2009 was a year of contrasts, for AXA as well as for the global economy. Last year ended better than it started, demonstrating that the AXA business model is robust.

Compared with 2008, which saw a sharp drop, net income quadrupled in 2009, to 3.6 billion euros. This development demonstrates our ability to rebound. If we look at the situation for the entire economy and financial sector in 2008, we can see that the business model we chose a long time ago, which consists of focusing on insurance and asset management, robustly weathered the crisis. The insurance industry in general and AXA in particular showed resilience and strength as they traversed the crisis. This capacity for resistance is of the utmost importance—last year at this time, many were wondering if it existed.

Business also proved resilient in the face of the crisis, despite the slight decline in total revenues. Property-casualty revenues continued to rise, albeit modestly. Life and savings revenues declined slightly in the first part of the year. Net inflows to life and savings were highly positive, however, at 8.6 billion euros. Margins have remained healthy, and in fact have improved. Underlying earnings for 2009 came to 3.9 billion euros, a slight decline compared with 2008. This outcome reflects the combined impact of significantly higher life and savings underlying earnings and a turn for the worse in property and casualty underlying earnings, due to climate-related events and the recession. Overall, earnings remained high, however, because the Group has a demonstrated capacity to generate recurrent profits.

The strength of our balance sheet is also of great importance. Our solvency ratio has returned to pre-crisis levels and is now above 170%. The Group’s debt gearing ratio is down by 8 points, to 26%, in part thanks to the increase in shareholders’ equity.

So the Group’s balance sheet and business are sound, which enables us to offer a substantially higher dividend after the significant decrease in 2008, which we adopted as a conservative measure. At our annual meeting on April 29th of this year, we will recommend that our shareholders agree to distribute 55 cents per share, an increase of 40% over last year. This dividend represents 40% of adjusted earnings, excluding exceptional items.

Embedded value, which represents the value of the business, rose by nearly 50%, to 13.40 euros per share. This trend demonstrates the Group’s strength as the financial markets gradually get back on track.

AXA is therefore embedded in a landscape marked by the progressive exit from the economic and financial market crisis, demonstrating solid business fundamentals, a strong rebound in life and savings, and an erosion of property-casualty earnings that has given rise to several recovery
measures. This landscape demonstrates our capacity to produce recurrent earnings in our core business segments.
Financial performance in 2009: detailed presentation

Denis DUVERNE
Member of the management board in charge of finance, strategy and operations

I. Revenues: stability compared with 2008

Our revenues declined slightly in 2009, by 1% on a current basis and by 3% on a comparable basis. This decline was concentrated in life and savings, although a significant improvement was observed in the last quarter of 2009. Revenues from our asset management segment also declined, because average AUM was down in 2009 compared with 2008. The slight growth in property-casualty revenues is satisfying given the global recession.

Revenue growth was the strongest in the Mediterranean and Latin American region (13%) thanks to the very good results from our Italian life and savings business in our joint venture with the Monte Paschi bank. France did nearly as well, with an improved performance in both life and savings and property and casualty. Some 2 000 new hires are scheduled in France for 2010. Conversely, a fairly significant decline in business was observed in the United States, where AXA gave priority to product profitability rather than market share and decided to reprice its products, even though this meant a short-term dip in market share.

II. Net inflows: solid in insurance, down for asset management

Net inflows increased in 2009 for the life and savings segment. Normally, net inflows fall with revenues. This was not the case for AXA, however. Customer retention helped us to boost net inflows in 2009.

In property and casualty insurance, we picked up more than one million new contracts in 2009 and continue to win new customers.

Conversely, in asset management our net inflows were a negative 71 billion euros, reflecting the situation in the United States for AllianceBernstein and, more generally, business with institutional clients, which reflected the impact of weak investment performance in 2008.

III. New business value (NBV) in life and savings

New business declined by 11% in 2009. This figure masks an improvement in our performance toward the end of the year. Conversely, the new business margin went up, from 14.5% to 18%. Overall, new business value (NBV) increased by 5%. The higher margin is due to a combination of an improved business mix due to the repricing of our products in the United States and improvement in the financial markets. It was offset in part by the decline in volumes; we observed a slight increase in our unit costs because we did not reduce our sales force to the same extent as our decline in business.
IV. Life & Savings underlying earnings

Life and savings underlying earnings were up by 51%, primarily due to the turnaround in the United States, where in 2008 we suffered a loss on variable annuity hedging, resulting in a negative technical margin. The technical margin rose by 1.9 billion euros in 2009.

The margin on assets deteriorated because we continued to offer our policyholders credited rates that were acceptable, while reinvesting in bonds with lower yields. The impact of expenses was negative, mainly due to higher DAC (deferred acquisition costs) amortization in the United States. More generally, our administrative expenses rose by 2% while sales fell, leading to a negative scissor effect: we were not able to prevent a slight deterioration in the situation.

V. Focus on the United States

We went from a loss of 225 million euros in 2008 to earnings of 545 million euros. Assets under management rose by 13 billion euros. We completed a disciplined product repricing effort, both for our variable annuities range and for traditional life insurance products. This effort led to lower sales because our peers did not react as swiftly as we did to the change in market conditions and lower interest rates.

We have high hopes for the new Retirement Cornerstone product, which considerably reduces the insurer’s risk. This product offers innovations that should lead to superior performance in 2010. We are relatively optimistic about the situation of our business in the US.

VI. Property and casualty underlying earnings

Underlying earnings from property-casualty business is the negative point of 2009, with a 30% decline compared with 2008.

However, our combined ratio remains good at 99%, albeit up by 3.6 points, a development that reflects natural events in particular (the Klaus Storm in France and in Spain, hailstorms in Switzerland, flooding and storms in the United States), which led to a 1.7 point deterioration in the current claims experience.

The positive loss development on previous years allowed us to limit the deterioration in our combined ratio.

François Pierson, as part of his new responsibility for property-casualty operations at the Group level, will be working in 2010 and beyond to improve the technical margins of our business lines.

We did not remain idle in the face of this deteriorating situation. We began to raise prices in the property-casualty segment, moderately in personal lines and more substantially in commercial lines. These increases varied from one country to the next. In the United Kingdom and Ireland, where the market deteriorated sharply in both 2008 and 2009, the increases have been the most significant.
VII. Asset Management underlying earnings

Underlying earnings from the asset management segment declined by 40%. This decrease reflects the steady decline in the markets throughout 2008 and into March of 2009.

We reduced our asset management operating expenses throughout 2009. The 14% decline in general expenses was not enough to offset the 25% decline in revenues. This negative effect in 2009 will lead to a positive effect in 2010, as assets at year-end 2009 are higher than average AUM for the period. So if assets under management were to rise by 5% in 2010, earnings should increase by 10%.

AllianceBernstein recorded a net outflow of 53 billion euros, while for AXA IM the net outflow was 19 billion euros. The very good management performance turned in by AllianceBernstein in 2009 suggests that the situation will turn around sometime in 2010.

VIII. Total underlying earnings

For all businesses combined, underlying earnings declined by 6%, to 3.854 billion euros. This is a relatively good outcome in a highly deteriorated environment.

The markets began to improve in March of 2009, after a particularly challenging first quarter.

IX. Adjusted earnings and net income

Adjusted earnings fell by 8%. Capital gains were fairly stable at around 700 million euros.

Our impairments declined sharply, from 2.8 to 1 billion euros between 2008 and 2009. Two-thirds of this total was recorded in the first half of 2009. Equity impairments for other than temporary depreciation are definitive and cannot be released or reversed if the markets appreciate. The recovery in the markets over the second half of the year will be perceptible in the increase in unrealized capital gains.

In 2008, we got a boost from the profit on our equity portfolio hedging, which represented around 1.6 billion euros. This profit was not repeated in 2009 because we unwound these hedges in the first quarter of 2009 when the markets were really low. If we had left these hedges in place, we would have lost the profit made in 2008. We benefited from the market’s appreciation. When it comes to impairment allowances, we operate in strict compliance with the rules of the market: we impair equities if they have lost 20% value or have been down for six consecutive months. We took fewer impairments in 2009 because we had less of a lagging effect than some of our competitors.

Net income quadrupled, a phenomenon that is related to the fact that we did not have to sustain the impact of the marking to market of some of our bond portfolios. Due to the tightening of credit spreads, we recorded a gain of 1.1 billion euros in 2009, compared with a loss of 1.5 billion euros in 2008.

As in 2008, a portion of this result is not economic. The widening in credit spreads that affected us in 2008 was offset in 2009 when they narrowed.
The 400 million euro loss on equity derivatives corresponds to the strategy we opted for to protect our balance sheet in the United States, to avoid having to re-inject funds in the event the market continued to deteriorate. This strategy was the price we had to pay to avoid having to reimburse US equity in 2009.

This improvement in net income reinforces our financial position. Shareholders’ equity rose from 37.4 to 46.2 billion euros. We have a cushion of unrealized capital gains that amounts to 4.7 billion euros, plus 2.6 billion euros off balance sheet. These unrealized gains are less than they were at year-end 2008. However, the depreciation in real estate assets was moderate. The increase in our shareholders’ equity results from the increase in unrealized capital gains, higher net income and capital increases, despite an increase in our retirement obligation. Lower interest rates, including credit spreads, compelled us to increase our retirement liabilities, primarily in the United Kingdom.

X. Solvency I returns to pre-crisis levels

This ratio went from 127% at the end of 2008 to 171% at year-end 2009. Accordingly, we are able to offer a dividend of 0.55 euro per share, an increase of 40% that remains much lower than the level we achieved in 2007 (1 euro per share).

Solvency II went from 150% at year-end 2008 to 185% at year-end 2009. This is a very comfortable position to be in.

As for the Group balance sheet as a whole, the main change between 2008 and 2009 is a decline in the cash position, which went from 8 to 5% of assets, and an increase in investments in both government and corporate bonds.

XI. General account assets

At year-end 2008, there was some concern expressed about the quality of the assets on our balance sheet. The news is good news.

The fair value of ABS went from 69% of nominal at year-end 2008 to 66% at the end of the first six months of 2009, and then rose to 70% of their nominal value at year-end 2009. Valuations are slightly higher than those seen at year-end 2008.

Real estate assets depreciated over the first half of the year, but stabilized in the second half.

As for private equity, we saw 13% depreciation in value in the first half of 2009. This loss stabilized at 15% for the year as a whole.

Hedge funds, which turned in a negative performance for the first time in 2008, moved back into positive territory in 2009.

The situation in Southern Europe is relatively stable, with very modest net exposures. Accordingly, we have no specific worries there.
XII. Clear recovery in embedded value and dividend

The Group’s embedded value was up substantially, going from 9 euros to 13.40 euros per share.

The dividend went from 0.0 to 0.55 euro per share, an increase of 38%.

We maintained a conservative approach, and believe that our shareholders—who have been faithful—deserve to be rewarded for their fidelity.
**Outlook for 2010**

**Henri de CASTRIES**

Chairman of the management board

The macro-economic landscape for 2010 remains uncertain, even though it looks as if we are moving gradually beyond the crisis. For AXA, the important factors in this landscape are whether or not the equity markets will stabilize, whether or not volatility will remain high, and what level interest rates will move to.

The economic environment is relatively uncertain, but significantly better than it was in 2009. The regulatory framework is evolving rapidly. The discussions around Solvency II are important. The principle and the architecture of Solvency II seem right to us, because they involve the economic measurement of risk. We think that these are genuine vectors of improvement, and we believe that the European Commission will make sure that the directive is implemented in line with the spirit and the rules that were approved by the European Parliament, without excessive conservatism.

The insurance industry suffered from lower level of asset basis. But the outlook is rather positive nonetheless. Savings rates are still high, especially in the Continental European countries, and are rising in the United States. Individuals are planning for their retirement and for estate and long-term care issues. They are looking for protection and coverage, and these are what our core business is all about. Over the long term, after the storms of 2008 and 2009 the outlook for life insurance is fairly positive.

With regard to our property-casualty business, after the deterioration seen in 2009 the outlook for improvement is real: the recession will not last forever and we are taking the measures in terms of Group management that will lead to an improvement in technical results in the years ahead.

There is a tendency to reduce the financial services segment to the banks. In order for the financial system as a whole to remain stable and contribute to the development of the economy, insurers must be allowed to contribute in accordance with their own economic model. The crisis has demonstrated that insurers did not need additional capital, and that their balance sheets are solid and transparent, contrary to received ideas. The market is slowly but surely waking up to this situation.

While the economic situation today is not flourishing, we nonetheless feel that as the crisis gradually ends insurance in general and AXA in particular will be in good shape.

AXA has become the global leading brand in insurance. This observation is confirmed by our positive cash flows: our product and service mix is attractive and competitive. In both the developing and emerging countries, we will continue to expand our business on the basis of the models we adopted a long time ago.