Presentation of half-year earnings 2008

Highlights

Henri de CASTRIES
Chairman of the Management Board

The first important item is that the Group had positive net inflows in all business lines for the first half of 2008.

Underlying earnings grew by 7% on a comparable basis and by 5% per share. This satisfactory result reflects business diversification and the resilience of AXA's business model.

As for adjusted earnings, they were stable thanks to the hedging of the equity portfolio against market downturn.

Finally, our solvency position remains strong. Its high level dissipates any concerns over the need to raise capital.

As a result of all these factors, and provided that market conditions do not deteriorate significantly in the second half of the year, AXA's underlying earnings for full-year 2008 will be in line with the record performance of 2007. Accordingly, management's current intention is to propose a stable dividend for 2008 compared with last year (€1.20 per share).

The major takeaways for the first half year are the growth in underlying earnings and our strong solvency position, two factors that illustrate the resilience of AXA's business model to a more challenging environment. We are very well positioned in this period of turbulence to take advantage of the changes that are bound to occur in our industry.

Going into a little more detail, it appears that the growth in new business volume is more difficult to come by in life and savings, with a decline of 6% compared with the first half of 2007. Conversely, P&C revenues grew by 2.3%. Asset management revenues showed a slight decline compared with the same period last year. This is mainly due to distribution fees on average assets under management, which declined in the wake of capital market turbulence.

Globally, revenues were stable over the six-month period, which confirms that AXA's business model remains robust in the face of the current crisis. Contrary to some segments of the banking industry, we did not experience an abrupt business stoppage or steep decline in any particular area. Business continues: it is just that growth is more difficult to obtain.

Profitability levels are high. Margins in life and savings have been maintained, and our NBV margin in this segment is nearly 22%. The P&C combined ratio reached a historic low of 96.4%, an improvement of nearly two percentage points over last year. This is a good demonstration of the utility of having a portfolio that is diversified between life and savings, asset management and P&C.

Underlying earnings rose by 7% on a comparable basis, reflecting a 20% increase in P&C, a 9% increase in asset management, and stability from the life and savings segment.

Adjusted earnings for the period were stable (-1%) compared with last year, although the profile is quite different. Indeed, we generated net capital gains attributable to shareholders of 524 million euros. Our investments in risk management and the quality of our financial teams have turned out to be decisive assets in this crisis period. Impairments on financial assets (786 million euros), mainly equities, were 60% offset by the positive impact of equity hedges put in place (477 million euros).

Now let’s take a look at the change in underlying earnings region by region.

Underlying earnings declined only in the United States, even though the level of profitability remains acceptable. This decline is attributable to the negative technical margin in our US life and savings business.

France turned in a very solid performance, with underlying earnings up by 16%. Individual lines were up in a declining market. In the P&C sector, the combined ratio was a record 96.9%, while revenues increased by 3%.

In the NORCEE Region (covering Northern, Central and Eastern Europe), we managed to increase our profitability by 15% in a low growth region, with the exception of Central and Eastern Europe. In the NORCEE region, APE for variable annuities increased by 50% over the first half. In fact, this region has not felt the impact of the slowdown and constitutes a source of growth for the Group. In Switzerland, after the acquisition of Winterthur, we were able to achieve higher growth in a market that is said to be saturated.

The Mediterranean Region, with underlying earnings up 24%, is also an important source of additional growth for the Group.

For the UK and Ireland, underlying earnings were up by 13%. Much of this improvement is attributable to the absence of natural catastrophes over the period.

In Asia Pacific (including Japan), the improvement was honorable, with most countries in the region showing resilience to the crisis. They will provide growth when the outlook improves.

Hence, the model is robust. We are well-equipped to withstand a further deterioration in global economic conditions. Cash flows are positive in all of our business segments. We are buying assets daily and we are not obliged to sell ours at a discount, which is very important.

We are also well-positioned to benefit from an upturn in the macro-economic environment. We attract clients looking for reliable partners and we will be in a position when the time comes to be among the first to take advantage of opportunities.

1H08 IFRS earnings

Denis DUVERNE
Member of the Management Board, head of finance, control and strategy

In life and savings, new business decreased by 6% during the period, in volume as well as in value. In fact, we were able to maintain our new business margins despite the challenging economic environment thanks to a favorable development in our business mix, primarily in Japan and Northern Europe. The change was less favorable for France, but in an extremely difficult market situation. The decline reached 15% in volume and value for the United States, where the variable annuities market contracted. However, we are reinforcing our leading position.

In P&C, revenues increased by 2.3% in the first six months of the year. The combined ratio fell by 2 points, reflecting a slight deterioration in the current accident year loss ratio and positive prior year reserve development. This slight deterioration over the current period is not a worry. The reserving ratio divided by premiums, which expresses the conservatism of our reserving policy, improved by 4 points to 198%.

Assets managed by AXA Investment Managers and AllianceBernstein fell from 1 092 billion euros at the start of the period to 981 billion euros. Net inflows were slightly positive (+2 billion euros). The two key factors were market depreciation (which cost 73 billion euros) and the forex impact (which was 44 billion euros). The margin on assets managed was stable at 37 basis points. Asset management revenues fell by 2.7%, while the underlying cost income ratio improved slightly and underlying earnings increased by 9%.

Net income for the Group decreased significantly (-29%), reaching 2.162 billion euros. The difference with respect to adjusted earnings is primarily due to the change in fair value of mutual funds and other assets (-739 million euros). The change in the time value of equity portfolio hedges also had a slightly negative impact (-152 million euros) on net income. Finally, forex and other derivatives had a negative impact of -162 million euros.

The decline of around 5 billion euros in consolidated shareholders' equity is primarily attributable to the change in unrealized capital gains (-4.3 billion euros). However, our net unrealized capital gains situation remains positive.

Through June 30, 2008, our exposure to equities is 28 billion euros and we have hedged our portfolio up to 26 billion euros. These hedges protect us against a fall in the equity markets for the next two years, at a modest cost. If the market rebounds, we will also reap the benefits and will manage these hedges dynamically. Even if the equity markets declined by another 10 or 20%, we would be largely immunized.

Our asset portfolio was stable over the period. The percentage invested in equities decreased and we slightly increased our exposure to corporate bonds with an average rating of A+. Our exposure to ABS (asset backed securities) remains modest (around 14 billion euros). And we have no worries with respect to our exposure to real estate (5% of total assets), invested in high quality assets.

Our fixed income portfolio is also of good quality, and we practice disciplined asset liability management. These assets did not experience any significant credit accidents: we took impairments of 54 million euros on assets valued at 286 billion euros. Our exposure to “toxic” products remains very limited.

Our solvency position is strong and our balance sheet is sound, which allows us to avoid raising capital. We are following a conservative financing policy, with more than half of our debt in the form of perpetual notes. We have confirmed unused credit lines totaling 6 billion euros. The principal rating agencies recently confirmed our AA rating.

Concerning the need to write down our deferred acquisition costs (DAC), we are not worried. Our future profits are indeed significant.

In the United States, the profitability of variable annuities is impacted in the short term by prevailing market conditions. Profitability shows a slight deterioration. We are very attentive to this development and should be able to address it in the year to come.

Some investors are worried about the impact of the risk of inflation on our balance sheet. In life & savings insurance, we are largely protected by a series of derivative products designed to deal with a rise in interest rates. In P&C, we have decided to hedge the inflation risk over the next fifteen years.

In addition, we are sensitive to the equity markets, but a 10% decline would have less than a 5% impact on our underlying earnings.

Finally, we have hedged both our balance sheet and our earnings against the currency risk.

Conclusion

Henri de CASTRIES

It is important to take away the fact that our level of activity remains high and that the level of profitability of our underlying earnings continues to increase. Our balance sheet is extremely solid; and the Group is well positioned to evolve in an environment that has become more challenging.

Questions/answers

Guillaume MAUJEAN (*Les Echos*)

How do you see the French life insurance market developing, in particular with the recent readjustment of the Livret A savings passbook?

François PIERSON (chairman of AXA France)

For me, the advantages of life insurance have not been called into question over the long term. However, it is true that we are challenged by the interest rates offered on short-term products sold by the banks.

AXA France saw business growth of 10% for individual life insurance premiums over the first six months of this year. We experienced an 18% decline in group lines due to a deferred policy subscription. By the end of the year, this line should report growth in revenues over 2007.

As for the Livret A, we plan to offer something along the same lines via AXA Banque. We don't expect high sales, since this market is already saturated, but we'll be in the same position as our competitors.

The life and savings market is obviously very difficult. We won't see the same growth as in previous years but we remain in positive territory thanks to the head start that we got over our peers.

Antoine AGATHE (*AFP*)

Can you say a bit more about your acquisition policy?

In addition, can you confirm that AXA Private Equity is a candidate—with the Apollo fund—to buy Alcan's aerospace and automobile businesses?

Henri de CASTRIES

We don't comment on rumors. As a reminder, AXA Private Equity is a subsidiary of AXA Investment Managers that manages third-party funds. The Group has invested in some of these funds, but we don't consider them to be investments in our core business. These are investments made by AXA Private Equity managers on behalf of holders of units in these investment funds.

With respect to acquisitions, we have in recent years strengthened the Group's exposure to emerging countries. We have made two major acquisitions—one in Russia and one in Mexico—in each case buying all or a substantial chunk of two large P&C companies.

During the period of turbulence we are currently experiencing, we remain pragmatic. We will not rush headlong toward the first company to come along. Above all, we want to win market share from the networks we have thanks to our solid track record and the competitive strength of our products. We will not miss out on opportunities in the next two or three years; there is no need to rush.

Lionel GARNIER (*Le Revenu*)

Are you ruling out bids for external growth that require capital increases?

Henri de CASTRIES

Our balance sheet is very strong, so we don't need to raise equity. We are very well capitalized.

The Group's strategy remains the same. We don't plan to pounce on the first acquisition that comes along. If a significant opportunity arises, we will see if the transactions are relutive or dilutive for the shareholders. Don't forget that AXA has always treated its shareholders well in exchange for their trust. We only raise equity when we can propose transactions that are rapidly relutive.

Lionel GARNIER

The durations on your equity portfolio hedges go from 12 to 21 months. Are you setting up longer hedges or waiting for the markets to recover within 18 months?

Denis DUVERNE

We plan to manage these hedges dynamically. We can protect ourselves against higher drops in equity markets or buy-back the higher tranches as needed.

Thomas WIFE (*Finanz und Wirtschaft*)

How successful is the Winterthur integration?

Henri de CASTRIES

The integration is going very well. We are particularly satisfied with things in Germany, Belgium and Spain, where we are seeing more synergies than initially expected. Growth in these markets is satisfactory. In addition, Winterthur has brought the Group a pool of high quality managers. Many of these people have assumed key positions of responsibility within the Group. Three members of AXA's Executive Committee are from Winterthur.

Denis DUVERNE

We are also very satisfied with the integration of Winterthur's businesses in the United Kingdom, Hong Kong and Japan.

Fabio BENEDETTI (*Bloomberg*)

What is your outlook for the second half of the year?

In addition, you noted that the solvency ratio was at 148%, but that it has deteriorated by 9 points since June 30. Does this put it at 139% today?

Henri de CASTRIES

No, the ratio has not deteriorated by 9 points since June 30. It deteriorated by 6 points between December 31, 2007 and June 30, 2008. We are only saying that if the equity markets were to fall by 20% with respect to their level on June 30, there would be a decline of 9 points in the solvency ratio, which is very little! This scenario is very pessimistic but even in a situation of this kind we would still manage to maintain a very strong solvency position.

For the second half of the year, we remain cautious with respect to the outlook. For the life and savings and asset management businesses, profitability is partly the result of the average value of assets on which we collect fees. On July 1, the value of the assets we manage is lower than the average value of assets over the first half of the year because the markets declined. The fees we will be collecting will therefore be lower. This said, in spite of the current environment, we maintain that our underlying earnings will be close to the record level of 2007, which represents a significant sign of confidence.