.8
Diluted common shares outstanding	91,922.5	92,453.2	98,904.6
Diluted book value per share (diluted on "If converted" basis)	**25.62**	**24.74**	**27.12**

Common shareholders’ equity	2,171.8	2,106.9	2,474.1
Less: Intangible	(224.9)	(238.9)	(306.5)
Less: Deferred tax liability associated with intangible	62.8	66.9	85.1
Tangible shareholders' equity	**2,009.6**	**1,934.9**	**2,252.6**
Plus: Proceeds from exercise of options	40.1	36.8	38.2
Plus: Proceeds from exercise of warrants	143.5	143.5	169.8
Adjusted shareholders' equity	**2,193.2**	**2,115.3**	**2,460.6**
Common shares outstanding	80,659.7	78,574.3	85,557.1
Plus: RSUs	806.3	3,551.8	2,949.7
Plus: Options	1,968.7	1,839.3	1,910.0
Plus: Warrants	8,487.8	8,487.8	8,487.8
Diluted common shares outstanding	91,922.5	92,453.2	98,904.6
Diluted tangible book value per share (diluted on "If converted"	**23.86**	**22.88**	**24.88**