Company Participants

- Andrew Wallace-Barnett, Senior Vice President & Head-Investor Relations
- Denis Pierre Marie Duverne, Director & Deputy Chief Executive Officer
- Gérald Harlin, Group Chief Financial Officer
- Henri de Castries, Chairman & Chief Executive Officer
- Paul Evans, Chief Executive Officer

Other Participants

- Andrew J. Crean, Analyst
- Andy Hughes, Analyst
- Blair T. Stewart, Analyst
- James A. Shuck, Analyst
- Jon M. Hocking, Analyst
- Nick Holmes, Analyst
- Peter D. Eliot, Analyst

MANAGEMENT DISCUSSION SECTION

Andrew Wallace-Barnett {BIO 18671460 <GO>}

Shall we start? Okay. So welcome to AXA's half year 2015 earnings presentation. For those of you who are watching us on the webcast, welcome. For those of you who are online, listening on the telephone, welcome. And for those of you here in the room, of course, warm welcome as well. Of course, we have in the room, Henri de Castries; Denis Duverne and Gérald Harlin. And it's my pleasure to introduce Henri.

Henri de Castries {BIO 1439683 <GO>}

Thanks, Andrew. Good afternoon, everybody. Pleasure to be here again and especially to present a strong set of results. We are going to share the presentation with Denis and Gérald. So what I want to say as an introduction is that when we look at these earnings, the way we see them is first, strong earnings growth per share on an underlying and an adjusted basis, which I think you understand is important for a number of things.

Second point, a very strong solvency ratio. A lot of people are thinking about Solvency II, what is it going to change and so on and so forth. I think you can see there that we are well prepared, well capitalized.

Third point, we are coming toward the end of Ambition AXA, and this set of numbers is showing very clearly that we will reach the targets which we had set five years ago, and they were demanding targets. And the story will not stop there, we'll come back to that later.

Last point and probably a very important one for you, if you look at where is the growth, where are the earnings coming from, I think it's showing the resilience and the diversification of the AXA model, because it's coming both from mature and high-growth markets. It's also starting to come in some of the growth from the digital initiatives we are taking.

So let's come back to some of these numbers. Underlying earnings growth 12% reported, 2% on a constant basis. The currency effects have been negative for years. Now, at least for one semester, they are positive, let's enjoy them.

If you look at the earnings on a comparable basis, the growth, of course, is lower; doesn't mean that we don't think we have some resources for the future. If you look at the underlying earnings per share and at the adjusted earnings per share, as I say, double-digit growth, I think this bodes well for the dividend at the end of the year.

Solvency, the solvency ratio, because of the movements in interest rates, was down in the first quarter when compared to the end of the year. Now, with the evolution of the rates plus the, I would say, accumulation of earnings, we are 215% at the end of the first half, which means once more that we are well prepared. On the internal model approval process, we are pretty relaxed, and we think that we will get the approval pretty soon.

We will share with you, our capital management framework at the next Analysts Conference in December 2015. And you will see that we have pretty clear views on that. We are, as I said, very well positioned to deliver Ambition AXA at the end of the year. We've taken there some of the – I mean, four of the key indicators, underlying earnings per share growth since the beginning. We are on track. Operating free cash flows, we will reach the €24 billion.

Return on equity, we will be conformly within the 13%, 15% range. You know that always, for the first half, the return on equity is slightly higher than for the second half. And we are this year, again, above 16%. And on the debt gearing front, we are at the bottom end of the range we had decided to determine.

A couple of additional points on where do we stand in terms of operational model. One of the important things you have to have in mind is the evolution of the business mix. If I look at the Life & Savings business, the first good thing is that APEs are growing; growing at 5% on a constant basis, 16% on a reported basis.

They are growing and the shift in mix is continuing. General Account products are only representing now 12% of the total of the sales. It's important to have in mind because it shows that we are well positioned to resist any further period of low, long-term interest rates, because we've been able to increase the Unit-Linked proportion, to increase Health & Protection.

So continued diversification of the mix with an NBV which has been going at 5% on a constant basis, meaning that the margins are preserved.

On the P&C side, slightly more attention, and you won't be surprised by that. It's tougher to grow the revenue in this environment on a constant basis because we cannot expect as much as before from the pricing cycle. There are more competitive pressures in some markets, but nevertheless, we grow even if it's modestly, and we grow at a level of combined ratio which keeps improving.

The currency of combined ratio is slightly below 97% and the all year combined ratio is better. Denis will explain you, the favorable impact the natural catastrophes had during the first half, but this is not the only reason for the satisfactory performance.

In Asset Management, this is one of the thing I think good and strong elements of the quarter. The two entities AB and AXA IM have solidly positive inflows, one more than the other. I mean, AXA IM is delivering a very, very strong performance for this half year.

So the Asset Management earnings are progressing because of the growth of assets, but also because of the – due to market FX, but also due to these very positive inflows. It's a reflection of a combination of two things, good investment performance and a stronger distribution footprint, even if we think that there – some progress remains to be done.

Cost savings, it's another element of the Ambition AXA plans. We will comfortably reach the €1.9 billion we had set up as a revised ambition for this plan at the end of the year, having achieved €200 million during the first half. So, overall, three sources of growth, mature markets, and you can see that quarter-after-quarter, the efficiency of the capital allocation there is bearing fruit.

High growth market with a focus on profitability, but also some disciplined capital reallocation. We have completed some acquisitions over the first half of the year, which are positioning us pretty well for the future.

Last but not least, the digital transformation of the group. The combination of the use of digital and the distribution on service side and big data on the underwriting side is, I think, something where we need to continue to push because we see there, the opportunity to create a competitive advantage for the group going forward.

It's, of course, unavoidable. But the sooner you embrace it, the more efficient you are going to be going forward. If I want to illustrate with some examples, this story about growth in mature and high growth markets, if you look at the performance we have delivered in Health & Protection and Unit-Linked, the segments where we had decided to focus at the very beginning of this plan, the growth between 2010 and the first half of 2015 had been 8% a year in APEs.

So you see that there, we've been delivering. The – in terms of growth in the mature markets and preparing the future, one illustration is one of the operations we've done this semester with the acquisition of Genworth. Genworth is going to position us better in the Protection side of the business because it's doubling our market share in creditor insurance, positioning us as the third largest player in Europe. So we think these are things we need to do to comfort our competitive advantage in these mature markets.

If we look at high growth markets, the two examples of the Chinese ventures are very telling. If you look first at the life venture with ICBC, since 2010, group share, the growth of the APEs have been 64% a year, which is a pretty decent performance. We have become the first foreign venture in China and we are becoming a sizable Chinese player, and the business is now profitable.

Second thing, AXA Tian Ping, it's a much more recent acquisition, but nevertheless, 20% growth rate in P&C. And we think it's a good platform to do more direct and digital business in China.

Digital, I thought it would be useful to remind you what we've been doing there. What we want to do is to position us embedding these techniques in our value chain at each and every element of this value chain. And here, we've given you some very specific examples of what the Data Innovation Labs are doing to support and develop the business.

On the acquisition front, the – what we are doing here, I mean, audience and consumer value targeting. It's -- I mean, using smart leads, using a better marketing segmentation. Same thing on the selection side, AXA France is having – I mean, developments done for it by the Digital Innovation Lab on the household geo-pricing. It's another example.

On the service, AXA Spain Intelligent bodyshop orientation, and so on and so forth. So what it means is digital is for us, not just words, it's people, it's people working on very precise projects with the goal of making the value chain more efficient and developing the, I would say, the future model of the business. We hope, of course, it's going to bear fruit in the form of better acquisition of customers, better retention because the service will be better and because the products will be better designed.

Digital assets for AXA, very basically and very simplistically, I mean, three attitudes: scout, we need to detect what the emerging trends are; we need to accelerate the digital awareness internally; and there is less and less defensiveness and resistance to that. And for that, we have the AXA Labs, both in San Francisco and in Shanghai, helping us understand what's going on outside, helping us to convince people inside that because it's unavoidable, they should better relax and embrace it.

Second thing, engage, attracting new skill and developing talents, learning, piloting and implementing, it's what the Data Innovation Labs are doing. And I've given you in the previous slide, some very specific examples.

Last but not least, investing. We are, of course, absolutely convinced that we are not going to do everything on our own, that we are not going to be the only ones being successful. But because we scout the landscape, because we see things happening in syntax, we think we are in a good position to invest in some startups, which could be interesting to support our companies, or creating new and disruptive business models close to our sector or in our sector.

And this is the target of AXA Strategic Ventures, which is basically operating in the three key continents. So that's – I mean, the – very clearly, the approach and as you know, the amount of digital investment is now very, very significant within the Group.

We think it's important, we do not neglect the existing business. We do not intend to jeopardize it. But we think you have – we have to be prepared for the future and we prepare it.

And now, I'm going to hand over to Denis, who is going to go into the detail of these numbers.

Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Thank you, Henri, and good afternoon to everyone. So I'll start with the Group earnings. Underlying earnings, on a comparable basis, up 2%. On the Life side, the growth is 2%, thanks to the strong performance of the Unit-Linked business.

The – on the P&C side, the improvement of the combined ratio is offset by lower investment income across the board. Asset Management had a growth of 6%, which represents both higher average AUM, but also margin expansion at our asset managers, which are growing their revenue base faster than their cost base.

International insurance is down 11%, again, lower investment income, but also a slightly higher loss ratio at AXA Corporate Solutions. All-in-all, a good performance at plus 2%.

On the adjusted earnings, the growth is 3%. It's a reflection of the growth of the underlying earnings and a slightly stronger level of realized capital gains at €382 million. We are not changing the guidance for the full year, which is €300 million to €500 million per annum. We'll probably be closer to the upper end of the range than to the lower end at the end of the year.

Net income was down 7% on a comparable basis, up 2% on a reported basis. We have a negative €411 million on interest rate hedges that do not qualify for hedge accounting. It's mostly the hedges that help us manage the duration of our debts.

The last part of our sub debt is equity from an accounting standpoint, and the hedges for duration purposes are going through the P&L. So the increase in interest rates led to a negative on this element.

On the Life slides now in more details, we had growth of our new business sales of 3% in mature markets. This is - this growth was particularly stronger in Italy with AXA MPS, in France, in Japan and in the U.S. High growth market had a growth of 12% of new business, thanks to Asia for the most part.

In total, the growth of new business was 5%. The margin was stable in mature markets, slightly higher in high growth markets, and - I mean, a little bit higher, 0.2 points overall.

Looking now at the new business sales and margins by sub segments and net flows. We have the same hierarchy of NBV margin between G/A Protection & Health with NBV margin of 54%, Unit-Linked with 31% and G/A Savings at 14%. We continue to stick to our words that we are focusing on Protection & Health and Unit-Linked. You see that the net flows overall have improved from €2.8 billion in the first half of last year to €5.3 billion in the first half of this year. There are positive €5.1 billion in Protection and €1.6 billion in Unit-Linked.

In Unit-Linked, we don't have a repeat of the GMxB buyout in the U.S., and therefore, we have benefited this first half of stronger flows, and we'll continue to have negative flows in G/A Savings as - I mean, in line with the strategy that we've defined five years ago. One more point on Protection & Health, the growth in APE was only 2%. This is a reflection of stronger growth in France and Asia, offset by negative growth in Switzerland. Again, we continue to, I would say, manage or control the sales of group pension in Switzerland, which is a very capital-intensive business line.

Looking now at the pre-tax earnings by sub component, you see that the growth of - I mean, the growth of earnings was negative in Protection & Health, minus 3%. We had better mortality in France and U.S, but we had an acceleration of DAC amortization in the U.S. because of our investment - change in investment assumptions and a slightly lower investment margin.

G/A Saving was negative 12% because of the non-repeat of a prior reserve development in France last year. Unit-Linked was very strong at plus 32%, both thanks to higher management fees, in line with a higher asset base and higher mortality margin in the U.S.

Moving now to the Property & Casualty side, growth of revenues of 1.4%, 2% on personal lines, with average price increases of 1.9%; 0% in commercial lines with average price increases of 1.8%. This is the reflection of more active pruning, particularly in France with the construction business lines, which had been problematic for us last year.

Looking now in more detail at the price evolution by country and business lines. You see that we've been able to put in significant price increases, again, in most geographies, more strikingly plus 4.6% in commercial lines in France, again, the repricing of our construction portfolio, 4.4% in personal lines in the UK, hardening of rates in the UK personal lines, which is reflected in our numbers.

Going forward, you see on the right hand slide - hand side of the slide that prices are relatively soft across the board with the exception of a hardening in motor in the U.K. And also, slight hardening in Spain on motor. But otherwise, I would say it's going to be more difficult going forward to increase prices if we want to maintain our exposures.

On the revenues and margins by market in P&C, I'm on slide A29. As you see that in mature markets, the growth of revenues was 0% because of the pruning actions I mentioned. We've improved the current year combined ratio by 0.8 point to 96%. High growth market growth of revenues was 4%, 6% in Asia.

We saw a deterioration of the combined ratio to 99.9%, mainly attributable to Turkey and, to a lesser extent, to Mexico. The direct business had a solid growth of 7% and improved its combined ratio by close to a point to 98.8%. Overall, our combined ratio, current year combined ratio improved slightly to 96.9%.

Looking at the development of our combined ratio, you can notice a few elements. The natural catastrophe element is significantly smaller than in the first half of last year at 0.1% against 1.7%. We had the positive price increases that I mentioned earlier. Higher claims severity, so our claim costs have increased and we also had better prior reserve development at 1.8 points against 1.3 last year, translating all in all in 95.1% combined ratio compared to 95.8% last year.

Offsetting, as I mentioned earlier, this better combined ratio, investment income went down 7% with an annualized investment yield of 3.7% against 4.2%. There was an exceptional positive last year in France with exceptional dividends of €67 million which makes the drop more important than it would have been otherwise.

Moving to asset management, you can see that the picture is quite positive with net flows of €28 billion at AXA Investment Managers of which €19 billion from joint ventures in Asia and, of that, €18 billion coming from our joint venture with SPDB in China. The flows other than the joint ventures are still positive €9 billion which is an indication of the strong investment performance and good distribution that we have in AXA IM.

Average AUM excluding the joint ventures have gone up 11% and revenues are up 8%. On AB, net flows are also positive at €7 billion compared to €3 billion last year, average AUM growing by 6% and revenues by 5%. All in all, you see a growth of the earnings in asset management of 6%, 7% at AXA IM, 5% on AB.

Thank you very much for your attention. I now hand over to Gérald for the balance sheet. Thank you.

Gérald Harlin

Thank you, Denis. Good afternoon. So asset allocation didn't change. So that means that roughly speaking, we have 83% in fixed income with 42% in govvies, 33% in corporate bonds. Our investment in listed equities are 4% and alternative investment i.e. private equity and hedge funds is 3%.

We still manage a very long duration 7.7 years in Life & Savings and five years for P&C. I remind you that our duration gap still remains at around one year. You can see at the bottom-right that in Life & Savings, our investment yield is still at 3.7%. But in line with what we presented to you in February, we can expect to have some dilution coming from lower – from investment at a lower rate and in P&C we moved down from 3.1% to 3.7%.

The Inforce book of business starting first with resilient investment margin, our investment margin is moved down by 1 basis point from 79 to 78 basis points in the low end of our range. This is possible due to – just have a look at the left-hand-side. We have a significant spread of the guaranteed rates with investment yield at 3.7% and guaranteed rates at 2.1% giving us some flexibility.

On new business, it's the same feature. That means that we have been reinvesting in life at 2.1% but we are giving guarantee, again an average guarantee of 0.5%, 50 basis points only. It should be mentioned that we are selling only general accounts in association with unit-linked business and mostly, we are dealing here with hybrid sales.

About the investment, we have been investing €28 billion in the first half in fixed income and you can see that its mostly in investment grade credit at 54%. We slightly benefited from the slightly higher spreads and we have been investing 32% in government bonds below investment grade at

10%, representing 10% of this €28 billion correspond mostly to short-term high yield product. You can see on the top right that we have been investing an average 2%, 2.3% in the Eurozone, 2.8% in the U.S., and by definition at lower rates in Japan and Switzerland.

Shareholders' equity went up by €1.7 billion from €65.2 billion to €66.9 billion. And you can see on the right-hand side that the first three movements, the first key elements explain most of the movements starting first with the forex movement because we have lot of our assets which are denominated in other currencies than in euros especially in Swiss francs, in dollars, in British pounds, €3.4 billion positive.

Net income for the period €3.1 billion positive, the change in net unrealized gains was negative minus €2 billion explained by average rates creeping up by 20 basis points and with some slight widening of the spreads and dividends that we paid, the €0.95 that we paid in May, minus €2.3 billion.

Debt gearing, net debt moved up from €13.5 billion to €14.1 billion mostly explained by forex effect and you can see that as explained by Henri before, debt gearing is down from 24% to 23% and the interest coverage improved from 9.9 times to 11.9.

Last on Economic Solvency, our Economic Solvency improved from 201% to 215% and you can see at the bottom of the graph that in the roll-forward that the operating return explains most of the movement and you can expect that, on a quarterly basis, the operating return is between 5 and 6 points. We have some market effects, small market effects - in the 3 points, you have the FX effect. You can see on the top right that we are still sensitive to the interest rates for the rest. For equities, it's less important, same for corporate bonds - for corporate spreads.

I hand over to Henri for the conclusion.

Henri de Castries {BIO 1439683 <GO>}

Thanks, Gérald. The conclusion will be brief. The first point is insisting on continuous delivery and you see that we've been able to deliver profitable growth despite an environment which has not always been easy especially on the life side and that the balance sheet is definitely a strong one.

Second point on the first half earnings, you can see what the benefits of diversification are, including, I mean, the currency effects. In the secondary effect of the diversification, you can see the resilience to low rates. Two years ago, many of your questions were centered around are you going to be able to sustain a protracted period of low interest rates in the life business? And I think we show with the change in the mix, with the margins, with the progress in earnings that, yes, we are.

Solvency II is now nearly a non-event for us. Going forward, I think Ambition AXA is more or less becoming the past. We will focus on the next plan which is going to be presented to you along the end of the first half next year in June. I remain very confident because we have multiple sources of growth.

The model is very well diversified between life and assets management, health and protection, property casualty, the geographies we now have a solid footprint in the emerging countries. And we have optimized operations in the mature countries. And last but not least, I think we have starting to create real digital assets for the group which should in the long run help us support a decent level of growth.

So this is what I wanted to share with you at this stage. I'm sure you'll have plenty of questions. So let's open the floor to questions. Well, good, let's start on this side.

Q&A

Q - Andrew Wallace-Barnett {BIO 18671460 <GO>}

Thank you. Just two. One is on Turkey. I wondered if you can give us some numbers and maybe give an outlook of when it gets better or how much better, I don't know.

And then the other thing is on the DAC amortization. I was just wondering, so this is a leading question, I was wondering whether you'd understated your earnings a little bit. You probably think, well, we never understate earnings. But if the DAC amortization is maybe higher than it would have been, maybe you can give a feel for what's happened there? Thank you.

A - Henri de Castries {BIO 1439683 <GO>}

Thank you very much for this very politely asked question on the conservatism of the DAC amortization. Denis, you want to take the DAC and, Gérald, do you want to take Turkey and the reserving or do you want to take both, I mean do it – you want to do it the other way?

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

I'd rather take Turkey and let DAC to Gérald, if that's okay with you.

A - Henri de Castries {BIO 1439683 <GO>}

Great, okay. Fine. So Turkey is the line.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Not that I'm ducking the most difficult question because I think the Turkey is a difficult case. In Turkey, we have been suffering since 2012 from a change in the courts' decisions on bodily injury claims and we saw an initial trebling of the costs – the indemnification of bodily injury claims in 2012. And we took a significant reserve hit at the time. We increased prices by roughly 50% and we saw the issue was behind us.

We were surprised by two subsequent events, the last one being this year. The first one – I mean, three subsequent events. The first one has been that's – I mean, the courts are further – made further changes in their jurisprudence by asking us to also indemnify the liable drivers. This took place in 2014. And the second one more recently, the government adopted a new – I mean, new terms and conditions for third-party liability contracts which force us to repair the costs to – I would say brand new status after a liability claim.

The third change that we observed was that, as customers can claim eight years back, the proportion of claimants has increased steadily since 2012 and we have been surprised by the proportion of claimants.

We are now at 69% of the proportion of claimants and so we have not reserved for 100%. We are, again, that's a single situation, so it may not be fully the end of the Turkish situation. We have increased prices again this year by 56%.

We believe that the market is still not pricing for the level of claims. We believe that Turkey is an important market for us. We have lost some market share. In 2012, we had 25% market share in third-party liability. We are down to 15%.

We have increased our market share in comprehensive cover to 18%. So we moved from number one position to number two and possibly even number three now. We believe that the market will rationalize at some point but we are not there yet.

A - Henri de Castries {BIO 1439683 <GO>}

Gérald?

A - Gérald Harlin

About DAC, so we had higher DAC amortization in the US which is under life side, mostly corresponding due to the lower interest rate environment. This represents roughly – this represents €80 million. At the same time, I just wanted to remind you that also linked to the very low interest rates we have to amortize VBI, an exceptional amortization of VBI for €43 million in Germany and in Switzerland.

At the same time, we could say and may be you notice that we have to adjust the return to the mean because we moved from 9% to 7% so it's €50 million negative. So if you take €80 million plus €43 million minus, €50 million, that means that we have €77 billion – more than €70 million of, I would say, a negative drag in the earnings which correspond to intangibles.

A - Henri de Castries {BIO 1439683 <GO>}

Let's go the other side for the next question. Blair? Or yeah whoever, I mean, just grab the mic. Okay, good.

Q - Nick Holmes {BIO 3387435 <GO>}

Nick Holmes, Société Gén. A couple of questions on growth, please. The first one is you've talked about a target of 100 million customers in Asia by 2030 and I wondered if – it sounds very exciting. I wondered if you could tell us a little bit more about this in terms of business mix, P&C, life, geographic mix, et cetera?

And the second question is you've achieve 7% CGAR in the AXA Ambition. Wondered if you could tell us your feelings about this. I mean, are you disappointed? Are you pleased with that? And looking forward to the next plan, what feelings do you have about growth? Would 7% seem conservative or not? Thank you.

A - Henri de Castries {BIO 1439683 <GO>}

The wonder of being in Britain for this sort of meeting is that you very politely ask your questions to which you know we are not going to give all the answers because you will have to wait until the analyst conference in June. But to come back to some of your questions, the 100 million in 2030 Asia is a big number but we think is perfectly achievable. Its 15 year from now. We have discussed that at length with Jean-Louis Laurent Josi who is now the head of the Asian operations.

But if you look at the markets we are in, in China, India, Indonesia, the Philippines, Thailand, at Malaysia and Hong-Kong, but if you look at the size of the population, if you look at what are the reasonable assumptions in terms of growth of the middle class, and if you look at what ambitions we can have both on the life and P&C side – front in these markets given the partners we have, if you add to that what we could do with new technologies and some of the my microinsurance fields, then you realize that reaching 100 million clients in Asia 15 years from now is, of course, ambitious but far from being a crazy assumption.

Look at what the growth rate has been on the ICBC ventures since 2010. And this, despite the fact that these were, a) early days in our partnership, so those partners had to learn how to live with each other, b) only with limited access to the ICBC branches.

Just to give an example, look at the Philippines, where I was two weeks ago, more than 100 million inhabitants country, probably the next growth story in the region after Indonesia. We are in partnership with probably the best private bank in the country who, by the way, has exactly the same shareholder as the one who has the Toyota dealership, very probably a significant source of growth.

Look at Indonesia, the partnership with Mandiri, I mean, I think we have positioned ourselves in a way where, given the business mix and given the quality of the partners, we can achieve very significant growth in Asia over the next 15 years.

On your second question, yes, we are satisfied with 7% because since 2010, I wouldn't say that the front has been a quiet one. We've seen a lot of uncertainties and a significant amount of turmoil. We all remember what 2011 was as a year, not a particularly attractive one and we all know what the evolution of interest rates has been over this period.

What we are satisfied with is, if you look at the track record, I think the group is well controlled one. Because despite the turbulences and despite some events which we had not foreseen at the very beginning of the exercise, we've been able to deliver consistently within the range, consistently, which means that, A, the engine is well controlled; B, we have the ability to react if something unexpected happens.

Look back, we won't do it because I don't think it has a lot of meaning but look back at what the microeconomic assumptions were when we started the exercise in 2010, it was certainly not to have interest rates where we are today and it was certainly not to have seen such a subpar growth in most of the developed economies and such turmoil in some of the emerging ones. So, overall, we are within the range and it's a reason for being satisfied.

If I look forward, what is the next plan going to be? Well, I mean, you will discover it in June 2016. And we've been working, I would say, very, very deeply in it over the last two years. I'm pretty confident that this group has the sources of growth it needs for the future and that the diversification play we've been putting in place over the last now 20 years is a good model to face the future.

And I don't think – I mean, forgive me but you know me, I don't think I can say more at this stage. But if you ask me, are we confirming with the fact that we will have an interesting story to tell, the answer is, yes, of course.

Q - Nick Holmes {BIO 3387435 <GO>}

Just a very quick follow-up, if interest rates stay at current levels, would that – how negative would that be for the future growth prospects longer term?

A - Henri de Castries {BIO 1439683 <GO>}

I think we've already given the answer. I mean quarter-after-quarter, semester-after-semester, we have "de-risked" the portfolios. Of course, it's going to have an impact on the inforce. But of course, at the very same time, progressively because of the diversification of the business mix, the future earnings are coming from different sources. So it's something I'm totally relaxed with.

So whoever takes the mic? Yeah.

Q - Jon M. Hocking {BIO 2163183 <GO>}

It's Jon Hocking from Morgan Stanley. I've got three questions please. First on P&C, Denis was talking about the rate environment getting softer. I just wondered if you can comment on where the P&C revenues are versus claims inflation? And with investment income being difficult, is there a chance for the P&C profits, at least on an economic basis, are going backwards in the short-term?

And the second on digital, is it fair to say that most of your digital initiatives are sort of P&C and retail P&C or is this - other things happening on the life side in addition to distribution initiatives? And then finally just on the communication, the next AXA plan, it's drifting from, I think, it was Q1 and Q2 next year, is that in any way linked to Solvency II clarity or such as basically finding a good time in the calendar to communicate?

A - Henri de Castries {BIO 1439683 <GO>}

No. I mean, on the last part of your question, it's pure opportunity. I mean, there is nothing - don't try to find complex reasons behind that. It's because we think it's the right time to communicate. And by the way, I think we will have probably to adjust the very precise date because we have seen that there was the World Cup competition in Paris, the day we were intending to do it. We don't want to make the booking complicate for you.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

I'm sorry. On the Solvency II clarification, we expect to have clarity on the 3rd of December when come to talk to you about our...

A - Henri de Castries {BIO 1439683 <GO>}

Capital.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

...capital position.

A - Henri de Castries {BIO 1439683 <GO>}

Denis or Gérald, I mean, do you want to take the question on P&C claims inflation versus soft evolution of the rates?

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

So maybe I can start. So on the pricing side, you saw that we had price increases of 1.8%, 1.9%. When you look at the appendix to our presentation in the slide B...

A - Gérald Harlin

33

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

B33, thank you, Gérald. B33, we show the impact on P&C of nat cat, price effect, frequency and severity. So you have an impact of frequency and severity combined of two points so more or less in line with the price increases. And I would say that traditionally, when we have less than our fair share of nat cat in the first half, we don't really see it all in the first half. So we expect that we might have a bigger part of natural catastrophes in the second half. So this severity element is probably a little bit overstated.

A - Henri de Castries {BIO 1439683 <GO>}

On the last part - it was not the last, but on the not answered part of your question on the digital initiatives, I wouldn't draw that confusion. I mean, we have taken some examples which are probably mostly on P&C, but I would make the following points. First, when these initiatives are about customers 360 for activation or better activation of the distribution, it relates as well to P&C as to Life or Protection & Health.

And we have a number of initiatives going on there including of course what we do in the U.S. where we have some very interesting things. But I could have mentioned to you things we have been doing in France to identify better the orphan clients as an example which are, of course, I mean, more life clients than P&C clients. So I wouldn't draw the conclusion that it's more biased or it's been seasoned towards Life.

Yeah, let's go to the other side.

Q - Andrew Wallace-Barnett {BIO 18671460 <GO>}

Hi, thank you, two questions. Firstly could you comment on how much risk you see in the short term and then longer term and qualify variable annuity sales because of the Department of Labor changes?

And secondly with Genworth, you mentioned the market position that it gives you, but how confident are you that it's delivering you something strategically that you couldn't have done yourself because you have some of these businesses and how confident are you that quantitatively it's going to deliver the goods?

A - Henri de Castries {BIO 1439683 <GO>}

Yeah, okay. On the DOL thing, yeah?

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

So we have made and this is obviously something that is not final because there is a draft regulation by the Department of Labor and we have to take – we thought that we couldn't leave you totally in the blue on this one. So in our MD&A on page 6, we have made statement which assesses that the impact for us will be depending on how hard we the regulation it says between 10% and 30% of APE because there are – I mean, we don't know yet what the final state of this regulation would be.

Between 10% and 30% of APE in the US which would be 2% to 7% of the group conservative APE for the half year ended on the 30th of June. We believe that if we had this reduction of our APEs, we would have two kinds of offsets. One would be to reduce our expenses. The other one would be to change our business mix to sell more products that are not affected. To give you two examples, our life sales are not affected. It's only our VA sales that are impacted. And within our VA sales, the 403(b) and 457 so the sales to government employees, employees of schools and hospitals, are not affected either.

So that's how we assess the 10% to 30% impact so that's our current assessment of the impact. The impact on earnings would be over an extended period of time obviously and we believe that we have offsetting measures to reduce that impact.

A - Henri de Castries {BIO 1439683 <GO>}

On the general thing, I mean, it's a classical dilemma between organic growth and external growth. In that case, I mean, the attraction for us is quite simple. A, it gives us access to some markets, especially in Northern Europe where we were not expose to this type of risks with a pretty solid and profitable portfolio.

B, there is an expense gain to played because when you double the size of the portfolio, you do not need to double the amount of expenses. And thirdly, I mean, it gives us a new portfolio of clients, with the other way to acquires would have been by being more aggressive commercially and it's – I mean, we gain time. And doubling the market share is going to be make us a very, very solid and visible player. So it's a way to play our scale, so I think it's a very reasonable deal.

A - Gérald Harlin

I would add two points, if I may? So our market share moves from 5 to 9% globally so we become number three in that space. And the second point is that we also have capital synergies because they – we would bring that's new business on our French balance sheet and we would be doing it on a, I would say, more effective capital rate.

A - Henri de Castries {BIO 1439683 <GO>}

Yes?

Q - Andy Hughes {BIO 15036395 <GO>}

Hi, Andy Hughes from Macquarie. I wanted to follow up on the DOL point if I could. You don't see any fall in lapse rate as a result of DOL changes? So my biggest concern of VAs not really sales but the fact that as a result of reduced churn, people will less likely to hand in the row policies, which could have a negative effect lapse rate particularly where you've done buybacks and things like that or even conversion rates into annuities on these products? You don't see any risk from that all in this statement. Thank you.

A - Henri de Castries {BIO 1439683 <GO>}

Yes, we do. Very difficult to assess at this point, and there would be good lapses and bad lapses. So I would say, overall, we would benefit from lower lapses because we will have a higher asset base. We might have to revisit our lapse assumptions on the GMxB part of the portfolio but our portfolio is not just GMxB. We have a significant non-GMxB portfolio which would benefit from lower lapse rates.

Q - Andy Hughes {BIO 15036395 <GO>}

Thank you very much.

A - Henri de Castries {BIO 1439683 <GO>}

Could we go to the other side of the room because, yeah, Blair, yeah. Andrew?

Q - Andrew J. Crean {BIO 16513202 <GO>}

Good afternoon. It's Andrew Crean. Three questions, two fairly, techy ones. One, how do you manage to get a 2.3% reinvestment rate in Eurozone when a third of the money is going into govvies and over half is going into investment grade bonds?

Secondly, you continue with this idea that 75 basis point spread widening on corporate bonds has no effect on your economic capital because you're still using QIS 5. Could you give us some sort of sense as you move to Solvency II the sensitivity of your economic capital to corporate bonds because it's obviously something?

And then thirdly, I think even before you made your statement about no interest in RSA, I think there is general acceptance now of a disciplined approach to M&A from AXA. Your name never mentioned – was mentioned in the frame. Although I suspect you'll turn from a net seller to a net buyer in future years. Could you give us some sort of sense as to within your own earnings capacity, how much year-to-year you're prepared to apply to acquisitions and the debt capacity I suspect?

A - Henri de Castries {BIO 1439683 <GO>}

Thank you, Andrew. Gérald?

A - Gérald Harlin

Yes. Your question is about 2.3% on the Eurozone. First, we have the long duration. Second, as you can see, 54% is invested in investment grade credit and we are investing as singulars. So we have – we are not very far from 100 basis points spread. And at the same time, we have some below investment grade credit. I said that it was short duration high yield. That means that there we have more than 200 basis points spread which even if it's 10%, it's 20 basis points, and it seems it's very short term. That means that it's extremely resilient. That means that we have no delinquency on such type of assets.

So that's it. I would just like to remind you that, in February, we told you that we would invest at 2%. So for the time being, we are pretty in line with what we said and for the time being, we could say that we might be slightly higher but it's a matter of 10 basis points. So we are still – today, we are investing maybe between 2% and 2.10%. That's where we are on average.

A - Henri de Castries {BIO 1439683 <GO>}

On the last part of your question, we will discuss with you our capital model in December. You know already what the numbers are. I mean, look at what you project in terms of earnings, look at what our payout ratio is. I mean, we've said that the payout range was for the time being 40% to 50%. We were at the bottom of the range. We are at the middle, not at the top.

What it means is there are 50% of the earnings today a little more because we are only at 45% payout, approximately 50% of the earnings which we see as been potentially used later to finance organic growth or to possibly finance acquisitions. If we have the feeling that the market is not attractive, this could lead us to change the view we have on the payout. If we have the feeling that the market is attractive, this could lead us to be slightly more aggressive.

But basically, I think we now have the flexibility we need because the leverage ratio is at the bottom of the range and we keep screening the portfolio because there are always things you can sell. I hope you are more confused than before you asked the question.

A - Gérald Harlin

Yes, on your second question that was, Andrew, about the economic solvency and the sensitivity with VAs of corporate spreads, I could say that, what I can tell you is that we – the sensitivity would be more or less the same as the one we show on the slide presented slide on page 40 – A40 and as you can see, we had with corporate spread widening from 75 basis points where we are staying at the same level.

We can expect and with the VA, with the volatility adjuster not we've such type of sensitivity. We are taken – so that means that it would be same. What I can say as well is that the volatility adjuster, we can expect that the sensitivity of interest rates would be higher than what we have today.

Q - Andrew J. Crean {BIO 16513202 <GO>}

Okay. So it's fully insensitive but it would be in certain ranges?

A - Gérald Harlin

No, yes, it's small.

A - Henri de Castries {BIO 1439683 <GO>}

I mean, the last thing I would add on the investment capacity, Andrew, is we would reach to see more capital being used for organic growth because this would mean that the organic growth would become higher. I think we have become more efficient in allocating capital to growth. I mean our growth is less capital intensive than it used to be but we would like to see more organic growth.

Next question, we move back do the other side of the room? Yes?

Q - Andrew Wallace-Barnett {BIO 18671460 <GO>}

Hi, good morning. It's from Nomura. Can I just follow up John's question in terms of granularity, could you tell us what's happening with the rates out from UK and claims of patient in the UK as well?

And secondly it sounds pretty exciting in Asia but in the near-term could you just tell us if this is going to impact from the Chinese market stock market volatility on the ground. I appreciate we're talking about small base but...

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Yeah. Can you repeat your question on UK?

A - Henri de Castries {BIO 1439683 <GO>}

The first question was I understand rates and claims inflation in the UK. Paul, you are well positioned to answer that. You thought you would escape safely from this meeting. Bad luck.

A - Paul Evans {BIO 20793138 <GO>}

Obviously, it varies enormously by line so looking at rates in the UK first, so motor is the area that is seeing great strength. In our first half, we grew our motor account by 15%. Broadly half of that was rate and half was volume. That rate increase in motors has been driven by the increase frequency we've seen both here and in Ireland, in part linked to the economic recovery and lower fuel prices.

So in other words, rate increases are just about keeping pace but a little bit behind so our motor call was about 0.7 points worse in the direct segment this time last year so rate increases are just a bit behind inflation but they're carrying through and will carry through in the second half of the year.

Home rates are quite soft. Soft reinsurance and lower frequency of major weather events in recent years has led to rates in home falling back. Therefore, we shrunk our account back to maintain profitability.

In commercial rates, again, starting to soften in the SME end of the market. You saw earlier rate increases around 1% probably stronger in motor than in property and in liability and that I think our combined ratio average broadly in line, so in other words, we are just mitigating the impact of claims inflation.

Claims inflation across the board is probably highest in motor where we are continuing to see increased levels of personal injury claims but rates are starting to compensate it from the beginning of this year. Does that answer your question or do you need more detail?

Q - Andrew Wallace-Barnett {BIO 18671460 <GO>}

Thank you.

A - Henri de Castries {BIO 1439683 <GO>}

Thanks, Paul, well done.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

On China, as you know we have three businesses, life, P&C, and asset management. On the life side, I don't believe that the impact will be significant because traditionally ICBC AXA is selling a lot of single premium in the first quarter because of the Chinese New Year. It's a tradition in the

Chinese market. All the – I mean, a large part of the single premium sales in the banks are done around Chinese New Year, just ahead of Chinese New Year. And the rest of the year is devoted to regular premium business, which I believe is much less sensitive to our market movements.

On the P&C side, we are sensitive to what's happening in the motor market and you've seen for the first time declining sales of cars. We had a growth of 14% in first half. That may have a negative impact on our growth in the second half. It's too early to tell at this point.

Asset management, we had €18 billion of net inflows in the first half. I believe we had €1.5 billion of outflows in July. It's again too early to say whether this would be a significant. A large part of the sales are of fixed income products to the clients of the banks where I believe this is less sensitive to the market movements. But the equity piece might be affected by the market movements.

Q - Andrew Wallace-Barnett {BIO 18671460 <GO>}

Sir, just to complete the circle, could I also ask what's happening in Indonesia and Malaysia.

A - Henri de Castries {BIO 1439683 <GO>}

What do you want to know about Indonesia and Malaysia?

Q - Andrew Wallace-Barnett {BIO 18671460 <GO>}

In terms of if there has been any flow over given the Asian market volatility in terms of sale on the ground. I appreciate it's very small.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Malaysia is quite small for us. Indonesia is more substantial. We are on track in terms of our plan for Indonesia.

A - Henri de Castries {BIO 1439683 <GO>}

Yeah.

Q - Andy Hughes {BIO 15036395 <GO>}

Sorry, Andy Hughes from Macquarie again. Follow-up question on the economic capital movements in credit spreads. Is the reason you're not very sensitive to credit spreads because all sub investment rate have a short duration? And if the long duration stuff is single A surely the biggest risk is that gets downgraded rather than credit spreads widen. So how should be think about that in context – what is the biggest credit risk really you worry about in terms of the credit market? Is it that some of your single A bonds become non-investment grade, and therefore at that point in time because more of the concern because your long-dated credit spread assets rather short dated ones? Thanks.

A - Gérald Harlin

Equities, first of all, our average corporate bond is single A. I don't see a big – we had been suffering in the first part of the year from the tightening of the spreads and it was going back to the previous questions that means that we had – we invested at low rates. Now we are back to normal, I would say, to what it was back six months ago.

And I don't see really any in the present environment taking into account the macroeconomic outlook, I don't see any big risk. We are investing in BBB single A bonds and that's what we do. Last year, we mentioned that we were investing in loans, the loans market is quite small and we have less opportunity. So that's why we invested in the first half more than 50% in corporate bonds.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

And maybe one additional comment, you are talking about long duration for our corporate bond portfolio as our investment grade corporate bond portfolio. You need to have in mind that to manage our duration, we have – I mean, even though our investment grade corporate bond portfolio has a longer duration than our short-term duration high yield, it's not – we are – the long duration is with sovereigns, and we're managing, I would say, medium-term duration for our corporate bond because it's costing a lot of economic capital to invest in long-dated corporate bonds. So that – I think that's an important point to have in mind in the year, the way we look at our balance sheet.

A - Henri de Castries {BIO 1439683 <GO>}

On this side.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Thanks a lot. Peter Eliot from Berenberg. If I could follow up first on Nick's earlier question, and yeah, a little less polite, sorry, but just to give you an opportunity to – but if I were to play the devil's advocate, looking at the last one year rather than the last five years on the underlying earnings CAGR, then you get the sort of 2% rather than the 7%. Is there anything you would sort of particularly highlight to people looking forward as to why that is the wrong number looking forward? And obviously, we've got the low interest rate environment, et cetera, but just wondered whether you wanted to highlight anything in that, that made that sort of stood out and extraordinary?

And then second question I want to ask was, we've seen a number of positive tax one-offs come through this year and last year. Is there anything you can say on the industry guidance or anything, just on the outlook to those going forward?

A - Henri de Castries {BIO 1439683 <GO>}

Okay. Gérald, do you want to...

A - Gérald Harlin

To answer your last question about the tax one-offs, so, yes, we had a tax one-off last year in the first half, which were slightly higher than this year. On top of my head, we were at €140 million one year ago, we should be at €125 million. So that means that we have €15 million less tax one-off this time than we had one year ago.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

And we intended to have tax one-offs every year as far as I can remember. So we are managing our tax position, I would say, conservatively, and we clear those one-offs when we are at the end of the examination period by the tax authorities. So that's not, I would say, something that is new. As far as the growth trends are concerned, first, you have mixed the per share basis.

So on a earnings per share basis, growth is up 7%, is earnings per share growth, which arguably benefits from the currency impact this year. But before that, without currency effect, we were at 6% compound, so I think we have a good track record.

Secondly, on the more recent period, I would say that on the Life side, there are a number of negative one-offs, rough – a little more than €50 million, which are – which translate into three points of growth of the earnings. So you could look at the Life growth on a normalized basis more as a 5% normalized basis.

P&C, yes, on the P&C side, we'll see whether we can – I mean, I think going forward, our P&C, our performance will need to benefit from both expense efficiencies and – I mean the combination of expense efficiencies, top line growth and underwriting improvement.

It's true that it's going to be more difficult going forward, given the common ratio that we've reached, to have a 5% plus growth in the P&C earnings. But Asset Management is on a very good trend, 6% in this first half and very stronger flows. So I guess that Life and Asset Management should make up for the slower growth of the P&C side.

A - Henri de Castries {BIO 1439683 <GO>}

But if you want us to say that we will have to grow the revenues at a higher pace to have the earnings keep growing fast, I'm confirming in saying that. It's very clear that in the very first years of Ambition AXA, we had to streamline some portfolios and to take out some inefficiencies, which, having been achieved, not anymore there, so we need to grow the revenues. And I'm confident that we are putting in place, the initiatives which are going to help us grow the revenues to grow the earnings. Yes. Blair?

Q - Blair T. Stewart {BIO 4191309 <GO>}

Thank you. Good afternoon. It's Blair Stewart from BofA Merrill. Just a couple left over, really. Denis, you said you were 69% reserved in Turkey. And what would be the impact of going to 100% reserving?

On the DOL, you addressed most of it, and I know it's early days and some guesswork involved clearly, but what lies behind your 10% to 30%? Is it suitability of sales issue? Is it a possibility that some of your distribution disappears in some way, or just any color around that will be helpful.

And thirdly, one acquisition or investment that you haven't talked about is buying your own shares. I think you spent €700 million buying your own shares. Is that something that you look to do going forward as well to mitigate the dilution from the employee share issues? Thank you.

A - Henri de Castries {BIO 1439683 <GO>}

Okay. You want to go ahead with Turkey?

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Yeah, so the first question on Turkey, I have not said that we're 69% reserved. I have said that we...

A - Henri de Castries {BIO 1439683 <GO>}

69%...

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Right now, we are reserved on the basis that 69% of people are claiming. Okay. So moving to 100% will be a big number. I think something like €300 million, €300 million or €400 million on a pre-tax basis, something like that.

Q - Blair T. Stewart {BIO 4191309 <GO>}

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A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Of the whole - basically, 69%...

A - Henri de Castries {BIO 1439683 <GO>}

Of the whole customers who had claimed for the last eight years.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Yes.

A - Henri de Castries {BIO 1439683 <GO>}

So...

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Yes, 69% of the people...

A - Henri de Castries {BIO 1439683 <GO>}

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A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Yes. So it would be a significant number. I don't believe that we'll get to 100% of people that have claimed in the past that have other bodily injury claim, claiming for this suffering, claiming retroactively among the people that have been affected by bodily injury in the last eight years. But, yes, we – this is a significant number.

On the 10% to 30%, I mean, I'm not an expert of the DOL regulation, but there are different gradations of this regulation, and one of them would be to continue to – I mean, the – one of the things that the DOL draft regulation does is to eliminate the Seller's Exemption of the fiduciary duty. So that's probably a big element which would – if this Seller's Exemption is maintained, we would be more towards the 10%; if the Seller's Exemption is removed, we'll be more towards the 30%. And the share buyback, it's a question for you, Henri.

A - Henri de Castries {BIO 1439683 <GO>}

Yes. We've said what we would do. I mean, the – I think it's particularly – I mean it's unchanged. Yes, we intend to neutralize. Yes?

Q - James A. Shuck {BIO 3680082 <GO>}

Thank you. It's James Shuck from UBS. I had three quick questions, please. Firstly, I appreciate you focusing on the bad news, and Ambition 2015, most of the targets seem like they'll be met. But when you look at the detail behind them, it looks like there'll be a number of targets that won't be met or things that should have gone better.

So, I mean, just briefly, I'm kind of thinking about the combined ratio for 2014, which you were targeting below 96%, which, if you normalize for net cash, you'll probably just about do – obviously, interest rates are – we're in a much lower interest rate environment now. So arguably, you should have done a lot more than that to be able to maintain economic earnings.

So could you just clarify a little bit about what you could have done more to achieve the economic earnings at the target level? And linked to that question, the high growth markets, I mean you were looking at improving earnings in high growth markets by a factor of 2.5 times and doubling new business value. Neither of those looks to be met. I mean, I think – one of the things in that also included developing a new territory on the same scale as Hong Kong, and that doesn't look like that was met either.

So could you just comment a little bit about what's gone wrong in high-growth markets outside of Turkey and – which you already spoken about? So that's my first kind of topic of conversation.

Secondly, the general account margin, you're obviously guiding to 70% to 80%, and that's been there for a number of years now.

A - Henri de Castries {BIO 1439683 <GO>}

This is basis points, yeah?

Q - James A. Shuck {BIO 3680082 <GO>}

70, sorry, basis points, yeah. That's been there for a number of years now. If I look out over the coming years, obviously, new money is coming on the books and, two, you've got a running yield at 3.7%. Are you still confident in that 70 basis points to 80 basis points range, or is it likely to be at the bottom end of that or even below it?

And then finally, just my final point, could you just update on where we are with the conversations around the HLA and the globally systemic situation? Thank you.

A - Henri de Castries {BIO 1439683 <GO>}

Yeah, I'll start with your last point. The conversation is going on and to say the least, it's not a very structured one, because the – what we were waiting for was a clarification of what non-traditional, non-insurance activities were and who were the reinsurers on the list.

So far, no answer to any of these two questions coming from the regulators because it's probably slightly difficult to define what non-traditional, non-insurance is, and because we understand that there are some strong discussions between the U.S. and the rest of the world on who should be on the reinsurer list because the U.S. doesn't want to see one name on the list.

So it's – we are waiting for that. And it seems to us that, I would say, it's premature to decide on what an HLA should be before having agreed on what are the non-traditional activities, what are the real names of the list, and what is really, what this actually was supposed to address.

So we will see how it goes. I mean, discussions are continuing. We would wish to see them being, I would say, more structured and testing more real assumptions. It's probably going to be another source of admin work for a significant period of time. What we hope is that we are going to end with something reasonable, because the worst of all systems would be to have something which would not be consistent with Solvency II. You have to have in mind that Solvency II is now going to be enforced very shortly, that it's a very conservative system, and that there is one thing you cannot ask to people leading financial institutions, it's to pilot this animal with two different and inconsistent systems. And there is real risk if the process is not carefully watched to see that happening.

Having said that, whatever is decided will have to be endorsed by the European Commission, mean will have to be transposed. And it's not necessarily a given. So we watch that with a lot of attention. We are very vocal in the debate, and we think that there are still a number of elements where – on which we need to have further information or further clarification before coming to any substantial conclusion. This is for HLA.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

I can take the question...

A - Henri de Castries {BIO 1439683 <GO>}

Do you want to take the question on...

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

I'll take the first question on combined ratio and high growth markets and, Gérald, you take the general accounts margin, if that's okay. So on the combined ratio, so first, over on Ambition AXA, there are a number of targets that we have exceeded. So expense efficiencies, we've moved our target from €1.5 billion into €1.9 billion. One of the reasons for moving it to €1.9 billion was, as you pointed out, the fact that interest rates were lower and the fact that the top line growth was lower because a large part of our footprint is Continental Europe, where we didn't have the growth in the economy that we assumed, which led to a lower premium growth in Continental Europe.

So our reaction was to reduce expenses, and I'm reasonably confident that we will achieve the 96% combined ratio. And I would say, now, we target for our P&C, which is clearly above 15%. So I'm not ashamed about our combined ratio performance in - within Ambition AXA.

High growth markets, you're absolutely right. We have missed our target in high-growth markets, I would say, our organic targets. I would say on the other hand that in terms of our footprint, we have achieved probably more than what we anticipated by being, as we indicated earlier, the number one in - among the foreign insurers in China, both in Life and in P&C. The disappointing territories have been beyond Turkey, Mexico, where our earnings are just a fraction of what we anticipated.

We have seen more competition in the motor side. We are not at the right level of expertise in Health yet, so we have to work further. And our IT, I would say, our IT efficiency is far from perfect. We probably underestimated the difficulty of moving the IT to the adequate level of efficiency.

We've done a lot of cost savings, but if our IT infrastructure was stronger, we would have been able to do more. And the third country where we have seen some disappointments has been the growth of new business in Indonesia.

Our business mix was too much focused on single premium. We are - we have shifted the business mix now to more regular premiums. We are working better and better with our banking partner, Bank Mandiri, but we are behind in terms of the new business growth. Our profitability is there, but our new business growth is not where it should have been. So those are the three places where we are disappointed. Overall, we are quite happy with the evolution of our footprint.

A - Gérald Harlin

About the investment margin, so first of all, I would like to - it's important to keep in mind that in term of general account, we have been - we have negative outflows. So that means that we don't dilute our investment margin, and that's also the reason why we have been quite resilient.

Second, I would say that we mentioned at the - in - at the previous meeting in February that we could expect to have an impact on the investment side from €200 million negative that would be offset by €100 million on the ForEx, so ForEx is far better. We could say that the €200 million is still true. As I said before, it will depend on the evolution of the interest rate. So it could be slightly better. But in the foreseeable future, I don't see why we would go out of the 70 basis point to 80 basis point guidance.

A - Henri de Castries {BIO 1439683 <GO>}

Next question? Yeah, Nick?

Q - Nick Holmes {BIO 3387435 <GO>}

Nick Holmes, Soc Gén. Just a very quick one on Solvency II. Any update on equivalents? The obviously coverage ratio I'm thinking of where you have the highest in the sector at 300%, are those lower? Any likelihood that you will reduce yours, do you think?

A - Henri de Castries {BIO 1439683 <GO>}

No.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Hello? No, I think – yeah, it's a good question. We've told you that we are 300% equivalent to the 100%. We can tell you that we have not been asked, our capital are done on that basis. And we are not privy to the discussion between the supervisors and our peers.

A - Henri de Castries {BIO 1439683 <GO>}

That's it, no?

Q - Nick Holmes {BIO 3387435 <GO>}

Nice and clear. Thank you.

A - Henri de Castries {BIO 1439683 <GO>}

Okay. Do we have any question on the web or – no? Any other question in the room? Yes? First and last.

Q - Nick Holmes {BIO 3387435 <GO>}

Yeah. Well, it's a very easy question. So if you – the capital, the required capital split which you showed at the pie chart, 8% half year for the U.S. and it's 6% at the full year. So it's gone up like 2 points. And if you do the math, and maybe my math is wrong, I'm not guaranteeing it, it's a much bigger rise than you'd expect just for foreign currency. So I just wondered what's happened in the U.S., whether you – it's not a big number goes from €1.6 billion to €2.3 billion, but maybe you've got a number?

A - Gérald Harlin

Look, it's currency. It's a currency effect. I think that the way it works is that the RBC is calculated in dollars, and which means that – seems your reference was on the required capital side. Of course, the dollar is a dollar – the euro weakening and the dollar increasing makes a difference.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Now, the average, I mean it's – end of year, it's probably 18% to 20% difference so – with rounding, and I think it's the right figure.

A - Henri de Castries {BIO 1439683 <GO>}

Okay. Do we have a question?

A - Andrew Wallace-Barnett {BIO 18671460 <GO>}

Yes, we have one question on the web from from Morgan Stanley. It's a question about Asset Management. Will you please comment on the trend regarding revenue growth versus earnings growth for your Asset Management business? Thank you.

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

So my recollection is that revenue growth was 5% and 6%, respectively, and that earnings growth was 6% and 7% for the two asset managers. I said that there was a little bit of margin expansion in both asset managers; a bigger margin expansion at AXA IM than at AB, but margin expansion on both companies.

So as revenues grow more than expenses, we have a margin expansion, which explains the difference.

A - Henri de Castries {BIO 1439683 <GO>}

And the net flows on the application of the assets are only reflected in revenue growth progressively. We all know that. The last question? No? No regrets? Sold.

Thank you very much. Have a good summer.
