



# Merrill Lynch Conference “Delivering Growth in a Riskier World”

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**CFO, Member of the Management Board**

Oct. 3, 2007



*Be Life Confident*

# Cautionary statements concerning forward-looking statements

Certain statements contained herein are forward-looking statements including, but not limited to, statements that are predications of or indicate future events, trends, plans or objectives.

Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties.

Please refer to AXA's Annual Report on Form 20-F and AXA's Document de Référence for the year ended December 31, 2006, for a description of certain important factors, risks and uncertainties that may affect AXA's business. In particular, please refer to the section "Special Note Regarding Forward-Looking Statements" in AXA's Annual Report on Form 20-F.

AXA undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.



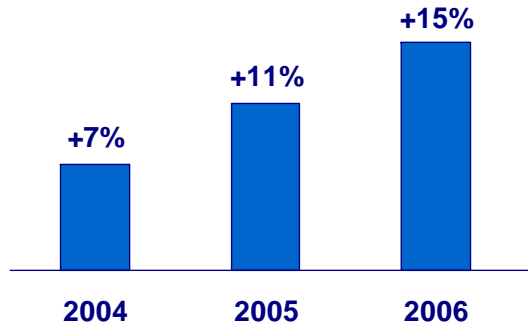


# Contents

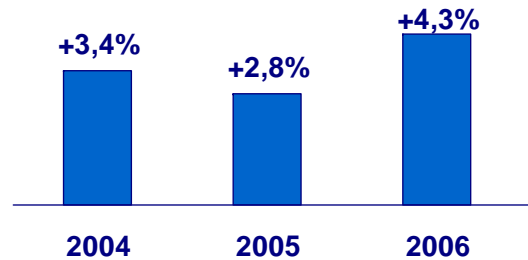
- 1 AXA's growth story: a track record and an ambition**
- 2 Growing in a risk-adjusted environment**
- 3 Lessons from the subprime crisis**
- 4 Conclusion**

# A strong track record of organic top line growth across our businesses...

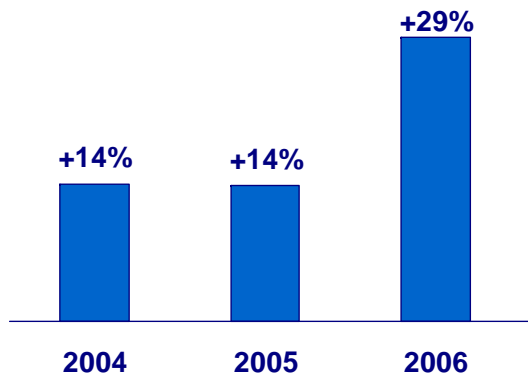
**Life & Savings  
new business growth  
(on a comparable basis)**



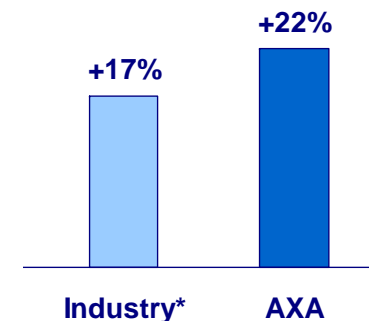
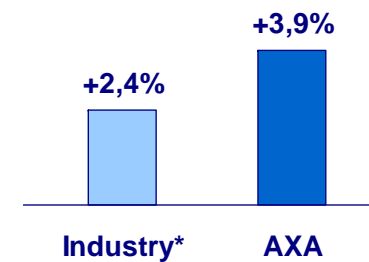
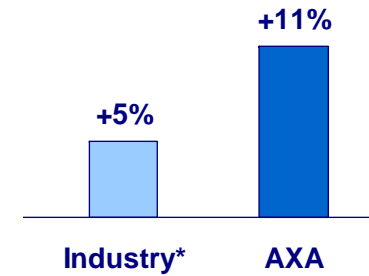
**Property & Casualty  
revenue growth  
(on a comparable basis)**



**Asset Management  
revenue growth  
(on a comparable basis)**



**1H 07**

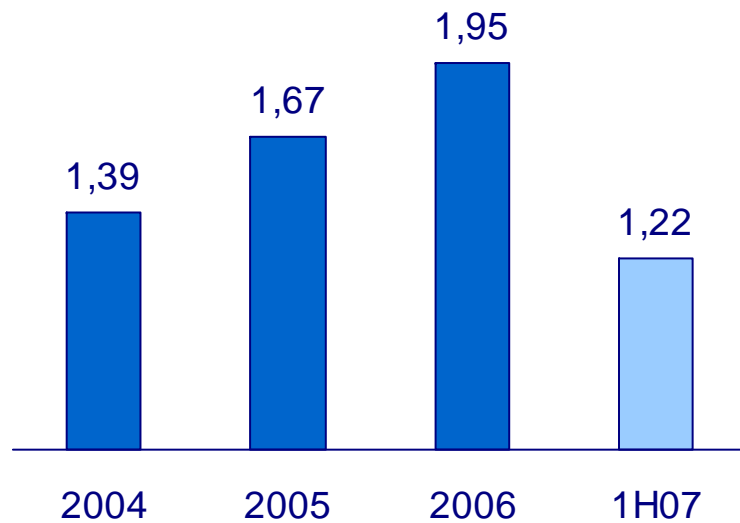


\* Source: SG, based on 17 European insurers

# ...delivering strong earnings growth and creating value for our shareholders

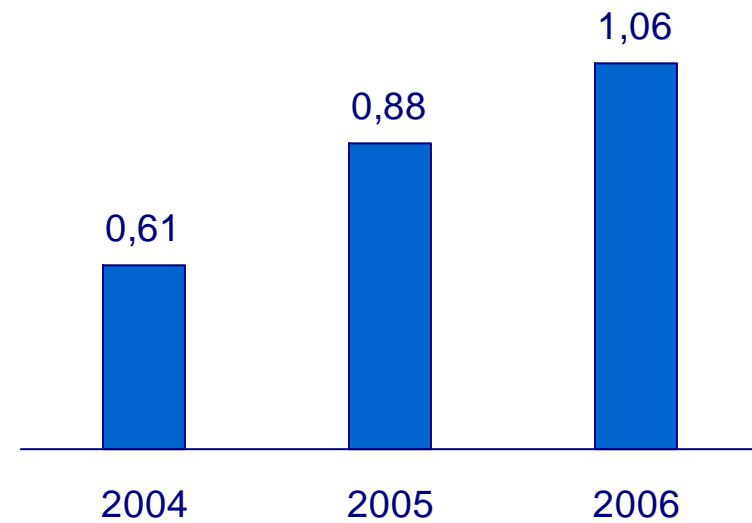
## Underlying EPS\* (€)

↗ CAGR 2004-HY07: +18%



## Dividend per share (€)

↗ CAGR 2004-06: +32%



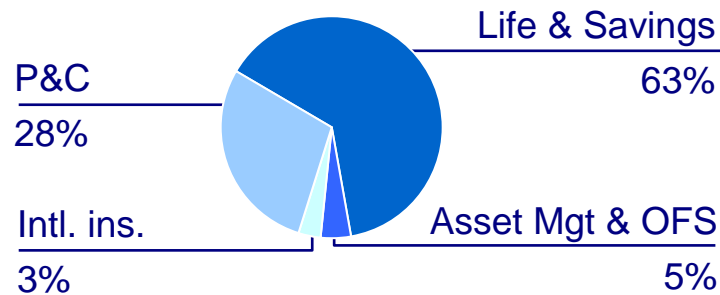
\* Net of interests on TSS & TSDI (perpetual subordinated notes accounted for as equity in IFRS).  
2006 not restated for the sale of our Dutch insurance operations

# We are confident we can continue our growth journey...

Because we're focused on financial protection, a structurally growing market...

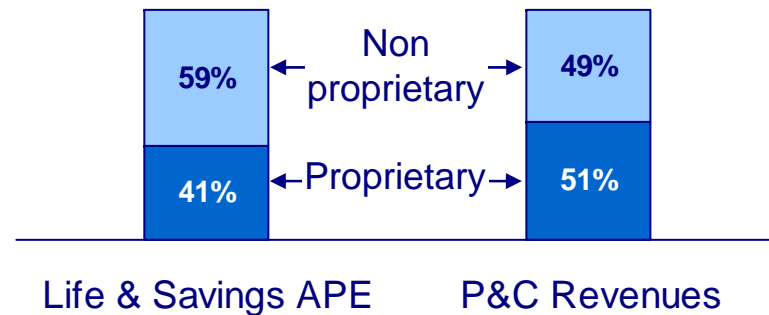
...with a multi-distribution approach...

## AXA's HY07 revenues\*



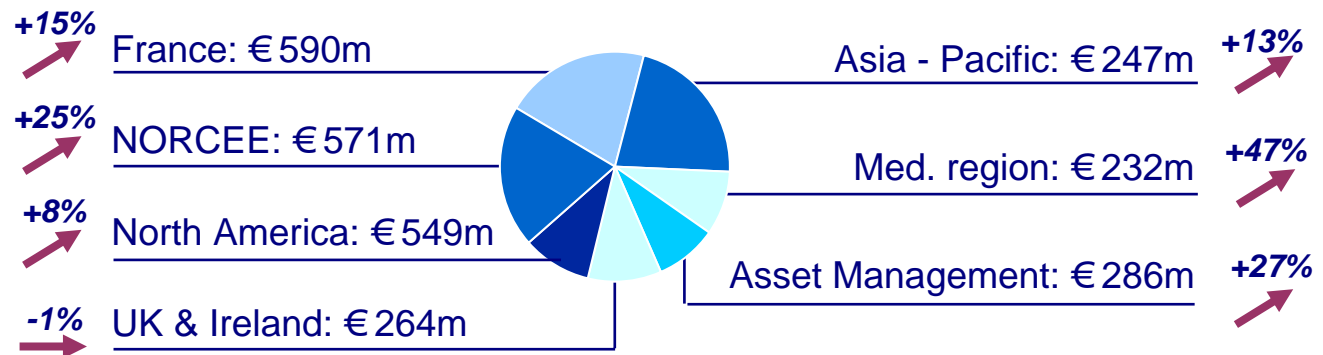
\* Excluding Holdings

## Insurance distribution channels



...and diversified growth engines

## AXA's HY07 underlying earnings\*



\* Excluding International insurance, Other financial services & Holdings. Growth rates are on a comparable basis



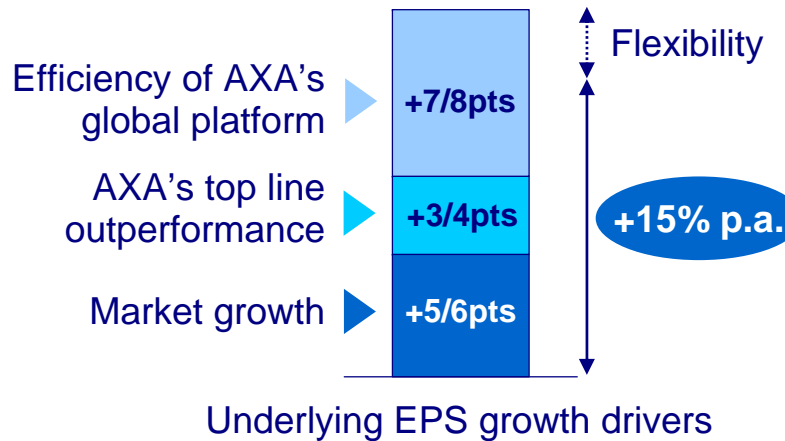
# ...to reach Ambition 2012 targets

Life & Savings APE  
+5% / +10% p.a.

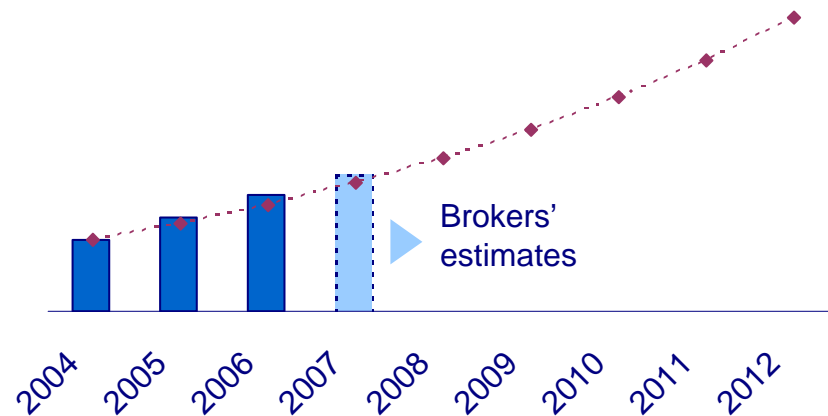
P&C revenues  
+3% / +5% p.a.

Asset Management  
revenues > +10% p.a.

## The *Ambition 2012* equation

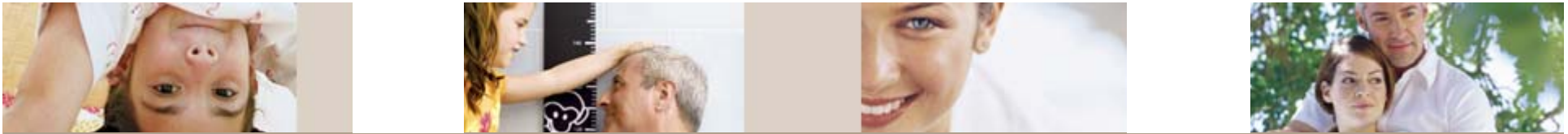


## Underlying EPS x3 over 2004-12



***Ambition 2012 project is supported by strong employee engagement across the Group, notably driven by HR initiatives Passport 2012 and AXA Miles (making each AXA employee a shareholder)***





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# Early and continued investments in risk management have direct, positive impacts on AXA's structure and businesses

→ First publication of Group economic capital as early as 2002

*Confirming the Group's financial strength during the 2001-03 bear market trough*

→ Advanced approach to risk transfer and mitigation techniques

*Pioneer of the ILS market with 2 individual motor insurance securitizations*

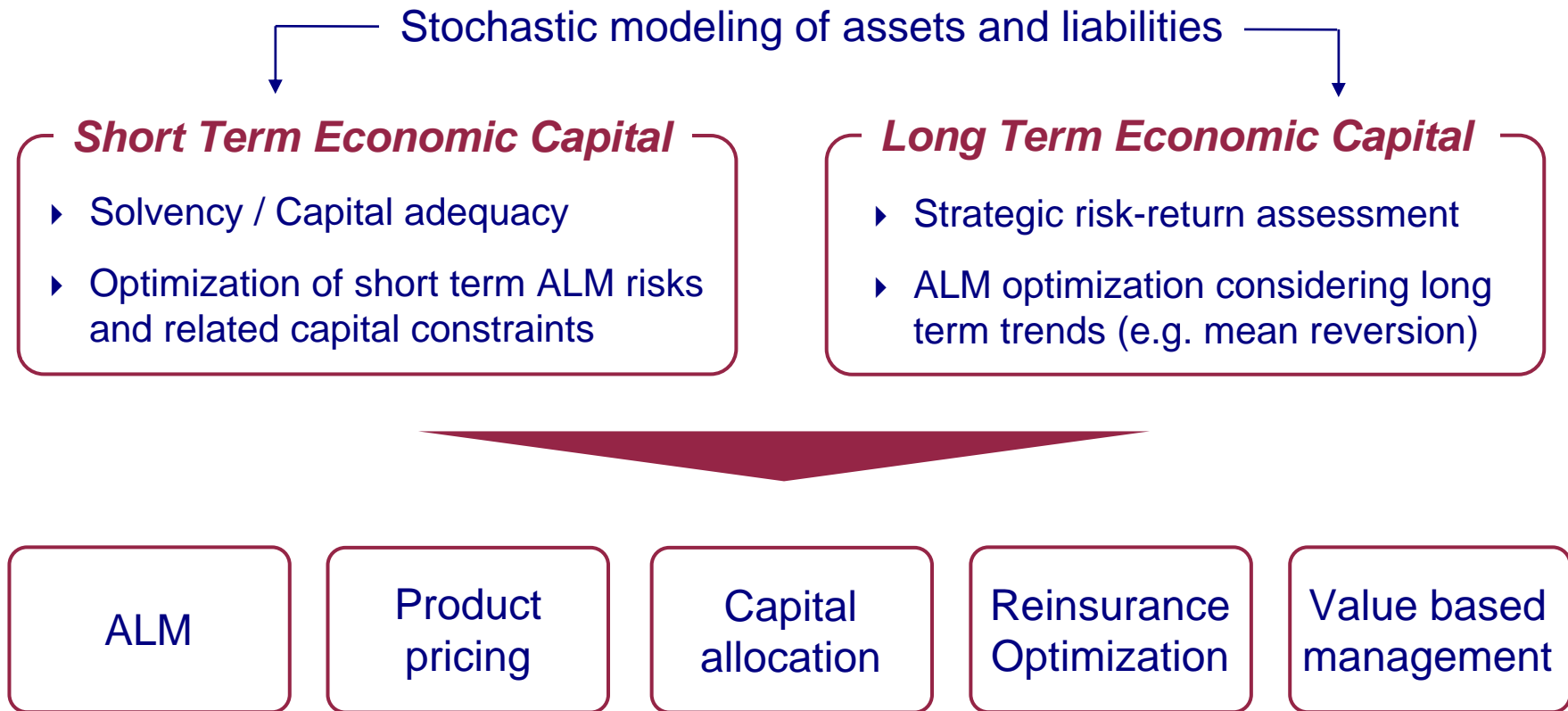
→ First insurer to disclose Embedded Value on a bottom up, market consistent approach

*Supporting business decisions such as not competing on the US Fixed annuity market*

→ Strong risk governance, recognized by S&P's Excellent ERM – 2 insurers only in Europe

*US VAs roll-out (Japan, Germany, Spain, France, Italy) supported by central dynamic hedging platform*

# Today, the Group is managed in a fully risk-adjusted environment, providing a strong alignment of interests



***KPIs derived from our risk management framework are used for Management incentives and financial communication***

# Current Solvency II discussions point to the right direction...

## ***Economic approach***

- ▶ Assets & liabilities valued with market consistent approach
- ▶ Standard Capital Requirement (SCR) determined as capital required to get investment grade rating over a 1 year horizon

## ***Regulatory benefits from efficient risk management***

- ▶ Possible use of internal models, on a fully economic basis
- ▶ Diversification benefits, recognition of risk transfer and mitigation techniques
- ▶ Capital add-ons only if risk management is considered inadequate by supervisors

## ***A true Group treatment***

- ▶ SCR required at Group level, lower level required for subsidiaries
- ▶ CEIOPS as a consultative body in case of disagreement between supervisors or between the company and supervisors

## ***Competitive approach to available capital***

- ▶ Definitions for insurance tier 1 and tier 2 capital may be in line with banking sector
- ▶ Quantitative rules should give flexibility (minimum 1/3 of Tier 1 in available capital)

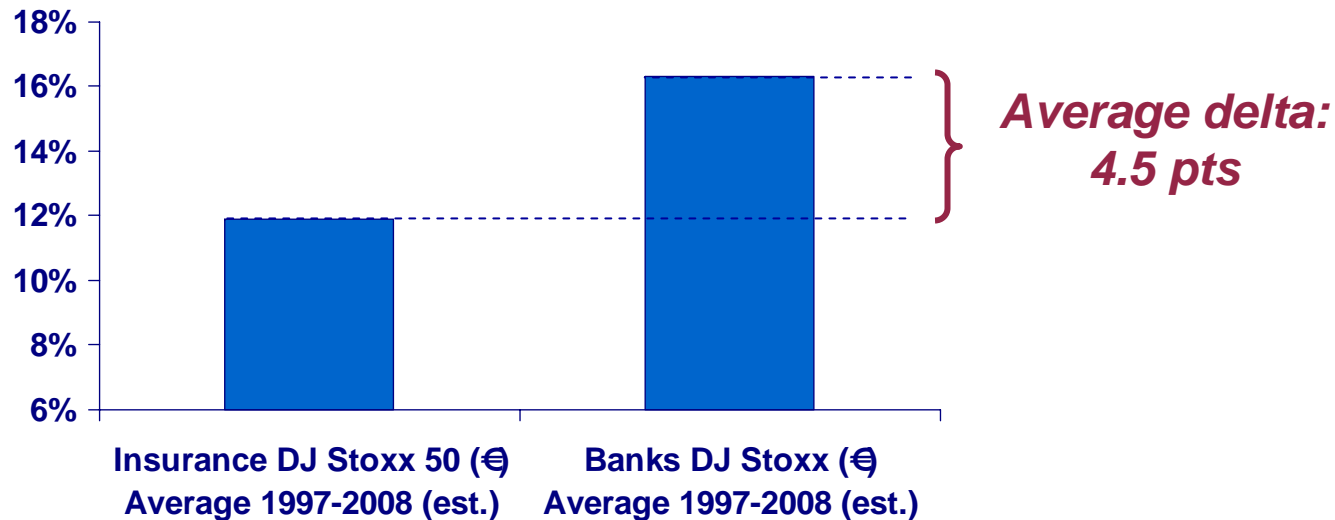
## ***Harmonization of the European landscape***

- ▶ Streamlining of rules and supervision will shape a single European insurance market
- ▶ Solvency II could set a standard for further international convergence

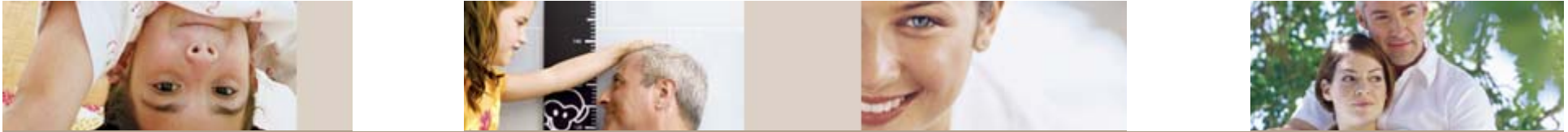
# ...and should be tomorrow a competitive advantage for the European insurance industry

- If successfully implemented, Solvency II should...
  - ▶ Foster transparency, discipline and risk management
  - ▶ Encourage better capital management
- ...Contributing to higher/less volatile ROEs and leading to more attractive insurance stock valuations

## Insurers and Banks' RoE



Source JCF



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# Update on AXA's exposure to "under watch" ABS classes as of 31-08-2007

*Euro 6 bn of assets under watch (below 2% of total assets), with mark to market down by less than 10%pts since end of June  
 ➔ Potential impact remains limited*

- US subprime RMBS: € 2,093 m (92% in AAA & AA tranches)

	June 30	July 27	August 31
Mark to market	99.7%	98.6%	90.9%

- CDOs: € 1,489 m

	June 30	July 27	August 31
Mark to market	94.5%	85.0%	88.2%

- CLOs: € 2,522 m

	June 30	July 27	August 31
Mark to market	98.3%	93.1%	91.7%



# The insurance industry has unveiled a

- New?
- Unexpected?
- Ignored?

# discipline

## *A very limited exposure to distressed asset classes*

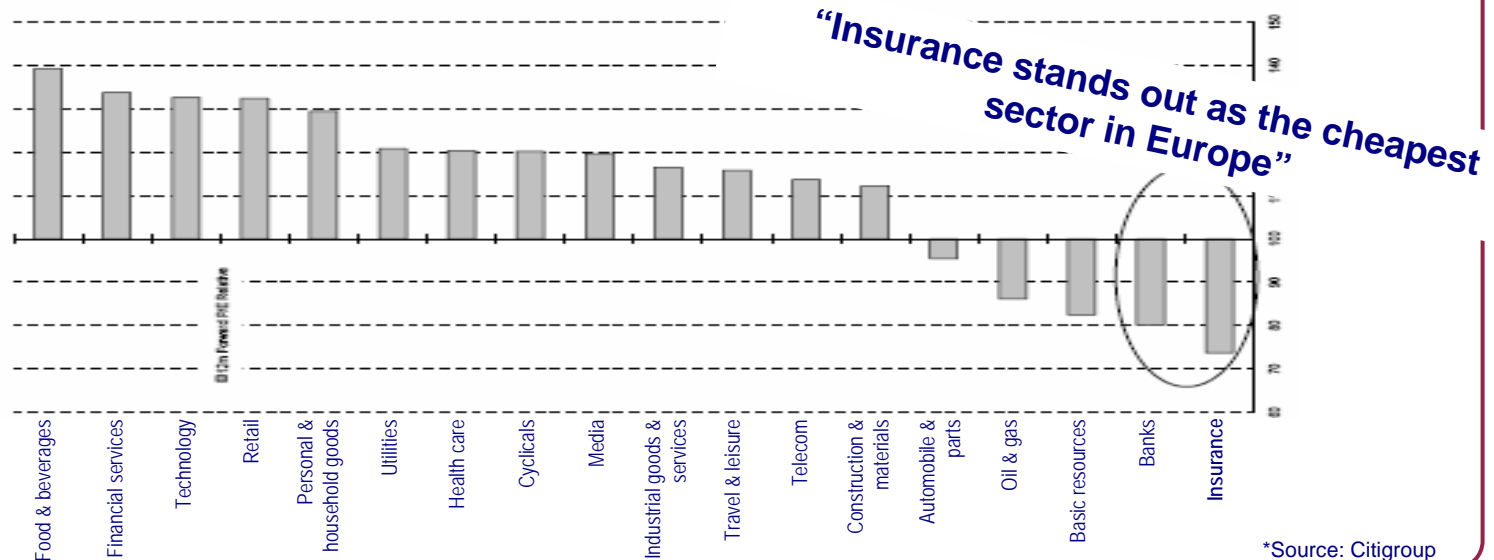
European large cap insurers' investments in securities with underlying subprime risks account for 5% of total ABS portfolios, 0.7% of fixed-income portfolios and 0.5% of total investments\*

\*Source: KBW

## *Strong earnings momentum*

Good earning growth in Life & Savings, resilient combined ratios in P&C

## *European Sectors Relative P/E 12 Months Forward\**



\*Source: Citigroup



# Subprime crisis: Potential impacts

## ***ABS investments***

AXA plans to continue investing in ABS, including MBS, consistent with its overall ALM strategy

- ▶ Diversification benefits
- ▶ Long term nature of the insurance liabilities and inverted cash cycle of the insurance industry

## ***Corporate spreads***

Widening of spreads is one of the effects of the subprime crisis.

- ▶ AXA has positive insurance operating cash flow
- ▶ Current environment may offer opportunities to further optimize our investment return

## ***Equity volatility***

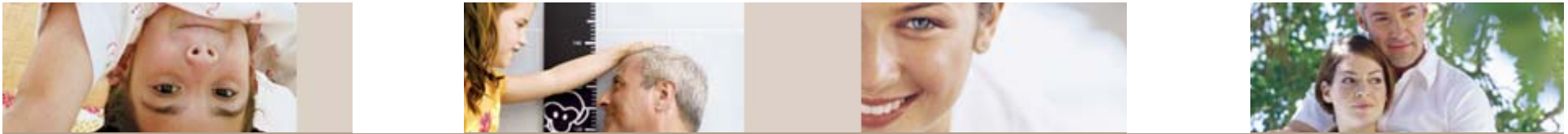
Short term spike in equity markets' volatility not currently expected to have a material impact on profitability

- ▶ July and August volatility was close to the implied volatility used in GMxB hedging programs

## ***Business volume***

As of today, we haven't seen any direct material impact of the crisis on the new business volume of our main operations

- ▶ Equity market correction has been brief and benign
- ▶ Protection against volatility is a key selling point for products such as VAs



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# Consequences of volatile environments for insurers should not be over-estimated...

**One year ago, Henri de Castries concluded AXA's presentation to this conference on "a virtuous circle favoring players with better control of technical risks"**



**The subprime crisis should be seen as the first successful stress test for insurers since 2001-03 and might lead to a re-rating of the industry**

# ... and AXA remains geared for shareholder-friendly growth

## *Growth*

- ▶ Strong track record for organic growth, cornerstone of Ambition 2012
- ▶ Further supported by bolt-on acquisitions (distribution networks, emerging markets)

X

## *Discipline*

- ▶ Ambition 2012 targets are on a per share basis
- ▶ Solvency 2 will further increase transparency and reward strong risk management and diversification

X

## *Strong cash flows*

- ▶ Over 80% of 2006 adjusted earnings returned to shareholders through dividend (€2.2bn), share buy-backs (€2.0bn) and cancelling of convertible bonds' dilutive impacts (€0.2bn)

## *Next events*

- November 8: 9M07 activity indicators
- November 13: 3rd Ambition 2012 update





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