

**AXA**

**Henri de Castries**

Chairman of AXA's Management Board

March, 2010

Morgan Stanley Conference

**redefining / standards**



## Cautionary note concerning forward-looking statements

Certain comments contained herein are forward-looking statements including, but not limited to, statements that are predictions 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, 2009, 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.

# AXA at a glance

## Contacts

AXA Investor relations (Europe)  
Tel : + 33 1 40 75 48 42  
Fax : + 33 1 40 75 48 86

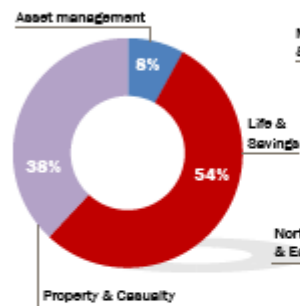
AXA Investor relations (US)  
Tel : + 1 212 314 2888  
Fax : + 1 212 314 3448

All data as of 31.12.09 unless otherwise specified

## Our Activity

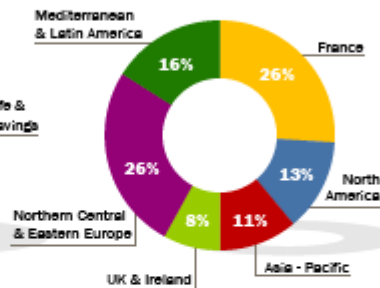
### Business

(in % of 2009 underlying earnings)



### Geography

(in % of 2009 revenues)



## Key Figures



## Our distributors

**50% Proprietary:**  
Tied agents, salaried sales force, direct  
**50% Non proprietary:**  
brokers, IFAs, banks, partnerships

Our clients  
**80 million**

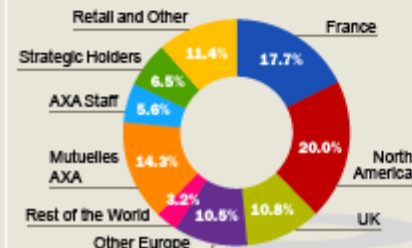
Our people  
**135,000**

## Financial strength rating\*

S&P AA  
Moody's Aa3  
Fitch AA-

\*As of 31.03.09

## Shareholders\*



\*As of 31.07.09

## Management Board

Henri de Caestele	Chairman
Denis Duverne	Member of the Management Board
François Pierson	CEO France
Christopher Condron	CEO US
Alfred Bouckaert	CEO NORCEE*

\*NORCEE: Northern Central and Eastern Europe

# Table

 **2009 key highlights**

 **Today's questions**

 **Conclusion**

# Strong 2009 performance in a volatile environment

## Resilient business activity

- ✓ Total revenues: down 3% to €90.1 billion
- ✓ Life & Savings: Net inflows of €+8.6 billion & New Business Value up 5% to €1.1 billion

## Solid earnings

- ✓ Underlying earnings: €3.9 billion (vs. €4.0 billion in FY08)
- ✓ Net income: €3.6 billion (vs. €0.9 billion in FY08)

## Increased balance sheet strength

- ✓ Solvency I up 44 pts to 171%
- ✓ Debt gearing down 8 pts to 26%

## Strong rebound in dividend & EV

- ✓ Dividend up 38% to 0.55€ per share
- ✓ Group Embedded Value\* up 49% to 13.4€ per share

\* Or up 29% to Euro 19.4 per share based on CFO Forum methodology (notably including non life intangibles and perpetual subordinated debt)

# Table

■ 2009 key highlights

■ Today's questions

■ Conclusion

# Today's questions



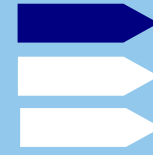
1. Where is the earnings momentum?

2. What is the growth capacity?

3. Is Solvency II beneficial to the industry and to AXA?

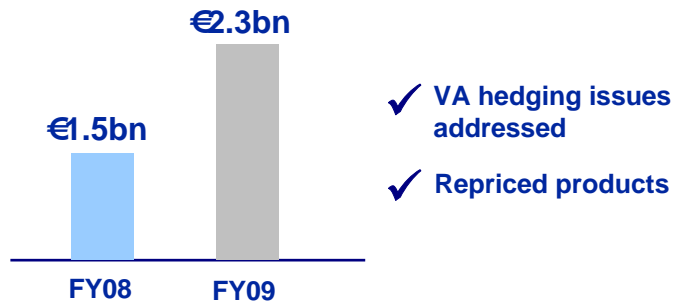
# Life & Savings momentum

Higher asset base and gradual improvement from business momentum

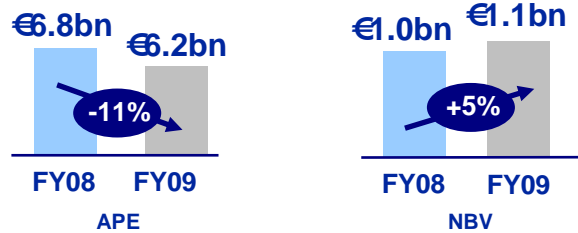


## 2009 take-aways

Strong underlying earnings rebound

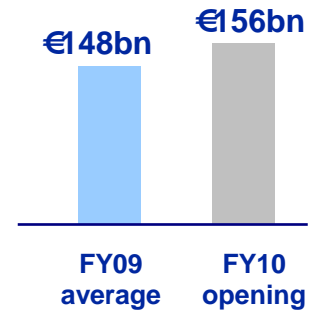


Higher NBV despite volume drop

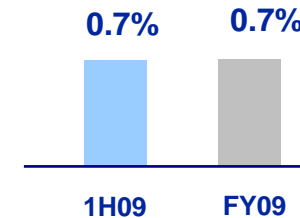


## 2010 prospects

Unit linked:  
Higher average AUM



General account:  
Stabilizing margins



Improved momentum

Variable Annuities daily applications up double digit vs December

Risk appetite coming back /drastically reduced volatility



Positive expense leverage on the upside

# P&C momentum

We have reached the bottom of the cycle



## 2009 take-aways

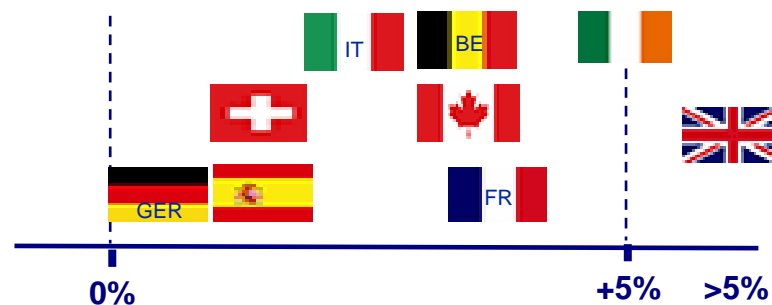
- **Combined ratio at 99%:**
  - Within guidance despite unfavorable economic cycle and natural events
- **Strong and stable level of reserves at 187%**
- **Already 0.5pt positive impact from 2009 price increase**

## 2010 prospects

- ➔ **2 to 3 points impact from price increases (2009 & 2010)**
- ➔ **Cost savings through claims handling program**
- ➔ **Natural events, claims frequency**
- ➔ **Level of prior year reserve developments**

## Focus on individual motor by country

(35% of total business)



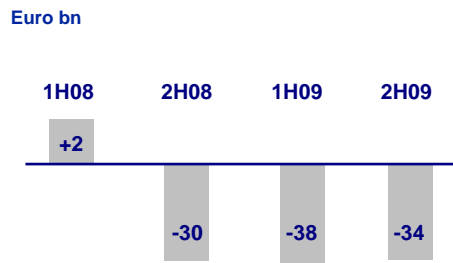
# Asset management momentum

Business geared to benefit from market upturn



## 2009 take-aways

Continued net outflows...



...but improved investment performance



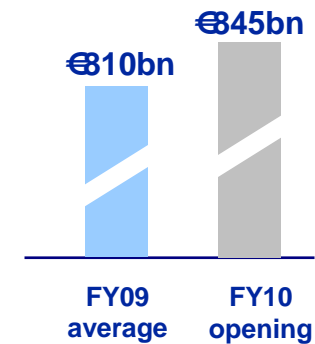
Strong positive Alpha in 2009 for value and fixed income  
Below benchmark for growth



Strong positive Alpha in 2009 for fixed income, AXA Framlington, hedge funds and structured finance  
Below benchmark at AXA Rosenberg

## 2010 prospects

Higher AUM

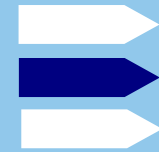


Positive leverage effect

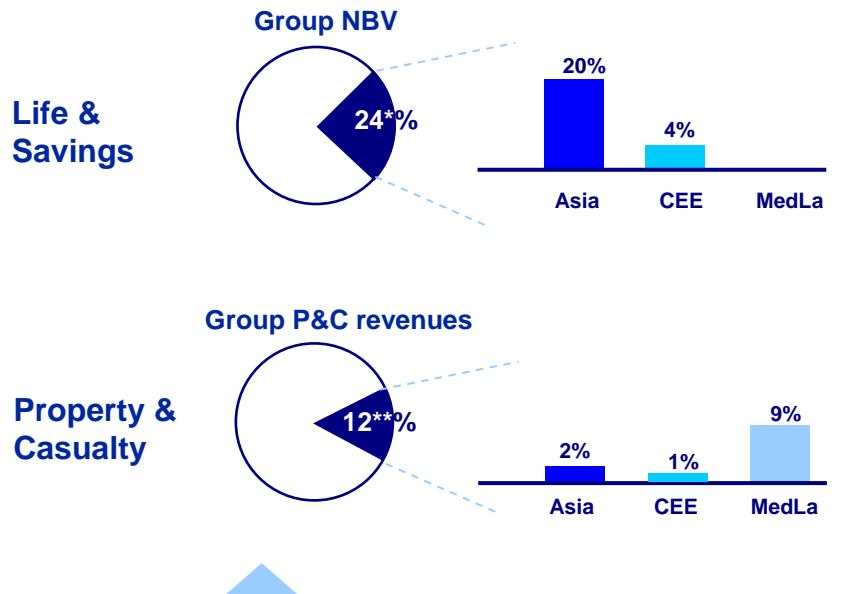
- ✓ Reduced expense base
- ✓ New revenue sources at AllianceBernstein



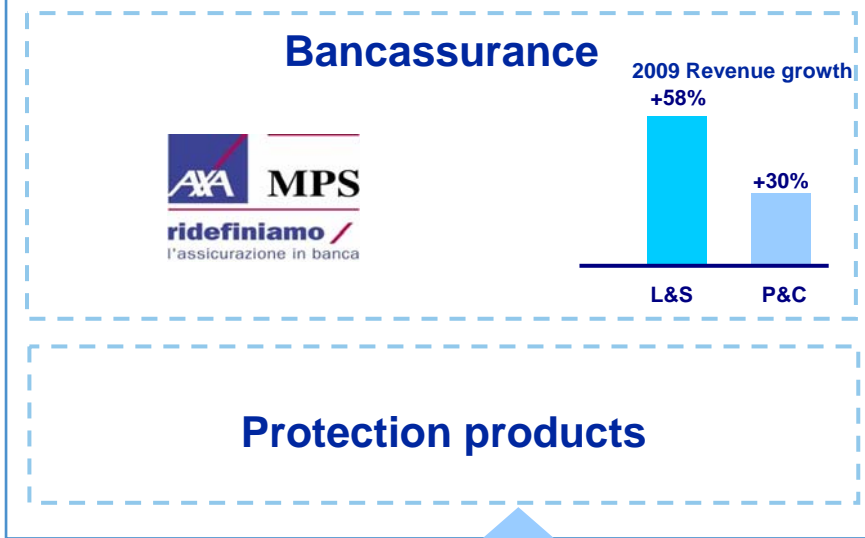
# AXA's sources of growth



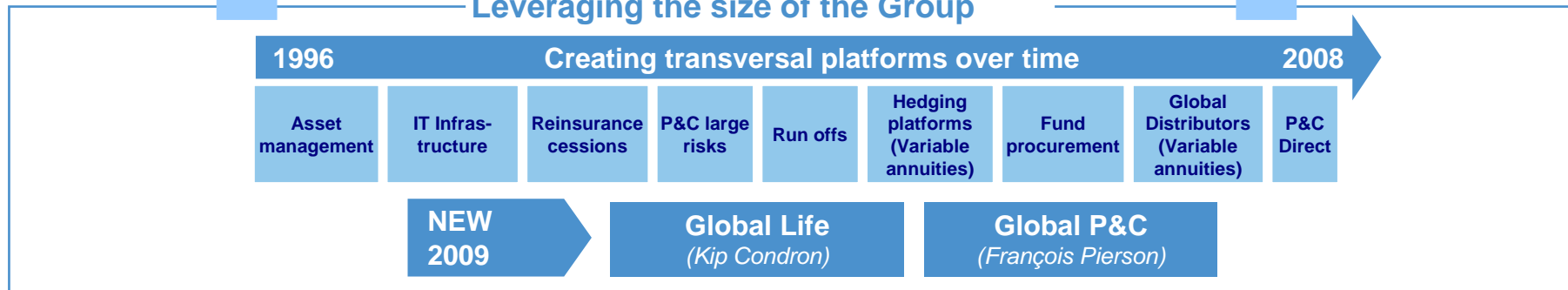
## Increased exposure to high growth markets



## Mature markets: distribution expansion and enlarged product range



## Leveraging the size of the Group



\* Proforma including 9pts from announced transaction such as minority buyout in Central & Eastern Europe and AXA APH transaction if successful

\*\* Including 36.7% Reso Garantia share accounted in equity method



# Solvency II

## Timetable & Process



### Timetable

**January 2010**

CEIOPS advice on level II implementation to European Commission

Ongoing informal discussions & consultation with Member States (EIOPC) and the industry led by the European Commission

**June 2010**

Commission to issue final technical specifications for QIS5 test based on CEIOPS advice and consultation with the industry

**Aug-Nov 2010**

QIS5 exercise in which a number of options will be tested

**End of 2010**

European Commission to propose formal implementing measures

**2011**

Discussions with Member states and the European parliament

**End of 2011**

Adoption of the implementing measures by the Commission

### Process



# Solvency II

Achieving the right balance in line with the framework directive



1 year VaR at 99.5% (1/200 years)

$$\text{Solvency II ratio} = \frac{\text{“AFR”}}{\text{“SCR”}}$$

“AFR”

Liability discount rate  
(Liquidity premium in stressed market)

Hybrids (grandfathering)

VIF

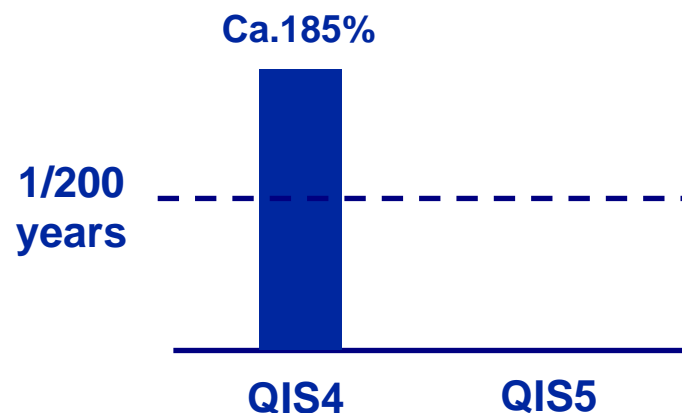
“SCR”

Operational risks

Insurance risk  
Calibration

Investment risk  
Calibration

85% excess above 1/200 years scenario in QIS4 (at year end 2009)



*“A recent study by Standard & Poors indicated that if the proposals from CEIOPS were to be adopted, the insurance industry would face an increase in capital requirements compared with QIS 4 of 70%. That is clearly not acceptable. The Commission will see to it that the implementing measures are fully in line with the Solvency II Directive adopted last year and that the capital requirements are not set at an unreasonable level.”*

**Karel Van Hulle (head of Insurance and Pensions, European Commission)**

# Solvency II

A positive outcome for the industry & AXA



## There are no good reasons to anticipate forced capital increases for the sector as a whole

- ✓ Insurers are not banks  
No liquidity issue, assets at fair value, no forced capital increases
- ✓ European Commission showing some encouraging signs
- ✓ We expect favorable review of certain assumptions  
Liquidity premium, grandfathering, future profits as Tier 1, economic calibrations...

## Solvency II principles are favorable to the industry

- ✓ Higher consistency & transparency  
Rating agencies, regulators and companies using the same metrics
- ✓ Better risk management discipline  
Impacting day to day decisions on ALM, pricing underwriting & reserving

## Solvency II principles are favorable to AXA

- ✓ Recognition of AXA's strong diversification benefits
- ✓ AXA's business is already based on a well developed internal economic model
- ✓ Confirmation of AXA's focus on unit-linked & protection products

# Table

■ 2009 key highlights

■ Today's questions

■ Conclusion

# Conclusion

## Confirmation of AXA's business model

### 2009 financial performance

- Resilient activity
- Solid earnings
- Increased balance sheet strength
- Strong rebound in dividend and EV

## AXA has the means to differentiate in the current environment

### 2010 trends

- Earnings capacity rebuilt
- Capitalising on growth opportunities
- Leveraging the size of the Group
- Benefiting from Solvency II