2006 full-year earnings

Outline

Outline 1
Highlights 2
Financial performance 4
Update on the integration of Winterthur 6
Conclusion 7
Question & Answer Session 8
Our full-year earnings for 2006 are very good. In addition to a generally supportive environment throughout the year, a number of items that are intrinsic to AXA lead management to believe that this was a very high-quality year—one in which the fruits of the strategic and operational efforts under way for a number of years became tangible.

This good performance is reflected in the revenue trends in each of our three principal business segments. For the second year in a row, top-line performance was ahead of our Ambition 2012 targets, a strong indicator that our business model is working.

Life and savings APE (annual premium equivalent) increased by 15%, considerably surpassing the 5 to 10% increase that drives our long-term growth target. Property-casualty revenues rose by 4%, despite intense competition in this segment, and within our target range of between 3 and 5%. Finally, in the asset management segment, revenues rose by 29%, compared with target growth of above 10%.

For the first time in its history, AXA achieved organic revenue growth of 11%.

The profitability of new life and savings business rose by 34% year-over-year, and has doubled in the last three years. This improvement reflects higher volume and margins in a number of countries. As new business value (NBV)—which is up substantially, to a record high in 2006 of 1.5 billion euros—demonstrates, the Group’s earnings are not solely attributable to the extraction of profit from business already in the portfolio. A competitive dynamic has been created.

The property-casualty insurance combined ratio continues to improve. Competition is intense in this market, but this fact has not prevented us from combining growth and higher profitability.

Margins have also improved in asset management, where our net inflows increased by 73 billion euros. Most of these net inflows are attributable to third-party clients, a sign that our products are able to compete in the marketplace.

Underlying earnings increased by 20%, and for the first time surpassed the 4 billion euro mark. Realized capital gains on the equity trading portfolio totaled 1.1 billion euros.

Another historical record was achieved in 2006, with adjusted earnings reaching 5.1 billion euros. This performance was driven by a solid operating model, thanks to which we can offer our shareholders a dividend of 1.06 euros, up by 20%.

What lies behind these figures is a very strong desire to improve the satisfaction of our customers. The fact that customer satisfaction has increased is probably one of the reasons for our revenue growth.

Employee engagement, which rose by one percentage point in 2006, is another critical factor on which our success is contingent. In order to achieve long-term performances that distinguish us from other players in our industry, we have to be able to count on a fully engaged workforce.
A significant number of our people – about one out of two – are Group shareholders now. Aside from the mutuals, employees are now our principal shareholders. They own a little more than 5% of our equity capital and hold 6% of the voting rights. At this year’s annual meeting of the shareholders, we plan to submit a resolution that, if ratified, would allow us to allot free shares to all of our employees. We haven’t yet worked out the details, but this distribution will certainly take different forms depending on local legislation and regulations.

In 2006, we continued to lay the groundwork that will enable us to achieve our long-term performance goals. With the acquisition of Winterthur, we increased the Group’s operating scope significantly, in particular by strengthening our position in emerging countries. In addition to Winterthur, we made 11 business acquisitions in the course of 2006.

The Group’s scope continued to evolve last year, including the sale of businesses such as AXA Re, which were not a strategic fit over the longer term. We continue to practice active management of our operating scope and our balance sheet against a backdrop of growth, which we have obtained by mobilizing all of our key stakeholders.
Performance improvement was seen across the board, with all segments contributing positively to underlying earnings. In life and savings, underlying earnings were up by 20%, while the increase in property-casualty was 8%. Asset management underlying earnings rose by 28%, and international insurance earnings were up by 92%.

We sold AXA Re, which got into difficulty in 2005 following the hurricanes in the United States. International insurance now combines run-off business, AXA Corporate Solutions (our large industrial risks business), as well as AXA Assistance. All three of these operating units turned in satisfactory performances.

Earnings from other financial services and holdings were virtually stable for the full year—positive for financial services and negative for holdings.

We achieved an excellent performance in life insurance and savings last year, with new business volume up by 15% for the year. In addition, the new business margin was 24.1%, a 3.5 percentage point improvement that helped to boost new business value (NBV) by 34%, to 1.5 billion euros.

For unit-linked products, in fact, new business growth was 30%. Moreover, unit linked products accounted for a 51% share of all new business in 2006, compared with 45% in 2005.

The 34% increase in NBV is nothing short of spectacular. In Germany, the figure nearly tripled, to reach 90 million euros (+210%), mainly attributable to the success of TwinStar, our unit linked retirement savings product with secondary guarantees. This product, inspired by a model that was developed in the United States two years ago, got off to an excellent start. We plan to launch it in nearly every European country in which we do business sometime in 2007.

The 51% increase in the United States is due to further gains in market share for our separate account products. In 2006, AXA achieved third-place ranking in this market.

In France, the 28% increase pertains to both volumes and margin, and reflects the combined impact of brisk sales in group life insurance and successful product launches in late 2005 (savings) and early 2006 (health).

We also made solid progress in Asia—Japan in particular, where the success of our medical product range has been confirmed.

Underlying earnings in life and savings grew by 22%. But this does include some one-off items, such as tax rebates in the United States and significant non-recurring income in Japan in 2005. Without taking these items into account, underlying earnings nonetheless grew by a very satisfying 21%.

AXA continued to increase its property-casualty revenues, which grew by 4% in 2006. Two regions stand out: the United Kingdom with revenue growth of 7% and the emerging countries (Turkey, Asia and Morocco).
This revenue growth did not prevent us from reducing our combined ratios across the board geographically, with the exception of Ireland. The consolidated combined ratio improved by 0.8%, falling to 96.9%.

The underwriting result increased by 190 million euros, financial income increased by 135 million euros, and tax expense rose as a result by 218 million euros. Underlying earnings increased by 107 million euros.

Renewals reflect contrasting trends across segments and markets. Half of the renewals in the portfolio of business involved higher premiums, while lower premiums were granted on the other half.

Average assets under management for AllianceBernstein and AXA Investment Managers combined rose by 18%. At the end of the period, AUM had risen by 19%, reaching 1 029 billion euros. Looking at the breakdown in assets under management, we see that third-party assets under management accounted for 65% of the total at year-end 2006, which is a source of improved profitability. Growth in assets under management reflects the combined effect of three factors: record net inflows of 73 billion euros, market appreciation, and a negative foreign exchange impact of 58 billion euros.

Overall, underlying earnings from asset management business grew by 29% (27% for AllianceBernstein and 32% for AXA Investment Managers). This increase reflects revenue growth of 25% and 38%, respectively, and improvement in the cost income ratio (-1.5 points and -1.6 points, respectively).

Consolidated underlying earnings grew by 20%. With net capital gains of 1.13 billion euros, adjusted earnings were also up by 20%. Net income rose by 18%, primarily due to higher interest rates.
Update on the integration of Winterthur

Henri de Castries

The following questions were often asked after we announced our intention to acquire Winterthur: Is Winterthur a healthy company with genuine growth potential? What does this acquisition offer you from a strategic standpoint? What’s your integration strategy?

We’re going to provide a few additional details in answer to these three questions, with an extremely clear guiding thread: as time goes by, we are increasingly pleased with this acquisition. It was strategically valid and has turned out to be very satisfactory from an operational perspective.

As for Winterthur’s state of health, earnings for 2006 provide a straightforward answer to the growth and profitability problematic. In terms of growth, Winterthur’s new life and savings business was slightly ahead of ours. Winterthur has competitive products and sales channels. On the property-casualty side, growth was a more modest 2%, although it was stronger in Continental Europe excluding Switzerland.

If we look at the businesses we intend to maintain, Winterthur’s earnings showed satisfactory earnings growth in 2006, and its combined ratio improved. Accordingly, I think it is fair to say that this is a healthy company with genuine growth potential.

Strategically, what this acquisition offers us is far from negligible. In addition to expanding AXA’s scope of operations, Winterthur represents 18% of the life and savings segment, 22% in property-casualty, and a consolidation of our market share in many countries, including Belgium, Germany and Spain. It also opens up new markets, such as Switzerland and the new European countries.

Thanks to the high level of collaboration between AXA and Winterthur people, the integration has been going forward rapidly. Brand strategies have now been clarified and the operating challenges are perfectly clear.

Indeed, the integration has been more rapid than expected, and we have revised our estimate of potential synergies upward—from 280 million euros to 350 million euros, an increase of 25%. As a result, the cost of implementation is 4% higher than we initially thought.
Conclusion

Henri de Castries

The year 2006 was one of strong revenue and earnings growth. Organic revenue growth reached 11% on a constant structural basis, while earnings rose by 20%. There was a 30% increase in the Group’s size.

We believe that the environment will remain favorable. We are very confident in the implementation of our 2012 objectives, and we estimate that we will continue to benefit from the efforts made in our three operating segments.

In life and savings, we are pursuing efforts to improve the quality of our products, step up innovation, extend our distribution reach, and deploy the US-inspired Accumulator range of products Group-wide.

In property-casualty, we are making improvements in our underwriting, as well as trying to reduce our operating costs and the cost of settling claims.

In asset management, AllianceBernstein and AXA Investment Managers have achieved optimal efficiency.

And last but not least, we feel that we have improved our structural capacity to extract a considerable volume of capital gains from our equity trading portfolio.

Taken together, these elements form a backdrop in which our business fundamentals are sound and the business model is being fully rolled out. The model allows us to capture profitable growth, which we estimate to be structurally superior to that of many of our competitors.

To conclude, we think that the Group’s prosperity should be beneficial to all of its stakeholders: not just clients and shareholders, but also employees—who we hope to turn into shareholders.
Question & Answer Session

Can you give us a little more detail on the employee stock ownership program—for example, your plans for France? How do you intend to proceed in other countries?

What is the total amount spent for the eleven acquisitions that were mentioned?

You mention having paid one-and-a-half times embedded value to acquire Winterthur. What is the multiple if the sale of Winterthur’s US operations is factored in?

Henri de Castries

In response to your question about employee stock ownership, we plan to submit a resolution to our shareholders that, if passed, would authorize us to distribute up to 0.7% of our equity capital across the Group. I don’t want to go into greater detail at this time, because negotiating with personnel representatives is a key organizational issue. We will discuss the various options for rolling out this initiative in different countries with the appropriate parties.

Starting in the beginning of 2006, we made a number of acquisitions, the major ones being Winterthur, Thinc Destini, two UK brokers, the insurance subsidiary of Alpha Bank in Greece, MLC in Hong Kong in life insurance, and the closing of the La Citadelle acquisition in Canada. The overall total of these acquisitions is just over 9 billion euros.

Denis Duverne

We did in fact sell the US operations of Winterthur for a price that was higher than we anticipated when we made the initial deal, and this has generated a positive impact.

Raising our synergy target by 25% also had a positive impact, because the value of the whole is higher than our initial estimate. I can’t really tell you what the price/embedded value ratio would be after the disposal, but I can say that Winterthur has turned out to be a very good acquisition, because we are finding that it is worth more than we initially calculated.

Although you seem to be moving ahead on the integration faster than initially planned, this observation would not seem to apply to Germany. In which markets is this the case?

In your analysis of NBV by country, again concerning Germany, growth is largely attributable to favorable updates of mortality assumptions, and NBV growth is otherwise fairly low. Are you satisfied with volume growth? What percentage of German life and savings sales are attributable to TwinStar?
In the table pertaining to Japan, earnings from life and savings are down considerably: what happened?

Henri de Castries

It is true that the Winterthur integration has been much more rapid than we initially thought possible, which is one reason we revised our synergy objectives upward—including those for Germany. It is nonetheless true that there are specific constraints in Germany and they are slowing the rhythm of integration somewhat compared with other countries.

We are very satisfied with the life insurance situation in Germany. Launching the TwinStar product in 2006 was a real challenge. Many people were skeptical of this product’s ability to achieve significant sales volumes and turn the profit margin landscape around. The profitability of new life insurance business in Germany tripled in 2006 thanks to the introduction of this product. And we think it still has significant potential ahead of it.

Denis Duverne

In Japan, where earnings rose by 1% in 2006, there were non-recurring items totaling more than 67 million euros in 2005. If we eliminate the impact of those items, then earnings growth was around 20% in 2006.

TwinStar represents 12% of sales in APE, and thanks to this product our margin on new business went from around 10% to nearly 30%.

Henri de Castries

In the German market, traditional products are not profitable. TwinStar is worthwhile for both the seller and the consumer. Margins are much better than for traditional products. The merit of this product lies in its ability to combine performance and protection, and this requires complex engineering.

Last year, you spent 9 billion euros for eleven acquisitions. Do you intend to maintain this pace or slow down?

Are you on the lookout for other acquisitions that will enlarge your scope, or do you think you have achieved critical mass?

What are the priority countries and regions in your strategy?

Henri de Castries

We always answer this question in the same way: the Group’s strategy has not changed in 25 years. It entails doing our business—Financial Protection—in a global context, and combining organic growth with external growth.
As far as external growth is concerned, pragmatism is the absolute rule. I don’t know what our acquisition volume will be in 2007 or where the next opportunity lies. What I do know for sure is that we have an efficient operating model, which allows us to act swiftly when good opportunities arise.

We don’t have an acquisition budget, but we keep our eyes open so that we are in a position to seize the opportunities that appeal to us. Which doesn’t mean we pounce on every single one.

**Denis Duverne**

Our appetite for acquisitions will be proportionate to our ability to integrate.

**Henri de Castries**

Our regions of focus have not changed. They are Europe, North America and the emerging countries of Europe and Asia.

AXA’s capacity for growth depends on the quality of its operating performances, which are high, but this growth will always be marked by absolute pragmatism.

*My question has become ritual. With respect to Generali, should we change our reading or stick with Le Désert des Tartares?*

*Do you own equity in Capitalia? If so, to what purpose?*

**Henri de Castries**

*Le Désert des Tartares* remains an interesting read…

Acquisitions should give us significant market share, and should be carried out under price conditions and with execution prospects that allow us to make deals that are beneficial to our clients and our shareholders.

**Denis Duverne**

We disclose our equity investments in companies only when we have surpassed beneficial ownership thresholds as set by regulations that vary from one country to the other. We have no intention of publishing all of our percentages in terms of equity holdings.

*What are your expectations for growth in the asset management business? The last two years have seen strong growth. Do you think this trend will continue for a third year?*
What is the change in your gearing ratio?

Henri de Castries

In fact, the last two years have been excellent for our asset management business, which means that our products are performing well and that our penetration in terms of distribution has improved. Most of our inflows involve third-party business, which suggests that our asset managers are very competitive in the marketplace.

We are very confident in our ability to meet Ambition 2012 targets in the asset management segment. We feel that we can achieve growth well in excess of 10%. That said, we are not likely to stage an annual repeat of our 30% growth. We have a genuine ability to integrate and our business model allows us to generate growth that surpasses that of the market. There is no reason to think these abilities will change.

Denis Duverne

The gearing ratio will be disclosed in the balance sheet scheduled for publication on April 10, 2007.

What exactly was the capital gain realized on the sale of AXA Re?

Is the entire 226 million euro loss on financial assets due to the rise in interest rates?

Denis Duverne

The capital gain on the sale of AXA Re was 66 million euros.

The figure you mention is primarily the result of higher interest rates.

It would appear that AXA is interested in the Italian insurer MPS Vita. Can you tell us a little more about that?

AXA is one of the major market players in France. As its CEO, who do you think is the best candidate in the presidential election?

Henri de Castries

We never comment on pending discussions.

We never make comments on personal questions during meetings on earnings.
You have announced that the Accumulator product will be rolled out across Europe in 2007. Does this include France and are you planning to use the diversified euro for this purpose?

François Pierson

We will introduce the range this spring in France, for sale by all of our distribution channels, including the non-proprietary ones. We expect strong growth, with significant sales as of 2007 and full roll-out in 2008.

You have announced a distribution equal to 0.7% of your equity capital. Can you give us more details? How much does this represent for employees?

Henri de Castries

We will be discussing this at the local level. 0.7% of our equity capital is the maximum budget, and it amounts to around 14 million shares. This is a significant commitment we are asking shareholders to make to ensure that Group employees see the upside of the Group’s development that goes beyond pay increases and career advancement.

On a symbolic level, we felt that it was very important to show that the Group’s development and prosperity are beneficial to all. We think of this as a way of sharing the wealth.

I’d like to know if there is a causal link between your desire to distribute free shares to your employees and your desire to “off-shore outsource” some operations?

Henri de Castries

The question does not really warrant a response … We have transferred some production processes from the United Kingdom, which explains our strong business growth in that country. The model entails reducing manufacturing costs in order to boost sales performance and efficiency, which enables us to build market share and increase hiring in our sales channels. At the end of the day, we will have fewer low-end administrative jobs in our organization and more sales-oriented positions because we will have more clients.

We are here to ensure the Group’s long-term prosperity. This prosperity also belongs to our employees, and when it is necessary to take difficult measures such as these, we take them.

Thank you.