

2005 Full-year earnings release

Contents

2005 Full-year earnings release	1
Contents	1
Highlights of 2005	
Henri de Castries	2
Review of financial performance	
Denis Duverne.....	4
Balance sheet and capital	
Denis Duverne.....	6
European Embedded Value (EEV)	
Denis Duverne.....	6
Accelerating growth	
Henri de Castries.....	7
Questions / Answers	8

Highlights of 2005

Henri de Castries

Clearly, 2005 was a very good year for us, as you will see in the detailed figures we are presenting today.

You know what our focus was going into last year: a year ago, we launched Ambition 2012, our company-wide project, which is about making AXA The Preferred Company in the Financial Protection industry. This is not a hollow pronouncement for us—we truly believe that with our people, our distribution channels and our products, AXA has what it takes to clearly set itself apart from the competition. As 2012 comes into view, we have set ourselves the challenge of doubling our revenues and tripling our underlying earnings. It is important to understand, however, that these numbers are the consequence of, and not the rationale behind, the project. Already, our people are getting on board for Ambition 2012 and, judging from our 2005 earnings performance, it looks like the project is starting to bear fruit.

2005 was a very good year in terms of revenue growth and earnings. The objective of the Group's top leadership for the past few years has been to demonstrate that we can step up organic growth significantly while also achieving high growth in our earnings. From this standpoint, the numbers for 2005 speak volumes. On a comparable basis, life and savings APE rose by 11% (14% if we include the year's acquisitions). Property-casualty revenues for individual lines grew by 4% – which puts us in a good position with respect to our long-term objective – and asset management revenues increased by 14%, exceeding our long-term objective. In the final analysis, a growing number of customers are buying a growing number of products. We are satisfied with the pace at which we are gaining market share.

Profitability is improving in all segments. NBV (New Business Value) rose by 27% in life insurance and savings. Incidentally, it is interesting to note that revenue growth has not come at the expense of margins—on the contrary. Thanks to the economies of scale that the Group's size permits, margins continue to improve. In fact, the life and savings NBV/APE margin reached 20.8%, which is a 2.8 percentage point improvement over 2004. The property-casualty combined ratio also continued to improve, by 0.8 percentage point, to 97.7%. In addition, the earnings contribution of this segment is improving steadily – more than a billion euros today. The asset management segment, which is the third pillar of Financial Protection, turned in a very good performance in 2005. Net inflows reached 56 billion euros, excluding the impact of financial market appreciation on the value of our assets under management. For the first time in its history, AXA is managing more than a trillion euros in assets (1,064 billion on December 31, 2005). This helps us to identify the sources of future profits. In fact, as the asset base increases, so do the volumes from which fee income is calculated.

Underlying earnings rose by 24% in 2005, exceeding market expectations, to 3.258 billion euros. They have nearly tripled since 2000, and have more than doubled since 2001. In the last five years, they have grown by more than 20%, illustrating just how well AXA is able to leverage its global size.

Adjusted earnings (underlying earnings + net realized capital gains attributable to shareholders) increased by 23%, surpassing the 4-billion euro mark for the first time in the Group's history. This achievement indicates that the management of our equity trading portfolios is back to normal.

With very moderate harvesting of unrealized capital gains, AXA was able to realize net capital gains attributable to the shareholder of 850 million euros. This demonstrates that the equity portfolio can make a recurrent contribution to profitability growth.

Against this backdrop, we will ask the shareholders to approve a dividend payout that, at 88 (euro) cents, is 44% higher than last year's. It should be noted, however, that while this increase is substantial it is at the lower threshold of our distribution rate. In fact, we will be distributing 40% of our adjusted earnings. This means that in the years to come, dividend growth will be fed by earnings growth and by adjusting the distribution payout ratio.

All in all, these are very good numbers. Every one of the Group's operating segments, in every country and across business lines, is contributing to growth. In addition, several initiatives that were rolled out in 2005 will help to fuel future growth, such as the start-up of new businesses and the establishment of new regional platforms.

To conclude, in addition to Ambition 2012, a number of key acquisitions will be a source of future growth: Framlington in the United Kingdom, Seguro Directo in Portugal, Citadelle in Canada and MLC in Hong Kong and Indonesia. In all, we paid about a billion euros to acquire these businesses.

Review of financial performance

Denis Duverne

Growth was sustained across the board. In life and savings, the boost came from higher sales of unit-linked and protection products. The asset management segment attracted net inflows of 56 billion euros in 2005, a record for the Group. Average assets under management increased by 15%. Growth was more moderate in the property-casualty segment, where we nonetheless continue to grow our portfolio, in both individual and commercial lines.

Net cash flows increased in all segments, attesting to AXA's ability to attract and retain a growing number of customers every year.

Contributions to underlying earnings were life and savings (+24%), property-casualty insurance (+22%) and asset management (+33%). The only segment in which earnings were down was international insurance, reflecting the impact of last year's hurricanes on AXA RE.

Underlying earnings were up by 24%, while adjusted earnings rose by 23%. Net income rose by only 12%, due to the volatility generated by the adoption of IFRS—with the loss related to the sale of Advest in the United States and the decrease in the mark-to-market value of interest rate and currency hedges set up by AXA SA (they are not considered to be hedges under IFRS and their volatility has a direct impact on the income statement).

The top four contributors to life and savings earnings by geographic region were also those regions that experienced the strongest growth: the United States, France, Japan and Asia-Pacific (Australia, Hong Kong). Excluding the MONY acquisition, which was not finalized until early July of 2004, and excluding non-recurring items in Japan, underlying earnings rose by a very satisfactory 16%.

The integration of MONY was accomplished according to plan. The result is in line with our forecasts. Some 550 MONY agents joined our AXA Advisors network. We were able to sell Advest for 400 million dollars, which brings the final acquisition price for MONY to 1.1 billion dollars.

Within the asset management segment, net inflows were up substantially for both AXA Investment Managers and AllianceBernstein. Cost income ratios improved by 2.9 points for both as well, which led to a substantial improvement in margins and a strong rise in underlying earnings (+18% for AllianceBernstein and +65% for AXA Investment Managers). Assets under management rose significantly (+24% on the year and +12% at year-end versus the average). We expect further earnings growth in 2006. In addition, our asset managers are very attractive to third-party investors, which shows that we provide very good returns on investment in most of the sectors under our management.

In the property-casualty segment, the combined ratio decreased by 0.8 point, to 97.7%, reflecting improvement in all operating units with the exception of Belgium, where the situation is not a cause for concern. In fact, the current year loss ratio continues to improve in Belgium. The loss ratio for all years is slightly less positive in 2005 than in 2004.

Underlying earnings for the property-casualty segment improved due to a better combined ratio and very positive cash flows. Investment income increased substantially, which led to underlying earnings of 1.346 billion euros, a 22% increase. The improvement in the combined ratio was driven by the loss ratio (-2.1%). The loss ratio improved (-1.7%), although it should be noted that the year was particularly favorable. The expense ratio improved (+0.7%), while acquisition costs rose by 0.6%.

In addition, and for the second year in a row, the renewal season was of high quality. There were more renewals at higher rates than there were at lower rates. In Europe, the insurance cycle peaked, but the situation is not a cause for concern.

In international insurance, AXA RE was hurt by the wave of hurricanes. Notwithstanding, AXA RE posted adjusted earnings of 64 million euros. AXA Corporate Solutions Assurance (AXA CSA) saw its adjusted earnings rise by 102 million euros. Overall, earnings from international insurance fell, to 162 million euros. This result was attributable to the impact of natural disasters on AXA RE's earnings.

AXA RE ended the year with a combined ratio of 112.5%. In all, hurricanes in the US cost 572 million euros in 2005. As a reminder, the terrorist attacks on the World Trade Center in 2001 cost less, and led to serious losses for AXA RE. This is not the case today. It should also be noted that general expenses have been reduced, leading to an improved expense ratio in 2005.

For AXA CSA, 2005 was a typical year. The company demonstrated its ability to maintain its combined ratio at a very satisfactory level (100.9%) and to get new business.

Balance sheet and capital

Denis Duverne

Throughout 2005, we maintained our policy of disciplined capital management, optimizing our scope, simplifying our corporate structure, and implementing innovative risk and capital management, but dilution control.

Shareholders' equity increased by 19%, reflecting the change in unrealized capital gains attributable to shareholders, the impact of foreign exchange rates on earnings, net income and the dividend payout in 2005 in respect of 2004 earnings.

Unrealized capital gains attributable to shareholders reached 12 billion euros, compared with 7.9 billion euros in 2004. Barring a sudden and unforeseen adverse deviation in the equity markets, net unrealized capital gains should be between 600 and 800 million euros in 2006. Previously, we had given guidance to the market of between 400 and 600 million euros a year.

Gearing (total debt/equity ratio excluding unrealized capital gains) went from 42% to 38%, a trend that is being pursued at a rapid clip. This is in spite of the impact of the Finaxa merger and dilution control.

European Embedded Value (EEV)

Denis Duverne

The news is good. EEV, as measured for the life and savings segment, went from 25.6 to 29.5 billion euros, i.e. a total return of 14%. Life and savings NBV in terms of APE went from 4.8 to 5.5 billion euros, an increase of 11%. Finally, NBV professed from 895 million euros in 2004 to 1.138 billion euros in 2005 (+27%).

Japan provided the Group with the most profitable new business, with 364 million euros (+34%). In the United States, the increase was also impressive. For France, the return was spectacular (+52%). This outcome is largely attributable to the increase in unit-linked life and savings business. In Benelux, the increase was 98%. The profitability of life business in the United Kingdom, while still not satisfactory, is no longer cause for concern.

The total return of 14% for EEV reflects three factors: the increase in NBV, the underlying performance of existing business and current year investment experience. This is a very good performance that compares well with others.

Accelerating growth

Henri de Castries

Our business is a service business. Over the long run, the performance differential will be due to two critical factors: the level of engagement of our people and customer satisfaction. We still have a lot of progress to make in both areas.

HR professionals believe that high performance is the result of engagement through competence. If we want to differentiate ourselves in terms of the quality of our people, then our people have to be more engaged than the average. The last two Scope surveys indicate that engagement has risen, from 64% in 2004 to 70% in 2005. The key challenge of the Ambition 2012 project is to make sure that middle managers and all employees are on board.

Customer satisfaction is another issue that is too often relegated to the realm of the irrational. Most surveys of customer satisfaction are pretty complacent. But the key is to identify why customers are not satisfied – and to correct our organizations and processes accordingly – and turn that into more new business, clients for life, recommendations and, in the final analysis, growth. Year after year, and notably thanks to AXA Way, customer satisfaction is growing.

Already, our performance levels in 2005 were fed by all of our new products, as well as by the reuse of products that work in some places. We will do the same thing in 2006. The most spectacular example is the reuse of the Accumulator line from the US.

In addition, client sensitivity extends beyond products to encompass the content of the service they receive. Here again, we are talking about being able to reinvent our business by making service commitments and offering services with greater added value. More often than not, this will lower the cost of doing business.

Finally, we have identified three avenues for improving distribution: building on the size of our existing networks, increasing productivity, and launching new platforms and distribution channels. This strategy makes AXA a service company with open architecture and multiple distribution channels.

Today, we are at the beginning of the journey. We must continue to substantiate our corporate project. What we achieved in 2005 is perfectly aligned with and even exceeds our Ambition 2012. We have high hopes for 2006. Momentum is positive, the world's financial markets are in good shape, and this is automatically creating a virtuous circle in terms of commission volumes. Business should continue to feel the positive impact of growth in property-casualty revenues.

Questions / Answers

You did not offer an explanation for the 61% decline in Germany. Can you say a word or two now?

Denis Duverne

We are not too happy about it, but it came as no surprise given the tax change that was decided on at the end of 2004 in Germany. Life and savings business is now in a less favorable position than before. So the bump we hit in 2005 was entirely expected.

According to French financial daily Les Echos, talks are under way between AXA and SCOR on the subject of AXA RE. Do you plan to hold on to AXA RE, which falls outside the scope of your core business?

Henri de Castris

First point: we never comment on market rumors. Second point: AXA RE represents just under 3% of the Group's shareholders' equity. Its volatility was substantially reduced in 2005. Despite the series of natural disasters in the US, AXA RE reported positive earnings. This speaks highly of the competency of its people. We do not intend to allocate more than 1 billion euros in capital.

Aside from the rumors, can you tell us if you intend to hang on to this business?

Henri de Castris

I think I have already answered.

What impact will the securitization of the French automobile portfolio have on Group shareholders' equity?

Denis Duverne

This is a fairly low cost transaction. In fact, this portfolio was invested at an average cost of 28 bps. The capital aspect is still a subject of discussion. Regardless, we have replaced a risk exposure taxed at a minimum of 16% in theory (30% in practice) with an exposure that corresponds to 3.5% of premiums.

Can you give us some idea of your acquisition ambitions for this year? What are your resources?

Henri de Castris

This will undoubtedly come as a disappointment, but we will not be giving you a list of names and prices! Our organic growth is strong and on the rise. The Group will therefore be in a position to take advantage of external growth opportunities that arise – while also being pragmatic, which has always been one of our strong points.

When opportunities do arise, we will be able to take advantage of them quickly—just look at what we did in terms of acquisitions in 2005. We did not draw up a list for which all the boxes need to be ticked at the end of the year.

Denis Duverne

I would just add that we are rational buyers when it comes to price.

Many industry players are wondering about whether or not to stay in the asset management business. Does this mean external growth opportunities for you? And do you think that your various segments are making satisfactory and balanced contributions to underlying earnings?

Henri de Castries

We don't have any hard and fast rules. What matters to us is turning in a good performance in each of the three businesses.

Going back to your first question, we think that we are already one of the primary beneficiaries of the global consolidation in our industry. We have two of the world's finest asset managers in our Group. The fact that we opted for multi-distribution and open architecture has allowed us to generate higher growth than most other players. Our specialties are well identified and sought after by our own channels as well as non-proprietary networks. We have no reason to change tack. We could buy very stylized asset management boutiques—like we did with Framlington—but buying big multi-specialty houses would not serve our interests.

In the financial sector, the Italian market is very fashionable—for demographic reasons in particular. Your figures in Italy are not very impressive. What is your strategy in this market?

Henri de Castries

Our businesses in Italy are profitable, even if they are modest. We will look at any opportunities that arise.

Can you say a word or two about the German market, where you have installed new management? Can you stop the erosion in market share? What was the impact of the French riots in the suburbs?

François Pierson

The total cost of the riots was 40 million euros. It is included in the combined ratio and the loss ratio, both of which improved. AXA was more affected than others given its exposure in commercial lines. But we survived the shock overall. Moreover, we can seek redress from the French government in most instances and we will.

Henri de Castries

Germany's property-casualty earnings are improving significantly. The level of profitability is excellent, in fact. We made managerial adaptations there because growth was inadequate. We are confident that in 2006 both property-casualty and life and savings business will improve

significantly. We have substantial upside potential in Germany. We will stop losing market share and begin to gain in that area.

For many years, you had to make allowances for other than temporary impairment and the liquidity risk. What has happened to them? Have you released them? All of them?

Denis Duverne

Our assets were marked to market in January 2004, when we adopted IFRS. This means that the release of these allowances is no longer relevant to the same degree. Moreover, we did not need to set aside reserves for the liquidity risk.

You say you want to develop new platforms and distribution channels. Can you say more? In addition, it is my understanding that securitization could be done for other portfolios—under what conditions and for what reasons?

Denis Duverne

We intend to securitize other portfolios in other countries, particularly in Europe. We are waiting for the right conditions to present themselves—not different from those that prevailed when we did the first one.

François Pierson

We rolled out a new private management platform in France with the aim of helping our distribution agents better respond to the needs of our affluent clients. Our revenue target is 800 million euros, which would make us the top player in this market in France.

Henri de Castries

This is an example of our development strategy.

Do you think that the French notion of economic patriotism could make life complicated for you in Italy, a country you think about but don't ever talk about?

Henri de Castries

I have no idea.

What is your opinion on the merger between Suez and Gaz de France and on the Italian reaction?

Henri de Castries

When a government is pragmatic and throws out a set of rules that has become totally obsolete, it should be applauded. We should have the same attitude toward pragmatism, in this area as in many others, such as labor law. Giving up tired old dogmata is a good thing.

At the same time, the matter you refer to has certain logic to it from a business perspective. It seems that the deal was discussed for some time. As an institutional investor, what counts is making sure

that the advisors fulfill their obligations and complete due diligence on governance and tender parities. When the time comes to vote, institutional investors will have to be happy with the parities. Finally, AXA managers will vote as they see fit. They are totally independent.

I would add that we need to move beyond the attitude that “what is mine is mine and what is yours is negotiable.” Europe needs to undertake structural reforms. Failure to do so will mean less growth than the US and Asia. Cross-border mergers provide a good way of making the European economy more efficient.

Above all, we need to be a European country. I worry that what might appear to be short-term tactical victories will turn into serious strategic shortcomings in the longer term. If we do not adopt an attitude that is measured and tolerant, French businesses will suffer.

What is your relationship with Generali in Italy?

Henri de Castris

We have no relationship!

Do you think that French economic protectionism exists?

Henri de Castris

I think I have already fully responded to this.

Do you think that what is happening between the banks or in the energy industry will also become an issue for the insurance industry?

Henri de Castris

Perhaps. Insurers did a lot of cross-border deals in the 1990s. Before the banks or the energy companies started. They will no doubt continue to do so.

Do you think that the time is ripe for a continuation of this concentration?

Henri de Castris

I don't know. We'll see. Today, the environment is favorable to some extent, but everything changes.

Everyone in the market is looking for more effective self-management. Cross-border transactions are a good thing. We cannot hope to modernize Europe without accepting them, in our business as in others.

You say you have no relationship with Generali. Do you have equity investments?

Henri de Castris

I don't know. In our indexed portfolios, there are certainly a few.

Denis Duverne

We know that we have less than 2 %, because we have not exceeded the threshold. I don't know if we have 0.5% or 1% ... Less than 2% in any case.

Last October, you said you thought that Bird Flu would have a significant impact on AXA. What is your view today? Do you have any cost forecasts?

Denis Duverne

We are looking at this issue attentively, even though we don't think the Group is significantly at risk. We are always thinking about natural disasters. I am still not worried about the Group's exposure to Bird Flu.

We have made forecasts, but we have no intention of making this information public.

What did the 2005 hurricanes cost and what is the breakdown?

Denis Duverne

The cost of major risks was 572 million euros for AXA RE in 2005. We have no further comments.

Is the South Korean market a possibility and, if so, under what conditions?

Denis Duverne

People are always saying we have acquisitions in the pipeline. We exited from this market several years ago, but we take a look from time to time. However, we have no particular plans at this time to talk to you about.

Your growth in life and savings has been driven by unit linked and personal protection products. Can you give us more details on the personal protection business?

Denis Duverne

Our job is to protect our clients against risks. In life and savings, the risk is to not have enough money to retire and the risk of death, illness or disability. These business lines show a great deal of potential. We have also introduced new products, particularly in the United States and Japan.

François Pierson

In France, we renovated our personal protection product line in 2005, with a particular focus on the salaried network. We also plan to introduce a new product for tied agents in the near future.

Henri de Castries

Thank you for your attention.