



# AXA

## Henri de Castries

Chairman of AXA's Management Board

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Merrill Lynch Conference

redefining / standards



# AXA at a glance

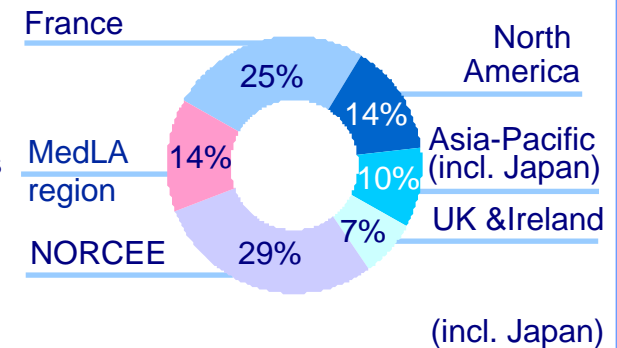
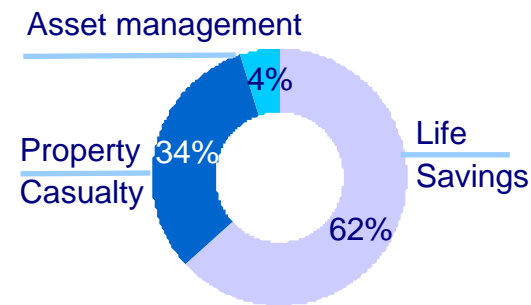
## Our global business

### 1H09 Revenues:

€48 billion

### Assets under management:

€967 billion



Our clients: **80 million**, mostly retail

Our people: **135,000** employees

## Our distribution

**50% proprietary:** tied agents, salaried sales force, direct

**50% non proprietary:** brokers, IFAs, banks, partnerships

# Introduction

# What we said

## Headlines from previous disclosures

**In 2009, our balanced earnings profile should allow us to weather the storm**

Morgan Stanley  
conference  
(April 2, 2009)

**No need to raise capital**  
Going forward we have the capacity to absorb further shocks

Morgan Stanley  
conference  
(April 2, 2009)

**Despite the crisis, increasing client and employee trust makes us confident in the future**

FY08 earnings  
(February 19, 2009)

**2009 management priorities**  
Risk management, with a specific focus on assets and VA hedging cost

Chevreux  
Conference  
(January 13, 2009)

# What we delivered

## Earnings recovery in 1H09 versus 2H08

- ✓ Significant increase in Underlying Earnings, Adjusted Earnings and Net Income

## Confirmation of financial strength

- ✓ Solvency I up and debt gearing down

## Overall resilient customer base

- ✓ Positive insurance net inflows and stabilizing assets under management

## Strong management actions to weather the market turmoil

- ✓ Notably in the US to redesign Variable Annuities and to protect capital

# Today's questions

## 1. Regulatory environment

Will Solvency II be a constraint?

## 2. Capital strength

Is your Balance Sheet flexible enough?

## 3. Earnings momentum

What are the catalysts for earnings growth?

## Conclusion

What did you learn from the crisis?

# **1. Regulatory environment**

Will Solvency II be a constraint?

# Capital reinforcement

Will Solvency II ultimately lead insurance companies to reinforce their capital?

✓ Crisis demonstrated need for improved internal risk models, not for additional capital

✓ Reinforcement of capital not impacting insurance to same magnitude as that of banks

✓ No expected loss in capital flexibility (hybrid capital)



## Benefits for the industry

What are the benefits for the insurance industry?

- ✓ Higher consistency & transparency: rating agencies, regulators and companies using the same metrics
- ✓ Better risk management discipline, impacting day-to-day decisions on ALM, pricing, underwriting & reserving
- ✓ Less sensitivity to macroeconomic environment (vs. Solvency I)

# Benefits for AXA

What are the benefits  
for AXA?

✓ Recognition of AXA's strong diversification benefits

✓ AXA's business is already based on sophisticated internal economic model

✓ Confirmation of AXA's focus on unit-linked & protection products

## **2. Capital strength**

Is your Balance Sheet flexible enough?

## Debt flexibility

Is your debt gearing too high?

- ✓ Strong track record in capital optimization
- ✓ Gearing levels comparable with 2000-2002, but with higher recurring Underlying Earnings & long term debt maturity profile
- ✓ Credit market says “no” (demand for AXA’s debt, CDS level, stable ratings)

## M&A flexibility

Do you have enough flexibility to seize M&A opportunities?

- ✓ Attracting clients and teams is an effective alternative to M&A
- ✓ Competitors who received state support have reduced flexibility for M&A and might be urged to sell assets
- ✓ Historically AXA has always been able to finance M&A  
Current focus is on emerging markets

# Dividend flexibility

Do you have enough flexibility  
to pay a dividend?

✓ Long term guidance to distribute 40%-50% of Adjusted Earnings\* maintained

✓ 25% payout ratio in 2008 due to extreme market conditions

✓ Decision to be made in February 2010

\* Net of TSS/TSDI interests

### **3. Earnings momentum**

What are the catalysts for earnings growth?

### What is driving momentum in the Variable Annuity business?

✓ Improvement in Variable Annuity margin  
(hedging issues fixed, products redesign  
and repricing)

✓ Negative market share impact short term  
for AXA but less players medium term

✓ Focus remains on Variable Annuity  
expansion with new innovative products to  
match client needs



# Property & Casualty

Will you be able to maintain your P&C earnings level?

✓ Focus on Combined Ratio through repricing measures & claims cost savings

✓ Unchanged high reserving ratio

✓ Sustainable investment income supported by a long liability duration (ca. 6/7 years)

# Asset Management

How is the turnaround  
progressing at  
AllianceBernstein?

✓ Improved net flows in retail and private client  
Lag effect to restore institutional rankings

✓ Value and Fixed Income outperforming year-to-date; Growth mixed

✓ Opportunities in government mandates (TARP, TALF, PPIP) and real estate

# Conclusion

What did you learn from the crisis?

# What did you learn from the crisis?

Growth potential of insurance market is untouched

✓ Growing risk aversion

✓ Increasing longevity

✓ Widening pension gap

# What did you learn from the crisis?

Extreme risks can  
materialize

✓ Taking tail risk into account in product design and pricing

✓ Higher product diversification in Life & Savings

✓ Asset allocation reviewed to lower volatility profile, duration gap maintained below one year

## Conclusion

We are managing  
the turmoil effectively

&

We are well positioned  
to benefit from a  
market upturn

- ✓ Preserving a solid balance sheet
- ✓ Managing business efficiently
- ✓ Continuing to benefit from the trust of our customers

- ✓ Offering a well balanced business portfolio with not only defensive but also growth oriented characteristics
- ✓ Having a focused approach and a consistent business model
- ✓ Remaining dedicated to fulfilling client needs to capitalize on growth markets