Full Year 2010 Earnings

2010 Highlights

Henri de CASTRIES
Chairman and CEO

2010 was a satisfactory year for us despite the challenging environment. In these past 25 years, AXA has acquired extremely strong positions, becoming the world's number one brand in insurance, the world's top life and savings provider and its fourth largest property-casualty insurance carrier. 2010 also provided us with an opportunity to learn from the crisis and make some adjustments that will enable us to be even better prepared for the future. We are confident going into 2011 and think we will be able to combine growth and value creation this year.

So what were the highlights of 2010? We created two global business lines—one for life and savings and one for property-casualty insurance—in the interest of leveraging scale effects and further sharpening our competitive edge.

We are also bringing up a generation of new managers to take over the helm from current leadership. New executive leaders were appointed in France, in the United States, in the United Kingdom and to head up our property-casualty business in Southeast Asia.

In addition, 2010 was a year of transformation with respect to the Group's reach. We sold some of our traditional businesses in the United Kingdom and shifted this capital to the emerging countries. In parallel, we have become more selective in the mature markets. We are also in the process of completing our transaction in Australia and have entered into an agreement with ICBC in China.

Conversely, the year 2010 was a rather disappointing one in the area of asset management, as significant outflows combined with the rather painful subject of AXA Rosenberg. However, our future rebound potential is substantial thanks to an improvement in our investment performance.

In the area of corporate responsibility, we made a great deal of progress in terms of policy definition. Among the broad array of targeted actions that we support, I'd like to mention the AXA Research Fund, which focuses on such areas as risk, longevity and climate change. We allocate 20 million euros a year to the Fund.

The context was indeed difficult throughout 2010. Long-term interest rates fell sharply in the early part of the year. However, we observed a significant increase in the profitability of new business. In life insurance, the margins on new business in the mature markets went from 16% to 20%. Our combined ratio in property-casualty business for the current year improved by two percentage points despite the level of natural disasters. New life insurance business volume increased by 25% in the emerging countries. At year-end 2010, our portfolio had 300 000 more insureds.

Operating free cash flow improved significantly last year and the Group's Embedded Value indicator continued to progress.

AXA's balance sheet is robust. Solvency I and Solvency II ratios have both improved. While debt gearing is up slightly (28%), we are aware of investor interest in this issue and we intend to keep the ratio between 25 and 30%.

For 2011 and the years thereafter, we can see that the mature markets will continue to account for 80% of the world's wealth, even though 50% of new wealth is being created in the emerging countries. So we need to continue to develop in these markets while also being more selective in terms of margins. In parallel, we also need to strengthen our positioning in the emerging markets. In 25 years, we have managed to become a global leader in the mature markets. Why wouldn't we be able to do the same thing in the emerging markets? In fact, we completed a number of significant transactions involving these markets last year.

We also think that business diversification remains fundamental, since it allows us to improve our risk profile.

While the proprietary networks constitute a considerable asset in terms of product distribution, direct selling and the internet are also channels worth exploring, and we need to work on reducing the operating cost for all of these networks.

Active management in the area of asset management is another source of strength that can produce higher returns on invested assets and hence higher returns for clients and shareholders.

So we remain focused on our core business – insurance and asset management – while also looking for sources of diversification and ways to reap the benefits of scale effects.

The crisis also provided us with an opportunity to learn a few things: we learned that we need to be more aggressive in our capital allocation, reinforce our risk management and, undoubtedly, pay more attention to the sensitivity of our investors to our debt gearing.

2010 financial results

Denis DUVERNE

Deputy chief executive officer of AXA, in charge of Finance, Strategy and Operations

Group

Revenues for the year came to 91 billion euros, an increase of 1% in absolute value terms and a decline of 1% on a comparable exchange rate basis.

In Life & Savings, the decline of 3% on a comparable exchange rate basis is attributable mainly to France, the United States, Australia and Japan. The Mediterranean Region and Switzerland both reported revenue growth.

In P&C, the increase was 1% on a comparable exchange rate basis. In the mature countries, revenues were unchanged. For emerging countries and direct selling, revenues rose.

In Asset Management, revenues were up by 5%, principally due to an increase in assets under management (forex impact and financial market appreciation).

In 2010, 60% of our revenues were generated in Europe and 40% in the rest of the world.

In high growth markets, life insurance new business was up by 25% (APE basis). In P&C, premium growth in high growth markets was 6%. Direct selling business (telephone and internet) rose by 19%.

Underlying earnings totaled 3.88 billion euros, a slight increase in absolute value terms but a decline of 3% on a comparable exchange rate basis. Most of the decline is due to the asset management segment (down by 26%).

Adjusted earnings rose by 20% to 4.317 billion euros. This increase is primarily attributable to lower provisions for depreciation.

Net income fell by 26% to 2.749 billion euros. If the one-off loss related to the sale of some life insurance business in the United Kingdom is excluded, net income rose by 18%.

Value creation is strong. The dividend per share rose by 25% to 69 euro cents. This dividend represents a payout of 40% of adjusted earnings. The return is 5.5 % on the basis of the share price on December 31, 2010 and 4.5% based on the current share price.

Our Embedded Value per share, which is the company’s worth not including new business, increased by 11% to 14.9 euros. The operating return (24%) reflected lower interest rates.

The Group is increasingly focused on increasing its ability to obtain cash flow from its subsidiaries. Operating free cash flow thus reached 3.7 billion euros in 2010, versus 3.1 billion euros in 2009. After the dividend distribution and interest expense, available cash comes to 1.3 billion euros, compared with 1.2 billion euros for 2009.

Life & Savings

In Life & Savings, AXA is present in more than 30 countries with more than 40 million clients. Our presence is balanced geographically and in terms of business lines.

Life & Savings new business volume fell by 2%, but new business margins were up substantially, from 18% to 22%.

Protection and health was the most profitable business line. In the savings general account, volume declined by 11%. In a low interest rate period, the general account savings business was not very profitable. Unit-linked business was unchanged but margin improved. The profitability of the variable annuities business improved substantially.

Much of our profitability is attributable to the health and protection line. A slight improvement in the general account business was noted. Despite low interest rates, we in fact slightly lowered the rates credited to our policyholders. In UL, a slight increase was recorded, reflecting market appreciation.

Overall, underlying earnings for the Life & Savings segment rose by 1% on a constant exchange rate basis, with an increase in the investment margin and in the profitability of UL business and a decline in the technical margin due to the non-recurrence of positive one-off items.

Property & Casualty

In the P&C segment, AXA's presence extends to more than 30 countries and more than 55 million clients. Proprietary channels account for 50% of our distribution, while 62% of our business is in personal lines, mainly automobile insurance.

P&C revenues rose by 1% in 2010 on a comparable scope and exchange rate basis.

In the personal lines segment, revenues were up by 4%. Rates increased by 3.8%. AXA's client portfolio grew by a net 1.4 million.

In commercial lines, revenues were down by 3% despite the 2.1% rate increase, reflecting the more selective underwriting policy and a decline in insured amounts.

The combined ratio was virtually unchanged at 99.1%. The current year combined ratio improved by 2 percentage points, to 102.4%. It was negatively impacted by natural catastrophes (- 1.7pp). Lower positive prior year reserve development was observed (3.3 points versus 5.4 points the previous year).

Corrected for the effect of exchange rates, underlying earnings from P&C declined by 2%, reflecting the combined impact of the trend in the combined ratio and no change in the financial result.

Asset management

AXA has two asset management companies: AXA Investment Managers, which focuses on fixed-income products and alternative expertise, is based mostly in Europe. Alliance Bernstein, which is focused on equity investments, mainly does business in the United States and Asia. AXA is the world's sixth largest asset manager.

Assets under management increased slightly, to 878 billion euros, with a positive market effect of 53 billion euros, a negative inflow effect of 44 billion euros, and a positive forex impact. 2010 revenues totaled 3.3 billion euros.

Underlying earnings from the asset management segment declined by 26%, to 269 million euros. This outcome reflects two opposing movements. In 2009, the exceptional positive tax impact was 62 million euros. Conversely, in 2010 a provision of 66 million euros was made for the AXA Rosenberg coding error. If these two items are excluded, earnings rose by 12%.

At Alliance Bernstein, the investment performance since March 2009 has been vastly superior to the indices. For AXA Investment Managers, the net outflow for AXA Rosenberg was partly offset by 9 billion euros of inflow from all of our other areas of expertise, reflecting an investment performance that is appreciated by our clients. We are convinced that this business is well positioned for the years ahead.

Balance sheet

Our shareholders' equity increased by 3.5 billion euros, reaching 49.7 billion euros. Shareholders' equity includes net higher unrealized capital gains on bonds and equities, but does not include slightly higher unrealized gains on real estate assets.

Our investment portfolio has not changed much. Fixed-income investments account for 83% of our assets. We do not see our exposure to the Euro zone outlying countries (11 billion euros after interest credited to policyholders and taxes) as cause for alarm.

Our balance sheet has remained stable. The Solvency I ratio went up to 182%. Our internal model (Solvency II base) shows our solvency to be 175% compared with 167% in 2009. Our debt gearing is up slightly (28%), due primarily to negative forex impacts.

Thanks to the strength of our balance sheet, we are in a very good position going forward.

Conclusion

Henri de CASTRIES
Chairman-CEO

We achieved satisfactory results in 2010 in a challenging environment. As a result of this performance, the net dividend increased by 25%.

2011 will see the pursuit of long-term actions, along with a focus on several short-term priorities. We will continue to improve our cash flow from life insurance operations. We hope to generate 1.7 billion euros in cash flow in 2011, which represents a doubling in three years. In property-casualty insurance, we hope to achieve a combined ratio for the current year of 100% in 2011, thanks to productivity gains and rate hikes. We believe that our ability to bounce back in the asset management business is significant.

Our focus over the next few years can be summed up in three key words:

- **Selective**
  In the mature countries, we hope to focus our efforts primarily on the pockets of growth and margins.

- **Aggressive**
  We believe that we can take fairly aggressive action in the emerging countries and in the area of new channels of distribution, in the interest of carving out the same positions that we have managed to acquire in the mature markets.

- **Efficient**
  Our size, our diversification and our organization along business lines should enable us to achieve significant gains in productivity.

So we are looking to the future with confidence.

Question and answer session

Thomas URBAIN, AFP

New life insurance business was down by 14% in the French market. In fact, it was down by 20% in the 4th quarter. Do these numbers worry you at all?

In property-casualty insurance, underlying earnings declined by 2% despite rate hikes and a very slight decline in the combined ratio. How do you explain this situation?

Nicolas MOREAU, CEO of AXA France

This figure combines individual and group lines. 2009 was an exceptional year for group lines, especially the fourth quarter. This explains a good portion of the gap.

In individual lines, the decision to stop underwriting guaranteed rates on big tickets contributed to the loss of 800 million euros in premiums. Nonetheless, our distribution channels have grown. In the 4th quarter, we recorded growth in individual lines, with a 20% in UL. The ban on guaranteed rates for big tickets will, in a general way, provoke reinvestment in bank deposit accounts in 2011.

François PIERSON, global head of property-casualty lines

We are satisfied with the performance of P&C in 2010, with respect to the current combined ratio. Generally speaking, the year 2010 was not easy for P&C insurers. But despite a high loss experience for the second year in a row, we managed to improve our current combined ratio by 2 percentage points. We raised prices by 3% and got back on the revenue growth track. In the commercial lines market, revenues declined because we were focused on restoring our underwriting profitability. We expect to see an improvement in the current combined ratio in 2011, with a general price increase and an improvement in the combined ratio for commercial lines. The combined ratio all years deteriorated slightly in 2010 because there was less positive loss development from prior years. If the forex impact is excluded, our performance actually improved.

Henri de CASTRIES

This is a very clear illustration of the principle of selectivity that we want to adopt. Why aim for volume by allocating capital to business that is low or no margin when we could allocate this capital elsewhere, to lines of business that generate much higher margins? Reallocations are necessary, even when this means a decline in revenues in some markets.

Anne de GUIGNÉ, Le Figaro

This morning, BNP Paribas announced impairment in the value of its AXA equity interest. Do you think this could change the relationship between the two groups?

What is your outlook with respect to the gearing ratio?

Henri de CASTRIES

BNP is always very conservative in its accounting presentation. Its equity interest was adjusted to reflect the stock price at year end, which is when the AXA share had fallen to most substantially. This has no impact on the quality of our relationship.

Denis DUVERNE

The gearing ratio is 28% right now, and will be maintained within a range of 25 and 30%, with a medium-term goal of approaching the level of 25%.

Henri de CASTRIES

A pragmatic approach needs to be adopted, based on an examination of the cycle and growth opportunities.

Lionel GARNIER, Le Revenu

Can you explain the rise in government bonds, especially in light of appreciation on the equity markets?

Denis DUVERNE

This increase is due to a number of different factors. The value of these bonds increased automatically because of the decline in interest rates. The depreciation of the euro also led automatically to the appreciation of bonds stated in other currencies. A slight net investment is also to be noted, as well as the increase in repos. Net investment in government bonds was in fact quite measured over the period.

Capital expenses corresponding to risky assets are fairly high. In this context, our equity allocation will stay at around 4% to 5%, and out real estate allocation will be around 5%. Our investment in alternative assets could increase slightly, from 3% to 5%. Within bond investments, we don’t expect to see a change in the distribution between government bonds and corporate bonds.

Benjamin JULLIEN, La Tribune

Where do you think the growth pockets of the future will be, especially in life insurance?

Henri de CASTRIES

We have observed some potential in the health insurance, personal protection and UL segments, in the latter case as the appetite for risk returns.

Jacques de VAUCLEROY, international head of life and savings (and health)

The outlook for the personal protection and health segments is strong. For example, we successfully launched a long-term care product last May in the German market. The investment market, though it carries a higher risk, also offers opportunities.

Thomas CARLAT, Agefi

What is the outlook for the emerging countries? Where would you like to set up operations?

Henri de CASTRIES

We have often been criticized for not being aggressive enough when it comes to the emerging countries. In reality, there have not been many deals since the beginning of the crisis. In addition, we have been very active, acquiring business in both Russia and Mexico. We have also entered into several very important agreements, particularly in China, and we intend to continue to be aggressive, developing business in places like Azerbaijan and Ukraine. In South America, Brazil and Colombia are two countries that interest us.

From the floor

In the run-up to Solvency II, are you going to revisit your asset allocations?

Can we also have your comments on the *Jeudi Noir* squatters?

Denis DUVERNE

We are 4% invested in equities today, and we don't have any intention of making a significant change to this allocation in light of Solvency II.

Henri de CASTRIES

With regard to the *Jeudi Noir* squat, these are premises that have been vacated due to transformation issues and because they were no compliant with the safety code. Through one of our subsidiaries, we have been able to offer *Jeudi Noir* public housing if they would like it. I don't have any other comment to make on that.

From the floor

What are your plans in the Middle East and the Mediterranean in light of recent political developments?

Henri de CASTRIES

We do some very profitable business in this part of the world and hope to increase our positions.

Jean-Laurent GRANIER, CEO of the Mediterranean – Latin American Region

Insurance coverage needs are extremely substantial in this region, in spite of the political upheaval, which we hope will subside. For example, property-casualty revenues rose by 16% in Turkey last year, and for the Arab Gulf region as a whole, the increase was 8%. We are taking a close look at Turkey and its neighboring countries. As for the Arab Gulf, we are well established in the United Arab Emirates and have experienced strong growth in Saudi Arabia. In North Africa, we are the first or second insurer, depending on the year, in the Moroccan property-casualty market, and we are also looking into the possibility of setting up operations in Algeria. In the event of political unrest, our primary concern is the safety of our employees. But we remain confident in the future.

Stefano MONTEFIORI, Il Corriere della Sera

In the past ten years, only AXA and Generali have escaped a major crisis. How do you explain this situation?

Henri de CASTRIES

Our two companies have always remained focused on the core business in my opinion. We have developed our bancassurance businesses through distribution agreements or insurance joint ventures with banks, such as Monte Paschi.

From the floor, Radiocor

Do you have plans to increase your presence in Italy?

Jean-Laurent GRANIER, CEO of the Mediterranean - Latin American Region

We are very satisfied with the development of our business in Italy. Our principal business activities are structured around our proprietary network of tied agents and our partnership with the Monte Paschi di Siena bank. We also have a direct selling subsidiary. Italy is an extremely important market in which there is room for growth. There is also room for further improvement, for example in the distribution of property-casualty and personal protection products via the bancassurance route. This is why we have a great deal of confidence in our partnership with the MPS bank. Our agents are also true professionals. Margins are significant and are increasing substantially. So we are keeping our eye on ways to gain strength in this market, which is both profitable and promising.

Estelle DURAND, L'Argus de l'assurance

Can you say a word about your cost reduction targets?

Henri de CASTRIES

A few months ago, we announced targets for both life and savings and property-casualty insurance.

François PIERSON, international head of property-casualty insurance lines

The plan horizon is 2015, with a gradual reduction in our expense ratio. In 2011, we are shooting for a decline in our expense ratio of around 0.4%.

Jacques de VAUCLEROY, international head of life and savings (and health)

In life and savings, we are working on the cost income ratio, with a target set for 2015, in accordance with a similar approach.

Laurent THEVENIN, Les Echos

What are your takeaways from QIS5?

What projects do you have pending in the area of direct insurance?

Henri de CASTRIES

As for QIS5, the work is underway. We feel that we are well prepared for the introduction of Solvency II. In fact, the European insurance industry is in total alignment on this issue.

In the area of direct insurance, we have some development projects.

François PIERSON

In 2010, growth of direct business reached 20%. We have operations in continental Europe, in the United Kingdom, in South Korea and in Japan. We have seen a significant increase in the number of clients and our underwriting result is improving. This is a business that we will develop. A total of 4 million vehicles are already covered under direct policies sold by AXA.

Henri de CASTRIES

This is a very good illustration of our multi-distribution strategy. In every market, we must adopt a pragmatic approach that depends on whether or not we have proprietary networks.

If there are no other questions, thank you.

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