Presentation of AXA’s full-year earnings for 2007

Highlights

Henri de CASTRIES
Chairman of the Management Board

The AXA Group’s performance in 2007 was excellent. In fact, 2007 will go down as a new record year for AXA, in spite of a less supportive economic backdrop than initially anticipated. The business model we have put in place works: it is based on a combination of organic and external growth that allows us to post significant earnings growth consistently, year after year.

Revenues rose by 20% in 2007, boosted both by acquisitions and organic growth. If we do not grow organically that means that our products, distribution channels and organization are not optimal: acquisitions cannot be sustained over time unless they are supported by a robust base of positive organic growth. Our strong organic growth—an area where we outperformed our industry peers—in 2007 is extremely satisfying for us. Moreover, we are winning market share everywhere we operate.

Underlying earnings rose by 27% in 2007, while adjusted earnings were up by 22%. On a comparable basis—that is, without taking into account acquisitions—underlying earnings reached nearly 5 billion euros, an increase of 15% that is in perfect alignment with our Ambition 2012 plan.

We achieved growth in our various business segments—property-casualty, life and savings, and asset management—that is consistent with our long-term ambitions. In life and savings, we are shooting for between 7 and 10% APE/new business growth each year. In 2007, growth in this segment reached 8%, for underlying earnings growth of 10%. In property and casualty, we set a target of between 3 and 5%, and achieved revenue growth of 4%, for underlying earnings growth of 8%. Finally, in asset management our target was to exceed 10%, and we actually grew revenues by 17%, for underlying earnings growth of 21%.

Our underlying earnings are supported by a strong and diversified geographic platform. We have been criticized in the past because only two of our operations were truly profitable—France and the United States. This criticism is no longer valid. We now have three principal drivers of earnings growth: France; Northern, Central and Eastern Europe; and North America. Each of these regions contributed 20% to consolidated underlying earnings, while the four remaining regions each made a contribution of 10%. All of the Group’s businesses are profitable, growing and generating good margins.

Looking beyond our underlying earnings, we harvested a little more than 1.1 billion euros in net realized capital gains in 2007—a level that is in line with 2006. The decision to be more highly
exposed to equities than others is paying dividends, in addition to allowing us to generate a steady and significant stream of capital gains that boosts our earnings.

In light of this performance, we are pleased to be able to pay out a higher dividend. At 1.20 euros per share, this represents an increase of 13% over 2006, and a dividend payout ratio of 42% of adjusted earnings. This amounts to a dividend yield of 5%.

Our straightforward business model is helping us to resist the current market turbulence. It is a simple model: we are in the business of financial protection, risk underwriting and asset management—businesses with strong long-term growth trends that are not impacted by the current turbulence.

In 2007, 30% of AXA’s revenues and 40% of its underlying earnings were generated by the property-casualty segment, a business that is not impacted by market turbulence of the kind we have been seeing. There is also no reason that our life and health business should be impacted. Life and savings – in particular our variable annuities business – combined with asset management account for 40% of the Group’s consolidated revenues: the current market situation could have an impact due to the reluctance of clients to commit to long-term savings products, to competition from the banks, which are looking for liquidities from their clients, and to adverse impacts on the asset base. These impacts are relatively indirect, and do not challenge either our business model or long-term trends in our markets.

It is important to examine the quality of assets. The cost of the subprime and ABS crisis for us comes to 600 million euros, distributed equally between the income statement and the balance sheet. For a Group with around 300 billion invested in bonds or in bond-type products in its insurance assets, this exposure is limited because our assets are of high quality and are highly diversified, and our risk control systems are effective.

In 2007, our policy portfolios continued to grow relatively rapidly in the motor and household insurance lines. In the early years after 2000, these figures were in negative territory at times. Organic growth is now strong: our product range is robust and our distribution channels have achieved productivity gains.

With respect to investment management activities, we currently manage around 1 300 billion euros in assets: these asset bases are fed via net inflows to our life and savings business, which totaled 11 billion euros in 2007, and by net inflows to our third-party asset management business, which totaled thirty billion euros. Net positive inflows allow us to increase the basis on which our fee income is calculated.

In terms of our life insurance business, the success of variable annuities—a form of life savings—is becoming apparent. This business now accounts for 20% of total NBV (new business value) and for 14% of APE. Thanks to several product launches across the Group in the past few months, the percentage of variable annuity sales generated outside the United States grew fourfold in 2007, going from 4 million euros a month in APE in 2006 to 25 million euros a month today. And the pace of monthly sales of variable annuity products is rising in the United States as well.

Against this backdrop, our main areas of focus are employee engagement and customer satisfaction.
2007 was a challenging year for us because we had to find a way to achieve organic growth for the Group in a more difficult operating environment while also integrating Winterthur. In the principal markets for Winterthur, we were able to pick up additional market share despite the integration. This tends to confirm the quality of Winterthur’s operations as well as our ability to quickly incorporate businesses into the Group that function on the basis of business models that are close to our own. We are ahead of target on our program for achieving synergies.

In Switzerland, the challenging individual life insurance segment experienced significant growth in APE in 2007, which shows that both the products and the methods we introduced work.

Despite the external turbulence, we are pursuing our plan to increase the Group’s exposure to emerging countries where we can achieve strong revenue growth and decent profit margins. To this end, we have in recent months increased our exposure to property-casualty markets as well as to life and savings markets in the Mediterranean region, Central Europe, Eastern Europe, Asia and North America (with Mexico). We will pursue similar opportunities in 2008 as they arise.
FULL-YEAR 2007 EARNINGS (IFRS)

Denis DUVERNE
Member of the Management Board, SEVP of Finance, Control and Strategy

Underlying earnings for 2007 rose by 27% on a reported basis (by 15% on a comparable basis).

Life and savings underlying earnings for 2007 rose by 18% on a reported basis, while property-casualty earnings showed a 31% reported basis increase, reflecting the reinforcement of Winterthur. Asset management underlying earnings grew by 16% on a reported basis, and by 21% on a comparable basis due to the dollar’s decline, while international insurance underlying earnings increased by 67% on a reported basis (54% on a comparable basis). The forex impact on earnings was negative (-4%).

New business (APE) in the life insurance segment was up by 24% on a reported basis and by 8% on a comparable basis, with a strong performance in the United States (+19%). In 2007, AXA occupied the top spot in the US variable annuities market. In Asia Pacific, the increase came to 25%, while Japan reported a decline of 17% due to a change in the tax rules applicable to a number of our products. In France, the increase was 3%, in a domestic market that fell by 3% over the same period.

Underlying earnings for the life and savings segment was 18% on a reported basis and 10% on a comparable basis, with the United States making the biggest contribution to earnings in 2007 even though its earnings for the year fell by 4% on a comparable basis, due to the combined impact of lower interest rates, greater volatility, and the decrease in the general account portion of the portfolio. Underlying earnings for French life and savings operations rose by 15%.

Property-casualty revenues grew by 28% on a reported basis and by 4% on a comparable basis. Northern Europe posted significant growth of 1%, while the increase for France was 3%. The Mediterranean Region grew by 5%, while the figure for the United Kingdom was 8%.

The combined ratio was 97.6%, compared with 96.9% in 2006. This slight deterioration in the combined ratio was related to a series of natural catastrophes that hit Northern Europe (Kyrill hurricane-force storm) and the United Kingdom (flooding). These events cost 2 combined ratio points.

Property-casualty underlying earnings rose substantially in the Mediterranean and Northern Europe Regions, and showed satisfactory improvement in France, but deteriorated in the United Kingdom due to the flooding that occurred in June and July.

Average growth in assets under management was 21% over the period. This growth is attributable to a positive market impact, net inflows that remain strong at 28 billion euros, and the addition of Winterthur assets despite a negative forex impact (-77 billion euros). Our asset managers had a total of more than 1 000 billion euros in assets under management at year-end 2007. AXA Investment Managers experienced a decline in net inflows, although its revenues rose by 21%. Moreover, productivity improved and underlying earnings increased by 31%. Third-party assets under management now account for 33% of total AUM. Alliance Bernstein reported a satisfactory
performance, with revenues up by 15% and an improvement in productivity and underlying earnings (+14% on a comparable basis). Net inflows were very satisfactory at 23 billion euros. AUM rose during the year and the percentage of third-party assets in AUM now represents 85% of Alliance Bernstein’s assets.

Consolidated underlying earnings for 2007 came to 4,963 million euros. Net capital gains for the period amounted to 1,175 million euros, including impairments of 400 million euros, of which 60 million euros related to ABS. Adjusted earnings for the year were 6,138 million euros, and net income was 5,666 million euros. Getting from underlying earnings to net income takes five steps: the change in the fair value and realized gains on certain mutual funds and other assets for a negative 205 million euros (mainly due to negative ABS impact), a negative 391 million euros on the change in the fair value of derivatives, forex and other (and for which three-quarters have an offsetting positive entry on the balance sheet), a capital gain on the sale of discontinued operations in the Netherlands of 480 million euros, and goodwill and related intangibles, mainly related to property-casualty customer intangible amortization linked to the Winterthur acquisition.

Our consolidated European solvency remains strong, moving from 186% in 2006 to 154% at year-end 2007. This change incorporates the positive impact of a 22% increase in free cash flows and two negative impacts: -31% related to capital management, and -23% related to the capital markets (mainly the rise in yields on European fixed income products).

Assets on the balance sheet were valued at 615 billion euros, including 382 billion in general account funds for insurance policies, 28 billion in with-profits contracts in the United Kingdom and 183 billion in separate accounts. Invested assets are in fixed income products for 78%, while equities represent 10%, real estate 5% and alternative investments 3%.

The 298 billion euros in fixed income investments break down as follows: 46% in government bonds, 44% in corporate bonds, and 5% in ABS. The average rating on these bonds is A+.

ABS represented 16.2 billion euros in 2007. This is a highly diversified portfolio and breaks down partly as follows: 1.6 billion in US subprime, 2.9 billion euros in CLO and 1.8 billion euros in CDO. These three assets classes were considered by the markets to be problematic. The assets of this type that we have in our portfolios are generally rated between AAA and AA. We bought these portfolios with the intention of holding the assets over a long period—the average duration of these portfolios is 7 years. Their impact on our financial statements is limited: 0.6 billion euros, net of interest credited to policyholders and taxes. Of this amount, the income statement impact is nearly 300 million, while the balance sheet impact is 300 million euros. A total of 60 million euros in impairments were taken on the income statement and 220 million euros in net income. The situation is not worrisome, however, since we plan to hold these securities to maturity, when they will generate capital gains.
Conclusion

Henri de CASTRIES

Our operating performance was very strong in 2007 and aligned with Ambition 2012. The balance sheet is extremely solid and there are no surprises on the asset side. The impact of the crisis on our balance sheet is negligible. Both our operating model and our acquisition strategy are working well. It is during periods of turbulence that robust models can make a real difference. We are increasing our exposure to high-growth markets and have, since the beginning of the crisis, made certain targeted acquisitions. In a word, we look to the future with quiet confidence. The integration of Winterthur has been as good as it could be; the fit is a perfect one.

2008 got off to a more uncertain start in terms of the economic environment. Against this backdrop, our sentiment is that if the markets stabilize, then AXA’s revenues and earnings will progress.

Our reasonable degree of optimism is based on our business model. In the life and savings segment, which accounts for 50% of our earnings, AXA should continue to generate positive cash flows. Accordingly, assets whose value is temporarily impaired will not have to be sold. We can also make investments. We were expecting to find ourselves in a situation where yields and risk premiums would rise, and here we are. For organizations with positive cash flow, there are opportunities to make new investments that offer higher returns.

Commercially speaking, we will be facing stiffer competition from the banks in the race to capture liquidities in the short term, but we are well equipped to deal with it. In January 2008, revenue growth in the United States was trending upward.

The property-casualty segment, which is not subject to events in the capital markets, is dependent on changes in equipment rates for automobiles, residential real estate and commercial property. The months of January and February 2008 are perfectly in line with 2007, with between 3 and 5% of growth.

The sector most affected by the current situation is probably asset management. However, we do not think that the business model for our insurance market needs to be called into question—unlike the crisis that occurred between 2000 and 2003. Underlying earnings are high, new business is up and we are generating additional solvency every month, which gives us the capacity to write new business.

I’d like to end with a word on governance. Claude Bébéar, who has chaired the Supervisory Board for the past eight years, and who has devoted 40 years of his life to the challenge of creating, developing and enhancing the value of AXA, will not seek reappointment to the Supervisory Board when his current term expires next April 22. We plan to maintain our two-tiered structure, with both a Management Board and a Supervisory Board, because we believe it is balanced and a guarantor of stability. We also don’t believe in changing corporate bylaws to suit the circumstances. Jacques de Chateauvieux, who has been a Group director for the past three years, is being asked to serve as the next Chairman of the Supervisory Board. Claude Bébéar will be appointed Honorary Chairman. François Martineau’s candidacy for a seat on the Supervisory Board will be submitted.
We will also ask our shareholders to consider the appointment of a new member of the Supervisory Board representing employee shareholders. At the next shareholders’ meeting, the Supervisory Board will support the candidacy of an American employee named Wendy Cooper.
Questions/answer session

From the audience

Where do things stand with the Monte Paschi investment? What about CNP?

Henri de CASTRIES

The operational alliance with Monte Paschi was strategically important for us. We have been looking at the Italian market with interest for several years, because it is a mature market that offers satisfactory margins. We were hoping to increase our penetration of the distribution channels in Italy. Our strategic interests were convergent with those of Monte Paschi, which is why we decided to acquire a 50% stake in its property-casualty subsidiary and life insurance affiliate. This was a good deal for both organizations. This remarkable convergence of interests is in complete alignment with our multi-distribution strategy.

Denis DUVERNE

Our equity interest is very close to 4%, which will make us one of Monte Paschi’s key strategic partners, and we have a great deal of proximity with them.

Henri de CASTRIES

As for CNP, I noted last July that if the deal evolved we might express interest. Since then, all of our industry peers have gotten interested as well.

From the audience

What do you think of the price that Monte Paschi paid for Antonveneta?

Henri de CASTRIES

I believe that the management of Monte Paschi got a really great deal, because it allowed them to consolidate their position in the Italian banking community through the acquisition of an additional one thousand points of sale.

From the audience

First of all, I’d like to return to the impact of the financial crisis. The 600 million euro impact that you have indicated on ABS investments seems low. Will there be other impairments taken in 2008? Secondly, you have bought back units held by your clients in money market funds managed by AXA IM. How much did this cost and have you made any writedowns on this portfolio?

Denis DUVERNE

We give more detailed information than anyone else in the market. We have truly applied fair market values, with approximately 1% of our assets valued using internal models and 99% using market value. To compare one organization with another, it is necessary to look at the underlying assets. We give details in the slides on the breakdown between the income statement and the
balance sheet, as well as the amount credited to policyholders and the amount attributable to the shareholder. For the portfolio as a whole, the impairment is a loss of 1.5 billion euros, equal to 10% of the portfolio. This recognition was looked at very attentively by our auditors. The portfolio has deteriorated slightly but there were no defaults or downgrades. We are not worried about this impairment in value because we plan to hold these assets until maturity. Our policyholders take out their life insurance policies over the long term and so we don’t need liquidities. As for the AXA IM funds, we bought back 80% of outstanding units at market value last August with a 30% discount: the market continued to decline, and this generated a negative impact of 70 million euros. However, the due date is in two or three years.

**Henri de CASTRIES**

The real question should be about accounting standards: fair market values reflect the prices paid by people who had no choice but to sell in a distressed situation, even though the values of the underlying assets were often not impaired. IFRS created volatility and anxiety.

**Denis DUVERNE**

We know that these assets constitute a risk and we are not innocent victims. Our asset managers are perfectly knowledgeable about this activity.

**From the audience**

Your stock price took a tumble this morning. Traders are saying that your outlook for 2008 is more modest.

**Henri de CASTRIES**

Naturally, our outlook is more modest than when the markets were more dynamic but it remains positive nonetheless. The markets are very volatile from one day to the next. I think that the insurance companies which are concentrated like we are on this type of core business will get through this crisis none the worse for the wear.

**Denis DUVERNE**

Last November, we stated that our outlook for earnings growth in 2008 was around 10% due to the dollar’s continuing weakness. Since then, the markets have lost nearly 15%, which impacts the asset bases and life insurance. The situation in property-casualty insurance remains very good. We have a diversified business mix and we remain positive.

**From the audience**

As part of your Ambition 2012 plan, you set an annual net underlying earnings growth target of 15%. Do you think you will achieve this objective in 2008? In which of the emerging countries might AXA come to play a more active role? Can you also give us an assessment of the amount of acquisitions made in 2007?
Henri de CASTRIES

Ambition 2012 indicates that, over the long term, we think that on average our earnings will progress by 15% a year. But this does not mean we will achieve earnings growth of 15% per year every year. Since 2004, we have always been ahead of our earnings growth target: for the first years of the plan, we have averaged earnings growth of 22%. 2008 will be a year where underlying earnings growth will not be quite as strong as in previous years. But we are in no way calling our Ambition 2012 objectives into question.

In 2007, we increased our exposure to the Mediterranean Region (Morocco and Turkey). We also increased our penetration in Eastern Europe, by going into the Ukraine, Hungary and Russia. We were also active in Southeast Asia, in Vietnam and in Mexico. We want to continue to grow in these regions if opportunities to do so arise.

Denis DUVERNE

In cash terms, we spent 3.4 billion euros last year on acquisitions, but we also collected 3 billion when we sold Winterthur US and our operations in the Netherlands. In other words, we redeployed from mature markets into high-growth markets. With the transactions we have announced but not yet paid for (Mexico, Russia and Turkey), we will spend an additional 2.2 billion euros.

From the audience

I’d like to come back to your ABS exposure and the crisis. Are you exposed to credit enhancement in the United States or to conduits? In addition, your solvency margin has deteriorated: what’s your visibility for 2008?

Henri de CASTRIES

The 10% writedown for impairment on the at-risk portfolios seems significant to us but not considerable. Taken together, the Group’s fixed income portfolios come to 300 billion euros. Out of this total, there are some 15 or 16 billion euros of ABS, which comes to 5%. Of this 5%, gross impairment comes to around 10%, which is a gross impact of only 0.5% on the Group’s entire portfolio.

Denis DUVERNE

If interest rates were to rise by 30bps, the loss of value for us would be 1.8 billion euros on government bonds. Overall, 80% of the recent depreciation is simply due to higher yields in the bond market. These issues don’t worry us.

Our exposure to credit insurers is 800 million euros. The situation is not problematic.

AXA is not an investment bank, an SIV or a conduit.

Henri de CASTRIES

With regard to the regulatory solvency ratio, we have admittedly lost 30 points but the Group’s position is extremely solid. Given the level of our earnings, we generate an additional 2.5 points of solvency each month, which comes to 30 points a year. These points serve to finance business
growth and acquisitions and to offset, where needed, market depreciation. In 2007, we provoked a
decline in our ratios in buying back securities. Our ability to reconstitute this margin from current
profitability is very high and we consider this to be a question of good capital management. We are
not in the least worried about our solvency.

From the audience

AXA has a 5% interest in BNP Paribas. As a shareholder, what are your thoughts on a possible
merger between BNP and Société Générale?

Henri de CASTRIES

As BNP Paribas shareholders, we are discreet and reserved.

From the audience

Your outlook requires stabilization of the market. If this doesn’t happen, what is your profit
forecast? Are you planning another acquisition in Switzerland?

Henri de CASTRIES

What matters is the average level of the markets over the year. If the market falls back and then
recovers, the outlook will be better than if they just continue to decline. If they remain at this level,
then we will achieve revenue growth. I really don’t like to get into day-to-day forecasting. In
Switzerland, our hope is to get more growth without making new acquisitions.

Freddy BOUCKAERT

In the developed markets of Western Europe, our objective is to win 10% market share. In average
size countries, we would like to be in the top three, and we would like to be in the top five in the
major markets. In Switzerland, we are number one in property-casualty and number two in life
insurance. In other words, we don’t really need to make another acquisition.

From the audience

What is the proportion of CDS?

Denis DUVERNE

We have about 13 billion euros of CDS but they present no specific risk.