

AXA International Small Business Report 2011: an evaluation of the issues currently affecting the small business community in 10 countries

- **Need for SMEs to extend their focus from finance needs to business risks**
- **Need for more business continuity planning and cash flow management**

The AXA International Small Business Survey 2011¹ has examined a wide range of issues currently affecting the small business community in interviewing 650 SMEs in 10 countries. With a view to highlight the difficulties, risks and gaps in preparedness being faced by the SMEs in the current tough economic climate, this report seeks to improve the understanding of how these issues will affect the prospects for growth of SMEs in 2012.

The survey is available to download here: <http://www.axa.com/en/press/research/international-small-business-report>

- **Difficulties to recognize and manage business risks: one quarter of the SMEs couldn't name any risk facing their business when asked**

SMEs hold a wide range of financial products to help them manage their finances, however the study reveals gaps in preparedness amongst SMEs. While there is wide uptake of banking services and products, and general insurance such as buildings and contents cover, this prudence is not repeated when it comes to protection from health related risks such as critical illness, income protection or key man insurance.

To identify and manage the risks is a basic business requirement in any trading environment. **However, when asked to mention unprompted what they thought were the key risks facing their business, one quarter of respondents couldn't name any.** This peaked at 62% in Poland, followed by 40% in Spain and 32% in France. Even among SMEs with continuity plans in place (60%), many do not place sufficient emphasis on making sure that the appropriate types of business insurance are in place.

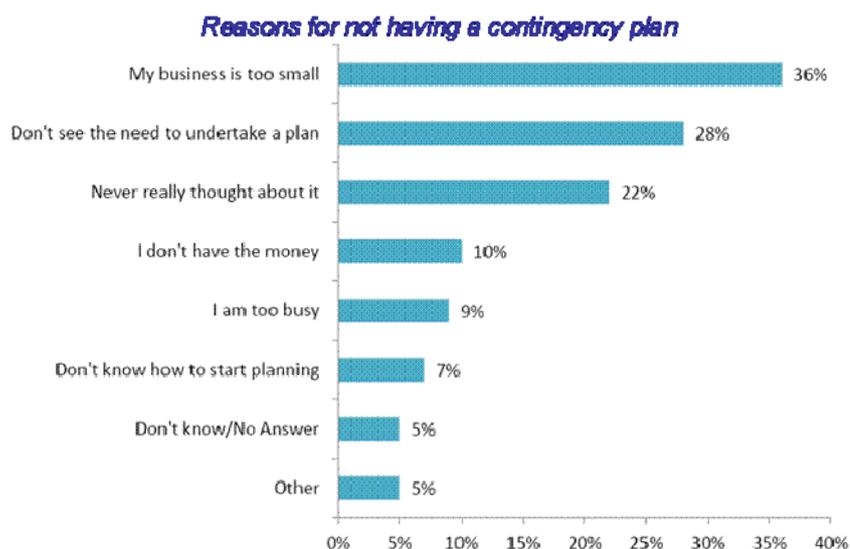
| Country | % who couldn't mention any risks |
|--------------------|----------------------------------|
| <i>Ireland</i> | 6% |
| <i>Germany</i> | 12% |
| <i>Switzerland</i> | 12% |
| <i>Belgium</i> | 16% |
| <i>India</i> | 20% |
| <i>UK</i> | 23% |
| <i>US</i> | 24% |
| Global average | 25% |
| EU average | 27% |
| <i>France</i> | 32% |
| <i>Spain</i> | 40% |
| <i>Poland</i> | 62% |

¹ Fieldwork conducted between 25th July and 2nd August 2011, with interviews of 650 small and medium-sized enterprises across 10 countries in Europe, North America and Asia. Definition of medium-sized enterprises only covers those firms which employ between 50 and 99 employees in this report.

- **More need for business contingency planning**

In a similar vein, 40% of firms do not currently have a business continuity plan in place, a shortcoming that is most present amongst the smallest business.

The main reasons mentioned by SMEs for not having a continuity plan are that they are too small to make one (36%) or they do not see the need to undertake one (28%), while the OECD suggests that small businesses can be amongst the most vulnerable to a lack of planning since they are more exposed to short-term shocks and may find that certain business risks (ie. dealing with key man risks) are amplified because of their size. **The loss of a senior director represents a key risk to these businesses, but goes unrecognized in 80% of SMEs.**



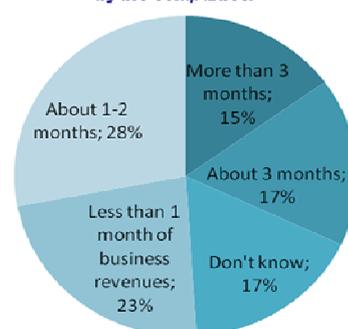
- **Less than half of SME companies hold sufficient working capital**

Too few SMEs have a robust financial safety net in place if unforeseen events occur.

Over half of the SMEs interviewed (51%) have less than two months of revenue reserved for working capital, falling short of a three-month benchmark and suggesting too many SMEs are placing themselves at risk of short-term cash flow crises, which are far more common during economic downturns.

Both the US and Switzerland were among the most cash rich, with nearly a half of all SMEs hit the three-month benchmark. SMEs in Spain (where 16% held three-months revenues in cash) and Poland (18%) were the most cash-poor and therefore least resilient.

Amount of revenue in cash flow held by the companies:



Overall, the report reveals major gaps in business risk management:

| Types of business insurance cover | Current penetration levels |
|--|--|
| <i>Key man insurance</i> | - 47% had key man insurance in place. - 21% of sole traders had key man insurance in place. |
| <i>Creditor insurance</i> | - 23% had creditor insurance in place. |
| <i>Private Medical Insurance (PMI)</i> | PMI was provided by 60% of SMEs. This proved to be a relatively popular product among SMEs of all sizes. |

| | |
|------------------------------------|---|
| <i>Business property insurance</i> | <p>- Business property insurance was more popular still with 71% of firms questioned having this policy in place. Penetration was particularly high in Ireland (86%), France (84%) and Switzerland (86%).</p> <p>- 44% of sole traders had property insurance, compared to 82% of larger SMEs (those with 50-99 employees).</p> |
| <i>Contents insurance</i> | <p>- Contents insurance was equally popular with 72%. This time Ireland (88%), the UK and Spain (both 80%) emerged as the most insured.</p> <p>- 55% of sole traders insure their business contents.</p> |
| <i>Critical Illness Cover</i> | 39% currently have critical illness cover for partners or directors. Even among businesses with continuity plans in place, over half (54%) did not have this type of insurance in place |
| <i>Income Protection</i> | 26% hold income protection for directors or partners |
| <i>Business interruption cover</i> | 36% currently have some form of business interruption protection to cover lost business income arising from unforeseen events. Among those SMEs with a continuity plan in place, again over half (56%) still did not have this kind of protection in place. |

The AXA International Small Business Survey concludes with recommendations for SMEs trying to encourage them:

- The need for SMEs to extend their focus from finance needs to business risks

There are many insurable risks where firms are currently going unprotected including key man and critical illness which will provide protection against the loss of a key person in the business, basic property cover in the form of buildings, stock and contents and business interruption to help an SME to keep operating following a major event.

- The need for more business continuity planning at the SME level and robust financial safety net

Business continuity planning really can make the difference between an SME folding after a relatively minor insured event or recovering to a stronger position. Insurance companies have gathered a wide range of risk management knowledge and techniques and can be a useful sounding board in the development of a structured continuity plan that can make all the difference should disaster strike. Finally, the report highlight that too few SMEs have a robust financial safety net in place if unforeseen events occur.

"We are convinced that SMEs, a strategic segment for AXA, will play a critical role in helping to expand worldwide economic growth to its pre-crisis level.

Our ambition is to develop for SMEs a complete customer centric approach combining a core offer, a customer experience and a relational model which answers their specific needs.

With this report, we want to help raising awareness and propose specific solutions (i.e risk assessment, business continuity plans, claims management...) to address the difficulties faced by the SMEs around the world in growing their business.

Much can still be done to ensure that these businesses are placed on a firmer financial footing enabling them to grow and contribute to the wider economy. This is part of our ambition to become a long term partner by providing them with the right advice and good planning to ensure that the benefits of insurance are better understood by them", said **Olivier Mariée, Group Chief Marketing and Distribution Officer.**

About AXA and the SMEs

Market share definition: AXA's premiums / Total amount of the premiums in the market

Penetration rate: number of clients within the market

▪ France

- One of the Top 3 players on Professionals market in terms of market share.
- N°1 in penetration rate on Professionals market.
- N°1 in Multi-risks for professionals (17.6% market share).

▪ Mediterranean and Latin America Region

- Turkey: 300k clients / N°1.
- Spain: 180k clients / 15% of penetration rate.
- Portugal: 70k clients / 18% market share.

▪ UK

- AXA UK N°2.

▪ Belgium

- Penetration rate of 38% on Independent and Self-employed market.

▪ Switzerland

- AXA Winterthur insures every second company in Switzerland.
- 234k clients.

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About the AXA Group

The AXA Group is a worldwide leader in insurance and asset management, with 214,000 employees serving 95 million clients. In 2010, IFRS revenues amounted to Euro 91 billion and IFRS underlying earnings to Euro 3.9 billion. AXA had Euro 1,104 billion in assets under management as of December 31, 2010.

The AXA ordinary share is listed on compartment A of Euronext Paris under the ticker symbol CS (ISN FR 0000120628 – Bloomberg: CS FP – Reuters: AXAF.PA). AXA's American Depository Shares are also quoted on the OTC QX platform under the ticker symbol AXAHY.

The AXA Group is included in the main international SRI indexes, such as Dow Jones Sustainability Index (DJSI) and FTSE4GOOD.

This press release is available on the AXA Group website

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