First half 2007 earnings presentation script

Highlights of the first half of 2007

Henri de Castries
Chairman of the Management Board

AXA’s financial results for the first half of 2007 are well aligned with Ambition 2012. They reflect the successful integration of Winterthur and demonstrate that recent market turbulence has not had an impact on the Group.

The environment in which AXA operated during the period was positive. For one thing, interest rates rose, which for us is not a bad thing over the long term. Moreover, the European Commission’s work on the Solvency II project is very positive for the Group, since it will help to create a competitive framework for insurance enterprises. Europe has experienced a series of natural disasters in recent weeks, but its impact on the bottom line for AXA’s property-casualty businesses has been limited. In addition, AXA’s exposure to the US sub-prime mortgage backed securities (MBS)—where concern among observers has been increasing of late—is low.

Earnings were strong over the first half of the year. Total revenues for the six months ended June 30, 2007 increased by 24% including, for the first time, Winterthur. New business value (NBV) grew by 21% (+9% on a constant scope basis) and underlying earnings rose by 29% (+19% on a comparable basis). Winterthur’s integration with the AXA Group is perfectly on track.

APE on the life and savings side grew by 28% (+11% on a comparable basis), to €3.8 billion. This growth rate is lower than that for the first six months of last year, due to the impacts of the French elections and the elimination of a tax benefit that AXA enjoyed in Japan. NBV rose by 9%, which is 2 points less than growth in APE. In fact, while the business mix is positive for the Group, growth in the life and savings segment is higher in those countries that are not the biggest contributors to Group new business value.

The property-casualty segment did not decline as much as many observers had expected it to, although the combined ratio deteriorated by 1.6 points. However, if we factor out the impact of the floods in the UK and the Kyrill Storm, the combined ratio improved slightly. Natural events contributed 2.9 points to the adverse combined ratio trend. But the underlying trend is positive.

AXA’s total property-casualty revenues increased by 4% over the first six months of 2007. The Group is winning market share in every segment and, to cite but one example, has picked up an additional 62,000 motor insurance policies in France.

In the asset management segment, the Group’s performance over the period was excellent, with growth in revenues reaching 22% (+15% published). Assets managed continued to grow, with net inflows totaling around €33 billion in the first half of the year. The underlying cost income ratios for both AllianceBernstein and AXA IM continue to improve.
Overall, the Group’s underlying earnings increased by 29%, reaching €2.7 billion, notably thanks to a contribution from Winterthur operations of €288 million. On a comparable basis, underlying earnings increased by 19%.

AXA enjoys a highly diversified set of growth drivers. While France and the United States together make a very significant contribution to the Group’s performance, the weight of Northern and Eastern Europe is growing steadily. For this region, underlying earnings for the six months ended came to €571 million. Contributions from the asset management segment, from Asia-Pacific and from the Mediterranean were also very significant. Only the United Kingdom and Ireland saw a decline in underlying earnings (of 1%). However, it is important to note that the UK experienced the worst flooding in 30 years.

On a comparable basis, adjusted earnings rose by 14% over the period, and the volume of net capital gains was stable. As a result, we are confident in our ability to reach our annual target for realized capital gains.

The integration of Winterthur is well on track. The former corporate headquarters of the company was closed within six months, and 95% of its employees were reassigned. In a country with a flexible labor market, there are no employment issues to contend with. In addition, negotiations on reducing the workforce are under way, projected growth for Winterthur business lines are in line with targets, and the synergies generated in the first six months of the year already represent 70% of our target for the full-year 2007.

The Group is pursuing its development within the framework of Ambition 2012, focusing in particular on distribution, products, risk management and human resources. As for distribution, an agreement signed with BMPS will allow the Group to gain more solid ground in the Italian market. In addition, AXA acquired a 50% interest in the Ukrainian Insurance Alliance and Vesko. Today, the Group is the Ukraine’s third-largest property-casualty insurer. The acquisition of Alpha Insurance in Greece – the insurance affiliate of that country’s second largest national bank – will allow the Group to develop its bancassurance business. In France, the acquisition of Nationale Suisse Assurance will enable us to add 150 agents and 250 brokers to our existing distribution network. In addition, the Group has strengthened its position in the SME property-casualty market in the United Kingdom. In the interest of building on its direct sales platforms, the Group acquired Swiftcover.com in the United Kingdom, Ella Bank in Hungary and Kyobo Direct in South Korea.

In terms of product-related initiatives, AXA pursued efforts to adapt the Accumulator range for the Japanese, Spanish, German, French and Italian markets.

In addition, the program aimed at optimizing capital management continues, with the disposal of Dutch insurance businesses and Winterthur’s property-casualty business in the United States.

The Group returned €2.2 billion to its shareholders in the form of dividends, conducted a share buy-back program for €0.6 billion, and cancelled the dilutive impact of convertible bonds for €0.2 billion.

As part of its efforts to actively manage its risk profile towards efficient diversification, AXA pursued securitization, completing its first pan-European motor insurance program (€2.6 billion in premiums). In addition, our financial strength rating was upgraded to AA by S&P.
Finally, the Management Board decided to make every AXA employee a shareholder of the Group. At year-end 2006, half of the Group’s employees were shareholders. Together they owned 5% of AXA’s share capital. In the first half of 2007, 50 free shares were allotted to every AXA employee to reward them for the good performances achieved in 2006. 50 additional shares will be allotted if, in 2007 and 2008, AXA remains ahead of its long-term objectives.

### Financial performance over the first half of 2007

**Denis Duverne**  
Member of the Management Board in charge of Finance, Control and Strategy

AXA’s underlying earnings rose by 19% over the period, reflected in all business segments. In life and savings, unit-linked sales now account for 52% of total revenues, with strong growth observed in the United States (+21%), the United Kingdom (+26%) and Australia/New Zealand (+28%).  
Growth in France was more modest (+2%), to be compared with a 3% decline for the whole French market. The performance of AXA in Germany was also modest (+2%), with regulated retirement products having lost their special tax advantage. While the change in product mix was positive, the country mix was less favorable. In the United States, growth in life products was primarily driven by Universal Life products, for which the margin is lower. In Hong Kong, the margin declined by 7.9 points, due to the success of lower-margin products. However, this is a temporary phenomenon. Globally, underlying earnings from life and savings grew by 19%.

In the property-casualty segment, trends were rather mixed. In particular, the motor insurance premiums prices recovered in the United Kingdom, although homeowners’ insurance premiums declined. The natural disasters of recent weeks suggest that price hikes are to be expected in both the homeowners’ and SME markets. Overall, property-casualty revenues rose by 4%, due in particular to AXA’s performances in the United Kingdom and the emerging markets (Turkey, Morocco, etc.). AXA intends to pursue its development, in particular by reinforcing its positions in Ukraine. Personal lines were up by 631,000 motor policies and 180,000 homeowners’ contracts. The combined ratio rose by 1.6 points on a comparable basis, to 98.4%, which is the direct consequence of the 1.5 point rise in the loss ratio. Expenses were relatively stable, with administrative expenses down (by 0.4 point) but acquisition costs up (0.6 point). Despite the rise in the combined ratio, underlying earnings from property-casualty operations improved by 6%, thanks to good investment results on the back of a higher asset base and improved asset yield. Underlying earnings from this segment improved across the board, with the exception of the United Kingdom and Belgium.

The asset management segment continues to grow. Growth in assets under management was 14%, with net inflows of €33 billion. For AllianceBernstein, underlying earnings progressed by 21%, with net inflows of more than €17 billion. For AXA IM, underlying earnings were up by 35%, with net inflows of €15 billions.

AXA’s adjusted earnings went from €2.8 billion to €3.4 billion between June 30, 2006 and June 30, 2007. Net income was €3.2 billion, as opposed to €2.7 billion for the six months ended June 30, 2006. It should be noted that the rise in interest rates led to a fair-value and derivative loss of €182 million, and the cost of integrating Winterthur were more than €60 million. In addition, goodwill and related intangibles amortization went from -4 million euros to -55 million euros. The increase...
was attributable mainly to the amortization of intangible assets (notably Winterthur client portfolio).

Consolidated shareholders’ equity through June 30, 2007

Consolidated shareholders’ equity was €45.7 billion at June 30, 2007, compared with €47.2 billion at June 30, 2006. The €1.5 billion reduction is primarily attributable to the rise in bond yields and the share buy-back of €650 million. Return on equity for the first six months of 2007 was 21.6%. In other words, Group performance was excellent from a profitability perspective.

Assets invested on behalf of insurance companies represent €610 billion (fair value), including €185 billion in unit-linked contracts. With-profits contracts represent €33 billion in the United Kingdom and general account assets totaled €379 billion.

The sub-prime market, which is basically comprised of financial vehicles backed by mortgage loans granted to poor credit risks, is the source of current anxiety. Out of €610 billion, AXA currently has €2.2 billion in assets of this category, but 92% of this total has received a rating of AA or higher. The current worry concerns loans that were granted in 2006 and in 2007—periods where prices in the US real estate market reached their peak. Securitized assets invested in sub-prime account for €1.4 billion, but only 1% of these assets are considered to be at risk (a rating of less than or equal to A). This amounts to €14 million. In fact, the likelihood of losing money on these assets is relatively low. In our opinion, recent counter-performances do not accurately reflect the performance of our portfolios.

Outlook for the rest of 2007

Henri de Castries

AXA’s vision of the development of its core business lines is confident and positive, regardless of the current volatility of the financial markets. Assuming that the global economic environment remains buoyant, with global growth for 2007 forecast at 5%, Group revenues should continue to grow. Life and savings NBV should experience double-digit growth. Asset management should also continue to record significant growth. Indeed, we are on track with respect to our Ambition 2012 targets and we intend to take advantage of excessive market pessimism to pursue our share buy-back program, buying up to 45 million additional shares by the end of the year. The AXA Group, which continues to generate positive cash flow and win new market share despite current market turbulence, is setting itself apart from the competition.