Investor Day

Company Participants

- Andrew Wallace-Barnett
- Frédéric Marie de Courtois d'Arcollières
- Gérald Harlin
- Jacques M. de Vaucleroy
- Joerg Arnold
- Mark Pearson
- Matthieu Andre
- Olivier Mariée
- Paul Evans

Other Participants

- Andrew J. Crean
- Farooq Hanif
- François Boissin
- Jon M. Hocking
- Nick Holmes
- Peter D. Eliot

MANAGEMENT DISCUSSION SECTION

Andrew Wallace-Barnett {BIO 18671460 <GO>}

So, good morning. We are going to start on time. I know the later Eurostar is running late. But thanks for those who came on the earlier Eurostar. So we are going to start on time. Welcome – welcome to the 2014 AXA IR Day. Welcome to those of you here in the room. Welcome to those of you following on the webcast.

Just quickly going through the program for this morning. So, we're going to start. Jacques and his team are going to lead us through some information on the Life & Savings business this morning. We promise to include at least 30 minutes of Q&A during this session or at the end of this session. Then we will have lunch and members of the Management Committee will join us for lunch. At 2 o'clock, Denis will lead us through a session covering our two asset management businesses. And then at 3 o'clock we'll have some concluding remarks from Henri, followed by another 30-minute Q&A session.

On the Q&A sessions, I would just ask you to ask questions in the morning related to the morning topics and questions in the afternoon which may, of course, be more general in the afternoon session. We'll give priority to questions coming from people in the room. But of course, we're very happy to receive questions from people on the webcast. So please don't hesitate to send us your questions as well.

One note that I would like to make, and one of the objectives of today is to hear from the businesses directly about some of the fundamentals of AXA's business. And I encourage you – I know there are some big questions out there and we will answer those today, but I would encourage you in the morning session and the afternoon session to think about two questions that I would suggest.

One of them is, how has AXA been able to grow its earnings in line with Ambition AXA even in the context of historical low interest rates and tough macro economic conditions? And why is AXA so confident about continuing to do that? And the second question that I would suggest as we go through the sessions this morning, has AXA, Ambition AXA, been the right strategy for the last years and why is Ambition AXA still relevant?

On that note, I'm going to pass over to Jacques who's going to join me here in the podium to lead us through the morning session.

Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you, Andrew. Good morning, and thank you for being here this morning. I'm very pleased to have the opportunity to give you this short introduction on our Life & Savings business. I will be focusing on three points. The first one is really highlighting the size and the scale of operation at the same time insisting on the importance of a strong footprint in the high-growth market. I would like to come back on our board transformation program. The successful implementation completing alignment with our Ambition AXA program. And then finally, we'd like to very quickly but shortly, but insist on our resilience in the current low interest rate environment.

Many of you know that AXA is one of the largest player in the life insurance side. Clearly, we have a very important position in a lot of different markets. We see this as being very important. You see we have a leadership position in Switzerland and other mature markets, France, for example, and Belgium where we are number three. At the same time, we've also already built significant position in high-growth market which will be very relevant for the future.

Operating free cash flow has been going steadily over the reference period from 2010 until 2013. And we think that this geographic diversification, I was already alluding to, is a very important factor. It's a factor of stability, and it's a factor also of synergies and strength. Important to notice that there is no single country which is bigger than 23% for us, so very important but not dominant and that we have many, I would say, pockets of strength, the U.S., the north of Europe, also Asia Pacific including Japan.

We have put a lot of emphasis on high-growth market and will continue to do so. On the left, you see that we have operations in more than 15 high-growth market. We believe that it is very important that we are very present in some of the largest geographies in these very significant emerging economies. We are also the first foreign life insurance in China with a partnership – through a partnership with ICBC. And we see that – we have put a lot of effort in this and will continue to put a lot of effort in growing this franchise in the future. It has enabled us to have a growing contribution from high-growth markets, both on the volume side as well on the new business side.

High-growth markets are currently representing 16% of the totality of the group and 23% of the new business value. And not as a surprise, consequently, that represent a very important of our profit and steadily growing part of our profit, underlying earnings growth with a CAGR of 26% over the last period and are representing today more than €200 million of profit. So high-growth market, very significant part of what we do and a strong focus for us. We'll not be insisting too much during today about this high-growth market franchise, but it's a very important part of what we do.

Since four years, five years, we've been transforming the business. And we've been doing that in being very careful for responding to the demands of our customer. When you look broadly about where customers are expecting life insurance company to respond to, clearly, healthcare is a very important part of what they are caring about. And so, securing healthcare cost is clearly an important demand that we see.

People continue to be very keen on finding protection for their own family against the loss of the breadwinner that remains very important. And of course, everything in relation with long-term savings with retirement is a very important element for them too. And there, they are looking for a financial protection, and this is consistent over the years, you can say, so nothing new. But clearly, the recent evolution on the interest rate fund are demonstrated also of the need to still have an important upside on the market and the evolution of the equity market.

So anticipating and responding to the demand of our customers, we have developed a strategy which has been built around three main axis. The first one is to actively grow the Protection & Health business. The second one is to restructure our very big general account savings offer. And the third one is continue to work and diversify the Unit-Linked.

As a consequence of this, you see today that Protection & Health is a very important business for us. It represents today 39% of the APE, I'm on the right. And this is a very profitable business NBV margin and IRR on new business are 59% – respectively 59% and 16%.

We've been able to restructure our general account. General account is smaller than what it was four years ago. It represents today 14% of the APE, and we've made it profitable. We're currently in NBV margin and in new business IRR of respectively 11% and 9%.

Unit-Linked have always been very important businesses for us. They represent more than one-third of our APE. They have always been very profitable. It has been consistently the case and it is the case with an NBV margin of 26% and an IRR of 16%.

Mutual funds are a complement of our life insurance offer and continue to be – to represent something a little bit more than 10% of our total APE.

The transformation strategy is not only helping us to respond to the needs of our customers, but we believe it's also helping us to achieve profitable value creation. Our APE have been growing steadily over the period with a CAGR of more than 3%. This is a result of our focus on selective growth. We've been very cautious to not only grow the top line but also grow the underlying earnings and the profitability, as shown by the bottom part, where you see that we've been also able to grow significantly our pre-tax underlying earnings over the period.

This has been the result of a focus on revenues, on profitability, and also on capital. We've been very cautious to improve the productivity of our capital as highlighted by the right part of the slide. You'll see that the internal rate of return on new business has moved from 11% to 14% and the adjusted return on equity has moved from 9% to 12%.

I've not yet spoken a lot about cost, but working on our cost and being able to reduce our expense is a very important part of the program certainly in the mature markets. As part of the origin, Life & Savings was part of the original expense target, cost savings target that we have within Ambition AXA. And as you see, original part of €0.5 billion has now been increased to close to €1 billion to €900 million. This has been – what has been the reason for that? It is that we have been focusing more than what we thought in the beginning on acquisition costs. And acquisition costs have been a central focus on what we have been doing.

As working assumption that we will maintain flat administrative costs during the period and that we want to reduce our acquisition costs. We do that by focusing on different aspects not just the level of commissions but also looking at all type of cost associated with the distribution value chain. Commercial productivity also looking at all kinds of procurement savings that we could be doing.

Third point that I want to highlight is our resilience to the low interest rate environment. Something which is not on the slide that I want to first make sure everybody do not forget is that more than

50% of our earnings are coming for Protection & Health business which is a business which is much less financially sensitive.

When you take our Savings business, why do we believe that we have this resilience? First, we have always had and we are very focused on maintaining a strong ALM discipline. We have a very large book close to €400 billion of General Account investment asset. We have a long fixed income asset duration of over seven years with a duration gap that we continuously maintain around one year. And we are very focusing in finding the best possible investment rate. And until now, this is something that we've been able to do.

What we're presenting to you today is a new sensitivity. It's a sensitivity that we have been building over the next five years. We have been looking at the following assumption. We'll be taking a scenario of flat reinvestment of all rates for the next five years. We've also taken as a scenario that we have no growth in reserve, and we've taken as assumption that this reinvestment rate would be 2.4%.

As a result of that, we would be seeing the Life & Savings underlying earnings in 2019 being approximately €200 million lower than what they are now, meaning that, in fact, we would have been – would have a decrease in underlying earnings of about €40 million per year, year-by-year over this period. We believe that this can be seen as a conservative scenario. And this is showing you that while the current level of interest rate is not a positive for our business, this is something that we can certainly sustain during a certain period.

While this is a short introduction that I wanted to make this morning, highlighting the size of a franchise and the importance of high-growth market, highlighting the fact that we have been transforming and we continue to transform our businesses, taking into consideration the demands from our customers and the expectation of our shareholders. At the same time, we remain comfortable and we are confident in our resilience in this low interest rate environment.

It is now time to move to the core of the presentation, and I would like to call Frédéric de Courtois who is the CEO of Italy and the Global Sponsor for Savings for his presentation on New Business. Thank you.

Frédéric Marie de Courtois d'Arcollières

Thank you, Jacques. Good morning to everybody. As said by Jacques, I'm the CEO of AXA in Italy and I'm the Sponsor of the Savings & Retirement Business for the AXA Group. And I would like to discuss now with you about our Savings & Retirement New Business. And I will start with an important statement. AXA very much believes in the Savings Business. Why so? For many reasons, but I will quote three.

The first one is that this is a fast-growing market, and we will see it later. The second one is that we have a strong franchise. And the third one is that we have good profitability. And if you just look at the internal rate of return of our new business, it has grown from 9% three years ago to 13% now, and it compares well to our cost of capital.

Now, let's look at the agenda. So, together with Joerg, we would like to discuss three main topics with you today. The first one is our franchise and you will see that we probably have the best franchise amongst European-based insurers. When I'm saying franchise, I'm talking about products, I'm talking distribution, and I will come back to this.

The second topic that we will discuss is that we have, over the past three years, radically transformed our new business, growing in the segments where we wanted to grow and not hesitating to decrease the businesses where we have less appetite. Well, it is important to keep in mind that we have executed the strategy with a lot of discipline and we've been successful.

The third topic is that we believe that AXA has the ability to grow its savings business. We have identified three growth segments, group pension, retirement and emerging markets, and you will see that here we have and we believe we have a competitive advantage compared to our peers, but also to asset management companies. And you will see also that the momentum on the three segments is already very good.

This is an illustration of our franchise. So, only a few words on this. This is our global Life& Savings business compared to our peers. You see that we are a leader. We are a leader from the volume point of view, but we're also a leader from the profitability point of view. Even if this is not mentioned here, we also – and we will discuss this later, we also have a growing position in emerging market and especially in Asia.

Let's look at the products now. So this is our product mix, and please first note that we have included in this product mix, protection with savings. Why have we done this? Because in fact this is the way that savings products are usually sold in emerging markets. So we find it would be consistent to include this savings business in the global presentation.

You see on the left side that, of course, we have an extremely diversified mix of business but more important you will note that the general account business which was 25% a few years ago is now only 14% of our new business.

On the right side, you see market forecast. These are market forecasts, but very interesting because – these are market forecasts for the savings business because they explained that this is the first reason why we very much believe in this business. This business – this market has grown a lot over the past years despite the crisis. And we believe and experts believe that it will continue to be so over the next years. Why so? Because it will be so in emerging markets, and we see it every day because of economy growth but it will be so also in mature market because of retirement needs.

A few words on distribution. So, we have, as you know, a strong market presence in all distribution channels and of course channel mix depends on local market specificities, but we are particularly proud of our proprietary workforce. This proprietary workforce is one of the reasons why we have been able to change very efficiently our product mix over the past three to four years.

I will also like to point out that yes, we have specialized workforce and sales force on Life & Savings, but we also have a huge generalist and, let's say, P&C sales force. And we didn't – we've been able over the past years to build business models which cross-sell efficiently the Life & Savings – the savings business in generalist or P&C channels.

And this is true, of course, in our own channels especially in Europe. And we have developed on these practices, for instance, in Spain and in Switzerland. But we've done this also with external channels, and we've, for instance, developed a very successful model in the U.S., selling pension products through external P&C channels.

We also believe – and this is the bottom part – we also believe that partnership business will develop. And we are extremely proud to have 12 banking partners especially in Asia. And just to name a few, you see here that we have a partnership, a successful partnership with ICBC in China which is the first bank in China. We have a very successful partnership with Mandiri in Indonesia, and Mandiri is the first bank in Indonesia. We have a very successful partnership with Metrobank in the Philippines, and Metrobank is the number two bank in the Philippines. And we also have a very successful partnership with Krung Thai in Thailand, and Krung Thai is the second biggest bank in Thailand.

I cannot avoid, of course, to say few words on digital. And on digital for the savings business, we believe that digital is an enabler for the savings business. As you know, the AXA Group is investing a lot on digital and we are also doing it for the savings business. We're investing in new ways to talk to people, new ways to organize appointments, new education tools, new client service tools, and on all of these, we already have very successful models in the U.S. in France, and in Italy, for instance.

However, we do not see digital as a threat for our Savings & Retirement business. We are extremely convinced that the vast majority of people will need an advisor, will need advice when they invest their savings or when they prepare their retirement. So, digital for us is a strong enabler, a very important enabler, but not a threat.

On products, two main messages. First, on the left side you see that we have a very comprehensive and a well diversified offer, adaptable to client's risk appetite and market conditions. And on these, we've done a lot of market research. What does the market research say? It says that all over the world, people more and more are looking for some kind of protection of the initial investment, plus a potential market – potential upside linked to market conditions, and this is a kind of product we are trying to develop.

I would like – and this is important to highlight that these comprehensive and diversified product trend, and you see it on the right, is something that we have in each and every country. This is something to have, a good idea in one country. This is another one, to have the ability to implement this good idea all around the world. And we are doing this thanks to the AXA assets. These AXA assets, what are they? First, Life & Savings business line which allows us to cross-fertilize products and good ideas.

Then we have, as you know, two in-house asset managers and it helps us when developing products. We have two hedging platforms especially for variable annuities, one in the U.S. and one in Europe. And we also have two multi-manager platforms, one in the U.S. and one in Europe, that is currently being revamped and upgraded.

I'd like to take now one minute to highlight what, according to us, distinguish insurance companies and asset management companies as far as the Savings & Retirement business is concerned. So, first, of course, insurance and Savings & Retirement product are usually long-term product. And as such, they often get tax benefits. But there is much more than that. First, insurance companies are able to provide guarantees. Of course, these guarantees need to be adequately priced. But they are extremely useful with risk-averse clients.

We are also able to bundle life protection riders with savings products. This is something that asset managers cannot do and this is something which is extremely popular in emerging markets. We are also able to bundle annuities with savings products. And this is something which is much more popular now in mature markets. Last but not least, thanks to our two multi-man platforms, we are able to select and to propose to our clients a selection of the best asset managers.

So let's look now at the results. What is the high-level outcome of all what we have done. So, in a nutshell, you see that we have grown the business. You also see that we've grown a lot, the profitability of our Savings business. And you can see from the NBV margin. You can see it on the internal rate of return. You can see it on the payback period. And we've done these over the past three years in a market context of declining interest rates.

You also see that the underlying earnings has grown and it shows that the increase of the margins on the new business has already begun to be partially translated into a growth of the underlying earnings. So how did we achieve this? How did we achieve this improved profitability? So we've achieved this through an improved mix on one hand and improved margin in each of our business lines.

So, to say a few words about the mix, in fact, what we have done is may seem quite simple. First, we've been able to manage to focus the management of our local companies on free cash flow, and it has worked. Then we've been able to focus the sales force of our local companies on the product mix we want. And we've done this through product design of course, but we've done this also through a systematic review of the training program and the incentive schemes of our sales force. And we've seen that they had been extremely reactive and especially our proprietary workforce.

If we look on the right part at the various categories of products, you see that we've been decreasing voluntarily the general account products quite aggressively. And we have strongly improved the margins of this category of products. And I will explain how. For the VA, we've achieved stable volumes, and we've also significantly improved margins. For Unit-Linked, different story. We already had very satisfactory margins but - and we have focused on the improvement of volumes. You will see strong improvement of volumes and more or less stable margins.

So let's look now at the redesign of our products. So, first on general account, so in general account, we focus basically on two things: first, decreasing the guaranteed interest rate of our general account products, and you see here the result. And we can say that more or less today, most of the production we have has no guaranteed interest rate, has a zero guaranteed interest rate.

The second measure that we have implemented is increasing the share of Unit-Linked products, which is in our multi-line offers. You know that we are selling a lot of multi-line products for general account and Unit-Linked. This is true in France, but this is true in many other countries. And we have strongly increased the Unit-Linked share. And I'm sure that AXA France will explain to you how they've done it, but we've done it in each and every country. And I can safely say that today, we very rarely sell pure general account products.

On VA, of course, there have been a few difficult years for VAs. But I would say that globally and compared to the market, we've gone through the crisis relatively well, and we've learned from the crisis. So we have derisked our products. First, we focused on decreasing the biggest risk through the choice of the funds and we now mainly focus on passive funds. And then we focused on decreasing the interest rate risk, and this is especially true in the U.S. where we've been the first to launch this VA based on floating rates. I would add that in some countries where competition was too difficult or for various reasons, we've not hesitated to stop the business for VAs.

On the Unit-Linked, we've improved the competitiveness of our product range, thanks, as I say, to the support of our multi-line platforms. But we've also been able to launch very appealing structured products. So, structured products are - and we've done it in France, in the U.S., in Italy - structured products are products which provide - we'll recognize my point on the market research we have done which provide both the protection of the initial investment and an upside link to financial markets.

So you could argue on this that building this kind of structured products is more and more difficult because of low interest rate environment. And this is absolutely true. However, we've seen over the past few months that client now accepts to have a protection which is less than 100% of their initial investment. We've launched this kind of product in Asia, we've launched this kind of product in Italy, so with the protection of the initial investment of 80% or 90% and we see that these products continue to sell extremely well.

So I would like now to conclude my speech saying that over the past two years we have achieved what we wanted to do. First, we wanted to grow margins and we wanted to grow free cash flows, and we have achieved these focusing on relatively light capital requirement products. What we have also achieved and Joerg will discuss this, is that we've been able to strongly grow in the three segments that I have discussed and there is more to come.

And now I hand over to Joerg. Thank you.

Joerg Arnold {BIO 20098738 <GO>}

Good morning, everybody. Let me briefly introduce myself. My name is Joerg Arnold. I'm the Global Head of Savings & Retirement here at group level. And prior to that, I worked at AXA Germany on the life and the health business. So Frédéric mentioned that we have that area of growth where we think growth was meaningful and profitable for us, and eventually you ask the questions where are the figures behind these growth areas. And I want to show them to you on the next slide.

As you see, here it is, you see four areas around the globe. One is in the U.S retirement business. We are offering there as you see a growth rate of 17% over the last four years. Then going to Europe, the Unit-Linked business, was already mentioned by Frédéric, growth rate of 11%. And the group pension business inside France grew by 22%.

Last but not least, the high-growth markets especially here, the Asian region grew by 16%. What I think is very important to mention – and you'll find that on the bottom of these boxes – is that three out of four growth areas came with improved profitability. So one message is very clear and that is that we grow the business not at any price, but only in the areas where we think growth make sense and in the end leads to some profits. So I want to talk now a bit more about the positive momentum we have on these several growth opportunities.

And I want to do that with a little grit on – which describes to you the Savings business and you'll find on the top of this slide the three phases of Savings business. Accumulation business, where people instead of consuming in younger years put some money on the side. Then the Investment business, when people get to access liquidity, when they receive bonuses and payments like this then they're looking for investment opportunities. And then after going to retirement, they've piled up capital and they are looking for the decumulation solutions. In the circles you'll see how many percent of our 2013 APE is coming from the different phases.

First phase I want to talk about is accumulation in mature markets. You see that the split between individual business and group business is almost 50/50. And there is a clear trend behind it which is that states are just growing from their duty to provide a pension and to incentivize the corporate sector to put up some efficient plan for the employees to offer them a chance to accumulate money. We think that with our footprint and that with our size of that business already, we are well-prepared to take more of this growth opportunity and to serve on this trend.

Then second, you have the decumulation business, and I mean you see the population tree here on the left side. I mean it's obvious that with the baby boomers approaching retirement age, that there is more and more demand for income solutions. That is one trend. But there is another opportunity inside of our books that is the rate with which we are getting investment clients to the decumulation space. It's in the moment below 15%. So, the retention rate is below 15%, and we think we can do better at that. And we have a chance to catch some of the growth momentum just by doing a better job on converting these clients

Third trend, high growth markets. I mean, again, population development, obvious that there are more people asking for accumulation solutions, but what we think as well is that it's an emerging middle class which comes to the affluent space and which then will look to investment business. As you see, the investment business is only in the smaller size today, but if you compare it with the mature markets, then it's clear in which direction this world will develop. So, three growth opportunities and we are convinced that we can take some of them and that we are prepared to do so.

So, on the next slide, you'll find some figures behind the trends I've described. I don't want to go in it. It's the withdrawal of states. It's ageing population in the mature market, and then in the high-growth markets, the above-average GDP growth rate and this emerging middle class. So it's more for your reading. And I want to focus now on these three opportunities, and I would like to start with group pension business.

I can describe it very good with what we are doing in France. And you see here the growth figures are of the last four years. I mean, this business requires size and efficiency. And it's clear that we have in France a leading position so we can deliver that to the corporate world. Then second, it's very important to have this grip into the corporate world to have your distribution, to have your relationships to corporate that you can walk in your products and your offers. And then third, its ability to offer hybrid solution, so to combine in a smart way GA products, UL products, and protection riders. That drives up profitability. What we want to show you are some selected strategic initiatives we are working on right in the moment. And I want to start with France where we are targeting for multinational corporations.

Just one second. If you take the CAC 40 Index in France, then two-third out of these customers – out of these companies are already our customers on the group business. And what I think is one of our strength is that we have a good footprint in Property & Casualty as well. If you include that, then 91% of the companies in the CAC 40 are our clients. So there we have a chance to work on and we are doing so. So we want to really line up with our corporate clients and go with them abroad and offer them pension solutions for the activities in other countries and we can leverage our worldwide setup there very well.

Switzerland is in the moment a transition. We are targeting much more for the semi-autonomous space. So we want to shrink a bit on the full insurance solution space and go in the semi-autonomous space for mid-sized companies where it's much more about getting some guarantees but getting upside for your employees as well. And with our very strong distribution footprint and our good relations into the corporate world, we think we have a very good chance to capture more of this profitable business. So, it's – in every growth area, it's always a question, do we want growth and for which price we are getting it.

Belgium shows a different aspect of group business because when group customers receives their capital, then you have a chance to offer them individual solutions. And Belgium is building up a sales force which is just concentrating on going into the corporate clients and then bring our offers to the employee level.

Last but not least, the U.S. is number one insurer in the teachers business in primary schools and high schools, and we want to leverage this position into the municipal institutions business, and into the SME corporate world as well. So, group pension, it's about efficiency, it's about size, it's about solidity, and we think as one of the biggest European players, we are well-prepared to take this growth.

Second, let me talk about retirement and briefly, I want to touch AXA U.S. Mark will give us a speech on AXA U.S. later. But you can see at AXA U.S. what is necessary to do that business successfully. It's a very flexible innovative product range. And by the way, these products are – if you take the savings world of AXA, these are the profit – the products with the highest profitability anywhere.

And then we have a retirement-dedicated propriety network; we have a matching wholesaling channel which walks in our product, which is very important; and last but not least, we have this customer base we can go into and offer our solutions to get this across an upselling business out of that.

So what we did on a global level is we spend the last 12 months on really defining our path into the retirement space or to strengthen our footprint there. And we spent some energy into talking to our customers. And what you clearly get out of these customer focus groups is that they are – they have a lot of demand. So they are looking for a solid investment opportunity. They have some needs for protection on health issues. But they are very critical because they know with no fresh liquidity flowing in that if they do something wrong then they take this error until the rest of their life. And so it's – they are looking for trustworthy advice.

And that is exactly where we think we can come in because we are able to work on all of these different areas of business. I want to mention five. First, distribution, we have a project in almost any – every mature entity on that topic. But I think it's very telling if you look in what AXA U.S. is doing in the moment. They have built up corporations with big P&C companies in the U.S., and they are now walking in our products, our retirement expertise into this big customer base of some P&C competitors in the U.S.

So what you see is that it is not a no-brainer to do that business. You need the expertise and some companies decide to get this expertise into their own setup because they don't want to build this up themselves. Then it's a lot about products. People approaching retirement are not just about preparing for the rest of their life. They go into a phase of active retirement and they have a lot of projects to work on, travelling, going to university again, moving home, and, and, and. And it's really – you need to bring a product which serves income for this phase of active retirement and cover the protection needs as well.

So Belgium is working on that, AXA France is working on that. And by the way, we will have the first launches next year and the Belgium product is within – above 40% NBV value factor as well. So we can really offer you some very comprehensive, very valuable solutions for the clients, which brings us profitability at the same time.

Then it's about serving clients around trigger events. So there are some events in a customer's life where they start to think about protecting or organizing their retirement phase like bringing your parents to long-term care or inheritance questions. And that is exactly what I want to mention out of AXA Japan because they have a good expertise in inheritance questions. And they are now offering seminars for clients, where they bring in this kind of insight. And out of that, they take with the 20% conversion rate this people into our offers for the retirement age.

And that's the first point. We don't think that it is a smart to do it just for our self. We are lining up with partners. We are looking in the local markets for this and building it together with expertise on other areas.

Last but not least, about digital. Italy is a very good example. We have launched a platform where we offer education and we are really fast-growing in leads we are getting out of these education platforms. And we have a good rate of bringing these leads to customers later. So education on retirement topics is a very important area for us as well. So retirement is not just that you bought a plane, fly over and get to the World Cup. It's really a long road to travel and I think that we like in the retirement business that it's challenged us on different aspects and that we think we have all the expertise to deliver this more complex business because we think it really lies in our nature.

Then, last but not least, let me conclude with Agent. And Thailand shows you what this business is about. Again, it's about manufacturing. I mean, if you look into these emerging markets, it's very simple to offer some cheap, short-term pure savings solutions. So you will catch a lot of pros with it. But the question is, do you have later the profit out of it. And we are looking for these bundles and Frédéric pointed it out, we are very successful in doing so. Then it's about distribution reach. We have a good proprietary network and in Thailand, we are lined up with Krungthai, the second biggest bank and it's about bringing productivity to these distributors.

One of the areas we're working in, four areas I want to point out as examples. One, it's about working on our sales forces to move up this productivity. Let's talk about Indonesia. We have 12,000 agents in Indonesia. By now, 10% are really productive. So we have big leverage to bring these agents to a very professional set up and to get more business by improving them.

Then, if you talk about products, you see that we have different product setups in the different countries. In Thailand, it's more a GA-based business with protection riders. Indonesia is much more now in the world of structural products with the UL core in it. And Hong Kong shows you that even in emerging markets, you have to adapt by regulatory constraints. We are now bringing our portfolio more to a GA-UL mix set up as we add more protection riders to the UL offers.

Third is digitalization. If you want to catch the emerging middle class, then you have to stay in touch with the clients. And we think digital is a good way to do so. Thailand is working on that. And last but not least, bancassurance, we think is another good way to do more investment business in the future.

Just take one or two figures out of our setup in China. ICBC has 400 million clients already. And out of these 400 million clients, 500,000 own a savings plan with AXA. So we think we have a very good chance to catch more of the growth in the emerging market and in China, of course, as well. So it's about bringing in the harvest. I mean, it's not that you can lay down as the sun shades (51:26) has always worked in the garden, but in the end, we think we can really pick the fruits.

So, to conclude on the speech of Frédéric and myself, we are one of the leading insurance players in Europe and the world. We have a strong manufacturing expertise and a very good and important distribution reach, then we successfully transformed our business and I think that's a value on its own. If you have this ability to adapt to different product setups, that's not easy to build that up especially on the sales side. And we think we have known all weather offer for all different kinds of interest rate environment and we think we have some growth opportunities where we will be really able to catch in the next five years, the growth which is needed to grow our earnings as well.

Thank you very much. And I hand it over now to Paul Evans, our CEO of AXA UK, who will continue with Inforce Management. Paul?

Paul Evans {BIO 20793138 <GO>}

So, good morning, everyone. As Joerg said, my name is Paul Evans. I'm the CEO of our UK and Ireland businesses. And I was previously the CEO of AXA Life, the UK Life & Savings business that was largely sold to Friends Life in 2010. And I'm now additionally the sponsor of the group's Inforce initiative.

Now, I'm going to present an update on the progress we've made with this key initiative over the past three years. And during the later Q&A session, I'll be joined by Matthieu Andre, who is the Global Head of Inforce, and together we'll happily take your questions.

Now, I think we all appreciate the difference between the philosophy of a closed-book operator and an open-book business. The closed book firm will focus resolutely on maximizing the free cash flows and the earnings from the Inforce book, while taking actions to minimize its capital requirements. Having nowhere then to deploy those cash flows, it typically pays dividends.

An open book-like business typically takes the cash flows, which flow naturally from the Inforce book, and focus resolutely on maximizing the value by funding new business strain from profitable new business. Now, my objective today is to demonstrate AXA's unique ability to do both.

We view the Inforce portfolio as a strategic asset, and have organized our teams so that we'll be able to focus resolutely on maximizing the value both from the Inforce book and from new business. While unique, well rather than be constrained by internal measures, we are often to deploy our extensive proprietary distribution networks to engage directly with our customers to create value for our customers and for our shareholders.

So I'm going to run through a number of initiatives, which demonstrate the execution capacity that we built over recent years, and more significantly, I'm going to demonstrate that we're moving to a phase now where the management of the Inforce portfolio is becoming a business activity in its own right. And there are further opportunity exist therefore to enhance on capital as the scope of the activities of that program expands over the entire portfolio.

Now, in June 2011, we announced the launch of the Inforce program because we had a strong belief that the Inforce portfolio was a strategic asset, but it historically received less attention than the new business side of our business. And at the end of last year, AXA have the second largest portfolio of Life & Savings policies in our market and probably the most globally diversified. A total technical reserve of almost €500 billion, representing 50 million customers consuming €27 billion of capital and generating €4.3 billion of cash flows each year and underlying earnings of €2.9 billion.

Together, a portfolio that we value at around €28 billion. Now it goes without saying that even a very small percentage of additional return from such a portfolio could have a material impact in earnings, just one basis point represents almost €50 million. Similarly, with €27 billion of capital allocated to Inforce, you can imagine that the portfolio has a number of strategic choices to increase returns or to reallocate our capital.

Now, if we look back over the past 35 years, then frankly, the only constant in the life of our customer is that the policy that they acquired from us. Around them, life expectancy is increasing, the cost of maintaining your health is increasing while yields have fallen to all time lows.

At the same time, customer behaviors are changing as technology develop to provide new services and ways of doing business. Now we need to adapt to the changing environment. But more importantly, we can help our customers to adapt too.

Customers who acquired savings products from us some years ago may now need health solutions. Those who depend on the income of a breadwinner may now need to protect that income. Those who have seen their returns from guaranteed investments decline and become consumed by inflation may well need the upside of non-guaranteed savings if they are to forward the retirement, but frankly, is now going to be longer than they had first planned.

Now customers can see the world changing around them, but they are less well equipped to react. AXA in contrast is well placed, thanks to its enormous agency distribution network to identify and service those needs. And by doing so, AXA can generate further returns from products that consume less capital, and the traditional products that we sold in the past, whilst also securing the loyalty of our customers.

Now a crucial doctrine to our approach to the management at Inforce is that we protect the interests of our customers. That we treat them fairly, and that we develop win-win proposals to both customers and shareholders.

Now in that spirit of course, it will not always be right for customers to change or complement the products they already have. It depends on their personal needs, on their risk appetite, on their goals, but we are seeing some notable examples where we have found a good trade-off for both parties where customers have chosen to engage with us.

For example in France, for some time now, we've leveraged the tax regime to offer customers the opportunity to move from general account to hybrid solutions, which are a mix of general account and unit linked investments. Over the past four years, more than €2 billion have been converted from general account to hybrid products, reducing the capital consumption whilst offering customers the potential for higher returns.

Over a five-year period, those customers would've seen an additional 260 basis points of return from the unit-linked element. Yes, that element will see greater volatility of return. But over the long term, it should outperform general account in real terms.

In the U.S., many customers have guaranteed benefit products but in some cases have developed an urgent need for liquidity during these difficult economic times. When invited, over 13% of reinforced clients chose to liquidate, they guarantee a product, reducing the capital redeployed against the guarantees whilst meeting those customers' needs. In Switzerland, over 30% of the customers visited with an offer to move to a more modern product, felt it better met their needs with the potential for upside over existing general account returns, again, reducing the capital we allocate to general account whilst offering our customers a higher return expectation.

In Japan, the equipment rate of additional health and protection benefits to existing savings customers had already reached over 30%, better serving customer needs, whilst improving the profitability of those existing customers to AXA. Now, these are just illustrations, illustrations which demonstrate that our customers want to engage with us to adapt the AXA products to current circumstances. And in doing so, AXA typically reduces the capital deployed against older, traditional guarantee product, whilst selling good margin risk products and lower capital consuming unit-linked solutions.

So, what does all this mean? Well in June 2011, we communicated a number of targets for Inforce initiative. Over the period 2015, we plan to increase underlying earnings by €250 million a year, and increase the return on capital by two points to 11%. Now, in fact, we are well on the way to meet or exceed those targets. The additional recurring underlying earnings generated by Inforce actions has already reached €218 million after only three years. And we're clearly on track to meet or exceed return on capital targets even with two years still to go. So how have we done that?

Well, our first priority was to understand our Inforce portfolio which we have segmented into 250 homogenous blocks of business each with reserves of at least €200 million. We can then better understand the capital allocated, the financial returns generated and the opportunity to engage with our customers portfolio by portfolio. And of course, a policy becomes enforced the moment after it is sold. But it is helpful also to consider the different vintages of policy as the longer our product has been on the books, the more we will understand its profitability, its capital efficiency, and of course, its operational cost efficiency. Similarly, the longer the periods in sale, the greater the customer need to reconsider their own position.

Now, they analyze the portfolio, a number of measures become evident to us. The opportunity to reengage with our customer. The need to adapt our products to current financial and market conditions. The opportunity to transform the administrative costs of those products, and of course, the opportunity to accelerate cash flows to the shareholder through financial, engineering or ultimately, through disposal. Each of those steps has taken a different length of time for us to operationalize, so we've realized the greatest benefit from those we could get to (01:02:43) action more quickly. And therefore, there is still much more opportunity still untapped.

So if we take a look then at how those four different responses have produced very, very real results.

In Japan, reengaging with our existing customers has improved surrender and lapse rates by 2.6 points to 6.5%. That's an almost 30% improvement and increases earnings by €23 million a year. It seems simple to say, but that has required a significant cultural change. And once that train has left the station, it is almost unstoppable.

In Belgium, we approach over 0.25 million customers who had invested with us over eight years ago, and almost 15% chose to diversify from pure general account, and around €700 million were switched to hybrid solutions with a 40% unit-linked share, reducing the capital we deploy.

In Italy, we offered liquidity options to 14,000 GMIB customers with a take-up rate in excess of 60%, reducing the guarantee reserves by €120 million and capital by €70 million, allowing customers to lock in a significant investment.

Now, in France, the economic environment has led to a number of employers seeking to reduce the levels of coverage they offer their employees. And during 2014, we've seen success from initiative to remote individual contributions by employees and up-sell additional protection and health coverage to the members of those group life schemes. It is very early days, but that sort of contact strategy is showing very real potential.

Now, of course, the Inforce management approach is also about making tough decisions. In AXA, we put this acuity of our existing customers ahead of the usual objective of driving the top line. As market conditions deteriorated, we move very quickly and ahead of our competitors to cut general account processing rates so as to maintain the investment margin and not put capital at risk. Our top-line focus would have seen allow the margin to fall, but we were disciplined and maintained both reasonable returns for our customers and the necessary return on the capital backing those guarantees.

And if I turn then to administrative expenses, then of course, as time elapses since the launch of a product, the operational efficiency of the solution you designed may not be what you had hoped for or additional automation or lean process management techniques may offer further potential to improve the cost efficiency of those products.

When a product is closed in your business, the opportunity is even greater. By deploying the techniques used by closed book firms or outsources to improve efficiency. Now by way of illustration, our teams in Germany are presently reengineering the processes of just one such portfolio that has reserves of €16 billion, identified opportunities to cut annual expenses by 40% over a five-year horizon.

Now, the methodologies deployed by that team are now being redeployed in other geographies. And finally, having improved the return on capital through Inforce actions, which are typically focused on earnings or the numerator, may also systematically pursue opportunities to reduce the denominator either by optimizing the capital requirements in each geography, as we did in Japan, which allowed us a €0.4 billion capital reduction, or by exploring opportunities to accelerate free cash flows through structured reinsurance, so as to redeploy to higher yielding opportunities. As we did in France, through the recent reinsurance of an €8 billion general account portfolio (01:06:45) a capital release of €0.2 billion.

Now ultimately, of course, there will be situations just as in the UK in terms in 2010, or in the U.S. in 2013 where shareholder value is maximized by disposing of the Inforce portfolio and reallocating that capital. From the proceeds of the money transaction, we were able to repay €0.6 billion of U.S. internal debt. Earlier this month, we announced a €270 million disposed in Hong Kong as a direct consequence of a review by the Inforce program.

Now, over the past few years, we have moved from an Inforce project to a business which actively manages its Inforce portfolio as a strategic asset. We have over 200 people permanently dedicated to business units who establish and manage our Inforce portfolios. In 13 territories, where the opportunity is greatest, we have created a new role, Head of Inforce, reporting directly to the local Head of Life & Savings.

Now, these teams work closely with our proprietary networks. Why? Because that is the true element of competitive advantage that allows us to go much further than simple financial engineering, by engaging in our customers in win-win solutions.

Now, overall, we have reorientated the group from one that was focused primarily on new business to one which now focuses equally on the business that has already been sold. Now, the value and uniqueness of this move should not be underestimated.

So, what's next? Well, we have a full set of tools and benchmarks which allow us to scan each portfolio for new opportunities, and these being deployed as new portfolios come into scope. By the end of 2014, we will have dedicated teams across the 13 target countries. By the end of next year, the initiative will become fully embedded in every country in a BAU (08:52) mode where we have that own penal account and their own strategic plans.

In short, the more we search, the more we find. We've already exceeded our 2015 earnings target, and we are confident that there is more to come as we expand the scope over more geographies, more portfolios and more product categories. We haven't even begun yet to review protection, health or grew business. So, that by the end of 2015, we expect to have generated more than €400 million of additional recurring earnings from the Inforce initiative.

Now, we are also developing new initiatives to expand beyond the current range of activities. We're investigating the benefits of leveraging additional investments that we're making for new business over the Inforce portfolios. That will reduce operating costs, but more importantly it will allow us to further engage with our customers. Now, we expect digital together with the deployment of our agency networks to improve our engagement with existing customers, driving up multi-equipment levels and driving the conversion of up to 25% of the heritage portfolio reserves to modern offers by 2020. That's around €35 billion of reserves; supporting our customers to address their needs whilst transforming the capital intensity of our business.

Now, inspired by the same successful approach in the U.S., we are currently developing Architas UK into European multimanager hub to better procure and manage the asset managers with whom €70 billion is invested in unit-linked investments outside the U.S., delivering greater value for our customers and also to our shareholders. And, finally, we're currently investigating and, obviously, intend to use internal reinsurance to pull Life & Saving reserves and better diversify capital in the Solvency II environment. That will start in Europe, and later look to cover other non-U.S. liabilities.

So to conclude, we believe that AXA can unite the skills and the focus deployed by Inforce specialists with existing new business capabilities whilst rebalancing our focus so that the Inforce portfolio is managed as a strategic asset. We believe that our proprietary distribution provides unique leverage to those skills by allowing us to engage customers with win-win solutions that better meet customer needs whilst improving our own return on capital.

And I believe that the success we've seen with initiatives launched until now, which have already blown away (01:11:47) of targets we set demonstrate that we are successfully transforming not just our strategic focus, but actually the way that we do business. And with so many opportunities still ahead of us, I believe that there is considerable benefit still to be realized.

Thank you. Well, I will now welcome Mark Pearson to the stage, who will provide a zoom on the U.S.

Mark Pearson {BIO 16565503 <GO>}

Good afternoon, everybody, and thank you very much, Paul. At the Investor road show in June 2011, was the first time that I addressed you as the new CEO of AXA's business in the U.S. At that time, I'd been in the role for less than six months. It was an important time for the U.S. then to look forward particularly after the trials and tribulations of the financial crisis.

I shared with you then the targets we had set for the organization as part of Ambition AXA, which as shown in yellow on this slide. We knew it was important after the losses in 2008 to stabilize the company and return to growth. And at that time, we remain committed to our life, Employer Sponsored and individual annuity business lines, but also to operate within a reasonable risk appetite. With 13 months to go until the end of Ambition AXA, momentum inside the U.S. business is good and I'm confident we will achieve our aspirations.

There were four main strategies to this turnaround story. Firstly, we took action to realign the expense base of the company. Today, our head count is 27% lower than in 2008, of course, reflecting the more flexible labor laws in the U.S., but also reflecting the leadership team there driving the efficiency plans. So cost-to-income ratios were operating around 80% to now around 60%.

Secondly, reshaping the savings business. The revamp, redesign and re-pricing of our individual annuity product portfolio has gone well. You can see new business value margins have nearly tripled to 31% and internal rates of return of 15% to 16%. And as you can see from this slide, I'm very proud to say we've hit our new business value targets two years ahead of schedule.

Thirdly, Inforce management. Our hedging and capital management strategies have reduced volatility in the business and programs such as our Inforce buyout programs, fund substitution and volatility management tools have helped drive growth.

And, finally, and perhaps most importantly, are the non-financial changes inside the company. We've embarked on major cultural transformation inside the U.S. And this, combined with the new executive team, clear ambitions and clarity of roles, has enabled some very strong leaders in my team like Nick Lane, Todd Solash, Josh Braverman, and Anders Malmstrom who's here with me to really shine.

So I think we're reaping the rewards of these strategies and our commitment to stay in the individual annuity market. And I'm very confident that we'll end the year with strong underlying earnings and be able to show healthy CAGR on our underlying earnings since 2010.

Reshaping the savings portfolio has driven profit margins and lowered our risk exposure. In 2008, as you can see from the slide at the top, we were selling large amounts of fixed-rate capital intensive and risky GMxB products, 48% of the total in fact, the red figure.

We've been amongst the leaders in the industry in revamping our entire range and diversifying our portfolio. We've introduced completely new categories to the market such as our floating-rate Retirement Cornerstone product, and our investment-only products such as Structured Capital Strategies and Investment Edge.

Designing new products is one thing; actually that's the easy part, but changing how your distributors operate is a significant management challenge. In this regard, we've really seen the benefit of having our aligned distribution sales force AXA Advisors. Through training, changes to remuneration and rewards, plus significant changes in our third-party distribution strategy, away from wire houses and partnerships with the regional banks and P&C carriers, we've had great success in changing the mix of the business.

Fixed rate GMxB products, for example, the red on the chart now account for only 2% of total sales. This change in mix has led to improvements in new business value from $164 million in 2010 to $473 million last year. Over this period, we've seen our separate account assets increase 60% to $113 billion. And over the same period, we've seen a 4% reduction to $58 billion in our general account, reflecting, of course, the strategy to divide more unit-linked business as well as the sale of our closed MONY portfolio.

Taking a deeper dive into our individual annuity portfolio, 95% of sales now come through non-guaranteed and floating rate products. We've been very determined in managing our third-party distribution agreements. For example, we have no distribution agreements today which are fixed-only accumulative products. I think one important factor as well has been the variable annuity market in the U.S. has not reverted back to the irrational pricing we saw prior to 2008, vindicating our discipline, but also our decision to stay in that market.

Our number one annuity product, Retirement Cornerstone, was priced to deliver margin when the 10-year treasury was at 190 basis points, and it still remains competitive and is selling well today. Of the products that do have guarantees, more than 90% of the assets are invested in passive funds and supported by volatility management tools to protect both our balance sheet and policyholder return.

Just drilling a little bit deeper on the points Paul made earlier on our Inforce management strategy. We've been very active in managing the Inforce portfolio, hedging our exposure to equity and interest rates and offering a series of buyout programs to clients providing them with valuable liquidity options whilst de-risking our own balance sheet.

Today, 33,000 clients, about 13% who were approached, have taken an early payout from one of our campaigns. And this has resulted – has had the effect of a 12% reduction in economic capital required. And as you can see from the slides, reduced reserves by $635 million.

On the asset liability matching side, now more than 75% of the legacy Inforce, that is variable annuity business we sold prior to 2010, is invested in passive funds which, of course, is critical in the effectiveness of our hedge programs. Over 80% of this Inforce is subject to volatility management tools, again, de-risking the book and protecting returns.

So we've de-risked the portfolio, realigned the company, and we do have good momentum in underlying earnings and new business value. Together, with strong distribution capabilities, we have a good foundation for our strategy in the coming years.

In addition to the individual annuity market, which I've just presented, the most important segments for us will be what we call Employer Sponsored or other parts of the AXA Group would call Group Pension. Here, we have 900,000 clients in the Employer Sponsored division, of which 700,000 are teachers, making us the number one player in the kindergarten through grade 12 segment. We have access to over 8,000 school districts supported by a dedicated sales force within AXA Advisors.

Now, we see growth opportunities here in this market, as well in ancillary markets such as municipalities, higher education and hospitals, both through AXA Advisors and also our third-party distribution agreements.

Today, we have over 1.4 million policyholders in our Life business, plus we maintain the right to market to over 600,000 policyholders who are part of the sale of the closed MONY portfolio. The average age of our clients in our Life business is about 60, reflecting both the maturity of the business, but also our strength in inheritance and estate planning market. This is part of the business that we believe is likely to benefit from investment in digital and big data capabilities. So for example, we have had some small success in using big data for predictive underwriting and have started to use social media marketing through Hearsay Social and LinkedIn to find and get new and younger clients. It's going to be an area of focus for us as we go forward as we find new ways to further grow the business.

Our Investment Products division markets mutual funds and fee-based advisory accounts. Today, FUM totals over $32 billion and has been growing at a CAGR of about 13% per annum over the last three years. Although new business value margins are lower here in the Investment Products division, it is valuable capital-light business, and an important part of the holistic advice solutions we market through AXA Advisors.

Looking forward, the U.S. is a vibrant and growing market. The population is expected to grow by additional 100 million people by 2050 largely through immigration. It is a good market for AXA.

There's tremendous need for our products as only 53% of Americans today are not contributing to a retirement plan. Our products are appreciated. 88% of annuity holders report that they feel somewhat or very confident about retirement. Of course, we're not the only ones to see these opportunities in the U.S., but our current strategy and capabilities, I believe, place us in a very strong position.

To recap our messages, we've really turned around the U.S. business. Our variable annuity portfolio is not the same as it was in 2008. It is de-risked, re-priced with innovative new products. We are aggressively managing mix. Two-thirds of our balance sheet now is in the separate account. Our new generation of products make up an increasing share of our portfolio and this will continue.

We have a comprehensive hedging program, hedging both equity and interest rate exposure, and we've been ahead of most of the competitors in the U.S. in strengthening our reserves through the years 2009 and 2012 to reflect current and latest policyholder behavior.

Going forward, we feel good about the business. We have a number of strategic initiatives including building direct-to-consumer capabilities. We're now piloting group pension online enrollment, piloting big data initiatives on underwriting and fraud detection. We'll continue to grow our business by driving AXA Advisors productivity through enhanced advise tools and social media marketing. We're excited about our partnerships with P&C carriers, and we'll continue to drive growth there and we'll continue to offer new options for our legacy clients including a lump sum payment option in the next year.

So I'm very confident that actually U.S. will hit its Ambition AXA targets. I'm also very confident that the U.S. will continue to grow and continue to be a significant driver of value for the AXA group.

Thank you for listening to me. I'd like to now introduce Olivier Mariée to present and do a deep dive on AXA France, and thank you.

Olivier Mariée

Thank you, Mark. Good morning to everyone. So I'm Olivier Mariée, I'm in charge of the Savings, Retirement and Wealth Management business for AXA France. I'm going to share with you where is the French market and where AXA is on this selling business. And I'm used to say that we are a very mature country, but we are a fast growing market on savings and I would tell you why. So, first of all, we'll look at the market. And after that, we'll go through the transformation of the business for AXA France and after that we'll talk about the future.

So as I said earlier, the French market, the French savings market is, first of all, a large market with about €4 trillion of savings assets and one-third of it is invested in life insurance. We have a very high savings rates and very stable between 14% and 16% with a growing population. But I think what is very important in this market is the growth and the future growth, which is related to the retirement gap.

For those who know the French economy and where we are today, I think until very recently, French people thought that their retirements will be handled by the pension, by the state pension. This has changed very recently because people understand that they will have to save, they will have to prepare by themselves regarding retirement. And this is a massive opportunity in this market, and I will come back to that later regarding what AXA can do on this market.

So let's look now at the how AXA has transformed its business in the past years. First of all, you can see that we had a strong growth on the unit-linked. We've also been able to improve dramatically the profitability of the new business. The NBV margins went up from 3% to 17% in about four years. And we were also able to improve the earnings from €458 million to €577 million, which represents a 8% CAGR over the period.

I think as we described in the group strategy, we had, I mean, three key levers that explain this performance. Diversification towards unit-linked, focus on fast-growing retirement market and we were able also to create some value from our Inforce book.

Let's focus on the first lever, which is the unit-linked diversification. And, here, I'm going to focus on the Individual Savings business. As you can see, we've been able to increase dramatically the unit-linked share from 2010 to 2013, we went up from 17% to 28%. And as you know also, the three first quarters, we will be – I mean, we were above 30%. That's interesting because at the same time, the market was pretty flat. You can see also that we were able to grow from €153 million of APE to €269 million of APE on unit-linked which represents a CAGR of 20% over the period which is, here again, far above the market trend.

I think we have here three reasons for this performance. The first reason and I think that was clearly mentioned by Frédéric regarding the group strategy, we had and we have very innovative offer for the customers, structured products, real estate solution, package solution for those customers because I think what we understand is that when a customer wants to move from the general accounts to UL, I think we have to understand where it comes from. And when we look at these offers, they have two, I think key components.

The first one is simplicity, and the second is low volatility. And I think thanks to that, we've been able to move really faster than the market. The second reason I think of this performance is clearly the customer incentives we were able to give, which are, I think, pretty innovative. One of them, which is, I think, pretty famous now on the French market is what we call the Buenos Aeropolis (01:30:47) I don't know if you're familiar with that. But basically what we do, we sell an hybrid product to our customer with 75% of general account and 25% of unit-linked. And because of that we give an additional crediting rate on the general account. So for the customer, it's really very positive for him because he buys this hybrid product and he has an additional crediting rate.

Third point regarding performance, I think which is really key is the advisor expertise. We have worked very closely with the asset manager in order to train our sales people to – I mean, we've done some road show, we've created some very specific sales tools in order to raise their expertise. I mean, the expertise when you sell a general account or when you sell unit-linked are very, very different, and so we've invested a lot in this area.

Looking at now the second lever, which is the retirement market. As I said earlier, this market is a big opportunity, and I would say we are at the beginning of the story. Today, AXA France is in a leading position in this market. We are number two for the PERP. So PERP is basically an individual pension product for employees with some tax benefits. We are number three from Madelin. It's about the same product but for self-employed. And we are number for Group Retirement with a real leading position here.

When we look at the figures, we've been able to increase our market share during the period with a 23% CAGR, and this is a great performance. But as I said earlier, we anticipate also some future growth on this market because of this retirement gap issue in France.

Three reasons here, the first one is our very aggressive promotion and marketing campaign. We've launched a few years ago, a campaign we call Happy hours, and the objective is just to explain to the customers what is the retirement gap, how they should prepare themselves for this retirement, regarding this retirement issue, how they can also get some tax benefit, and this is very successful at the moment.

Second, we developed some telemarketing platform in order to engage with our huge customer base and make sure people understand that they have to change their behavior regarding retirements. And third, again, here, the distribution footprint and expertise has been a key lever. We want our distributors to become real retirement experts, and this is a very important program. I think when we look at the future of this market because of our leading position, because of all our assets, we strongly believe that we are in a unique position to seize this market opportunity.

Third lever, Inforce. When we look at the figures, we've been able to generate €80 million of additional recurring earnings; thanks to a very strong discipline in Inforce management and there is more to come. As Paul explained, the more you dig, the more you find on this topic, and there are a lot of opportunities.

First topic – first lever was on the way we were and we are able to better engage with our customers. Cross-sell, up-sell, unit-linked, transformation of the book, I think we are making a lot of progress in the area. Second, we work very hard on how to adapt to the current financial markets. And we've changed some item on the investment margin, and that was very positive.

Third point which is a crucial topic is IT and operation. With the commissions from IT system, that was pretty expensive and pretty old and heavy. We've changed some of our operation. We offshore some of our operation. And we believe here, there are more things to do in the future. Last point is about capital. We did this reinsurance deal on the individual savings business and we've done also a longevity swap on the group retirement business recently.

So looking forward, as I said earlier, we're extremely positive regarding the future growth of this market. When we look at the figures of the first nine months, I think it's pretty clear that this market is moving very fast and the retirement is a big opportunity.

We want to build on our products capabilities. We are going to launch in the very near future an income fund for our senior customer. So this type of fund is pretty popular and well-known in the U.S. or in the UK, but it's very innovative in France. So basically the objective of this fund is to offer the possibility for senior customer to get some regular income with a very low volatility regarding the fund. And we believe we will have a big success with this type of fund.

We've launched the Eurocroissance, which is the new type of general account in France. So we've done that few weeks ago. We are among the first movers on that. Again, with this type of fund in our Madelin product because we believe this is a very good solution for retirements needs. So we are capitalizing on this product innovation capabilities and we believe that will give us some great opportunities.

Second, digital transformation. As you know, we believe we're strongly on digital and when we look at the savings business, there are some real big opportunities. First of all, when we look at the distributor presence, we have a very aggressive program on LinkedIn for all distributors. Second, when we talk about multi-access, I think there is a huge opportunity in terms of productivity here. We have through the multi-access to put an advisor in front of the customer when it's needed. We have to put the web, we have to put the phone when it's needed. And, here, we have a very strong plan here to make sure that we have the right mix in the future and the right capabilities. We are scaling up our telemarketing operation. And, also, we are increasing our self-servicing offer for the customer.

Third, competitiveness. We have a very robust plan for the next years in order to reduce and further reduce our cost by 20% between 2010 to 2020. It means about €170 million of cost savings. And here, of course, we will work on IT, operation, sales support and also on the sales force. So that's a big program and we are very confident that we will achieve this in the future.

Last point is about the regulatory challenge. As you know, this is a growing topic, especially in our market and, here, we've been working and we are really prepared for that, especially regarding advice and quality of advice. This is going to be a growing issue on this market and we've invested a lot in training, in tools in order to secure operation and make sure that this quality of advice is something really key in our distribution organization.

So the key takeaways, I think from my presentation is, first of all, I think this market is a very large market with some growing opportunities going forward, especially on retirement with this retirement gap. AXA France have been able – we've been able to really adapt to our business towards unit-linked, retirements, and I think our leading position is – I think we are in a unique position today to seize this growth opportunity in the future on this market. Three priorities: product innovation, digital transformation and enhancing competitiveness.

Thank you for your attention, I will now hand over to Jacques for the Q&A session.

Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you, Olivier, and thank you to all my colleagues, we did manage to respect the schedule, which, in itself, is a performance. Would like to call the speakers to come on stage and together with Jean-Christophe Ménioux and Matthieu Andre, and also Gérald in the room. We will do our best to respond to your question. And I think that we are ready or close to ready to start. Here's the mic. Who wants to start? I think you should have mics so that everybody can – please, and you had a question? And the mics are coming.

Q&A

Q - Nick Holmes {BIO 21515144 <GO>}

Nick Holmes of Soc Gén [Société Générale SA]. I had two questions. First is for Paul, on the Inforce project. Wondered if you can tell us the split of the earnings, the €280 million and the €400 million that you're targeting? Really the split between cost saves and cross-sell because, I guess, a lot of companies find that there's a conflict between cost reduction and cross selling between having a dead book and a live book. So I wonder if you could tell us a bit about that.

And then the second question is for Mark, which is on the U.S. risk profile, wondered – obviously you've de-risked a great deal. Wondered if you could give us some sort of indication of how comfortable you feel about the risk profile going forward. And I'm thinking it's very difficult to quantify, I know. But if, for example, the S&P 500 was to remain flat for a couple of years and the 10-year bond yield was to remain at 2.3%, something like that. How would that make you feel? Thank you.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

So, Paul, you take the first one.

A - Paul Evans {BIO 20793138 <GO>}

Yes. Let me start with the first one, I'll ask Matthieu to provide the detail. I guess dealing with, first, the conflict. I mean I think that first you need to understand that the initiative is on Inforce and Inforce isn't – Inforce can't be split between that which is close and a business in that which is not. And I think that where if you like, close book operated struggle is that, by definition, the entire portfolio has been closed. In the AXA's case, that is very clearly not the case and that the vast majority is open. So the conflict just isn't there to the degree that it would be in a one-sided claim.

If you talk about the conflict between cost saving and cross-selling, I don't think we believe that we see such a conflict quite frankly. For us, cost saving is about improving the operational cost base of those past products, but not in a way which compromises the service to our customers because clearly those are still customers to what are, generally speaking, open book business units. In terms of the split initiatives, I'll ask Matthieu if he can, too.

A - Matthieu Andre {BIO 4391969 <GO>}

Hello. Good morning as Paul just mentioned, I think there's no conflicts between the two. And when you look at the way we are looking at our Inforce levers, we have actually four main levers; you have commercial levels, you have financial levels, you have technical and pricing levels and you have close book, which is really one piece of it. And the close book portion is actually representing something in the region of 10% of our 2013 achievement and should be similar going forward whereas the rest is actually equally split between the three others, between commercial, financial and operation and pricing. So that's the best we could look at it.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you, Matthieu. Mark, do you take the U.S. question?

A - Mark Pearson {BIO 16565503 <GO>}

Thanks for the question, Nick. As I presented earlier, the de-risking is I think the best evidenced in looking at the balance sheet. Two-thirds of the balance sheet is separate account now, $110 billion or so, just under $60 billion is the general account. So that's been a significant shift in the last four years or five years. If interest rates were to stay flat in the short term, it wouldn't affect us as much. I think you saw on Jacques's opening, the group-wide issues, but at the AXA level it wouldn't affect us much. The reason being is, it's all about the reinvestment of our bond portfolio in the general account and we have pretty long maturities there. So it wouldn't hit us immediately.

In terms of the asset fee if it were to remain flat, the big issue there would be the fees on the separate account because they would be directly linked to where investment values are, so in the immediate future would not hit us too much.

Q - Nick Holmes {BIO 21515144 <GO>}

Thank you, Mark.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Other question, on the left?

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi. Thank you very much. It's Farooq Hanif from Citigroup. You showed in one of your slides growth in Europe. I think it's AXA or McKinsey estimates or something like that, it's going to be 3% for new business and for earnings. And given everything you talked about in terms of your initiatives to get these mature markets, that seems really disappointing. So I was wondering whether there's a missing part? I mean, is it really that you're waiting for government reform, for example, of pensions to be more aggressive? For example, the health reform in France. What is it that's missing, or do you really think growth is just simply capped at kind of GDP plus? So that's question one.

Question two has got two parts, though. On Inforce management, so you've got obviously targets and had in each buckets that you've identified the 200 buckets for kind of improving the P&L. But do you have targets for improving remittance to the holding company? Is that something that you're being incentivized on? Could you give us an example? And, also, related to that in the U.S., I mean, your IFRS underlying earnings are dramatically improving this year if you hit your targets. Is that going to be equally matched by cash remittance? Thanks.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you. Joerg, can you take the first question?

A - Joerg Arnold {BIO 20098738 <GO>}

Yeah. So if you take the McKinsey study, I mean, that is on all the different phases of savings. So from accumulation investment to de-accumulation. And I think, especially on the investment business, there were some areas which will not see this strong growth, but the de-accumulation business, I think will get stronger growth momentum than the 3%. So what I think is important is to find inside the mature countries the areas where you have the demand and, clearly, retirement business is one which will get this demand, and really to expose to this market and to build up your set up there and then to capture a growth rate which is above the average for the whole savings business.

A - Frédéric Marie de Courtois d'Arcollières

Maybe I could comment on pension and retirement. I have been impressed to see over the past five years how the mindset of people has changed on pension and retirement. And if I take two markets, which I know is France and Italy, we've really seen in these two markets that five years ago people were saying the state we pay for retirement and people don't say it anymore and they buy private retirement product. They not only buy insurance retirement product, but they buy some for their kids, for the children. And if I take the example of Italy, today half of our business – so we have the third biggest player on the retirement business in Italy as AXA. And more than half of our business is about parents buying retirement pension products for the children. Of course, they have some price benefits. But I think this is important to understand the mindset of people has changed over the past five years on these topics.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

And as we said also to complement and finish on that part, we see also very important significant growth coming from Employer Sponsored to use the name that they use in the U.S. Employer Sponsored type of savings and retirement. And, clearly, one of the focus we want to put and to have in the future perhaps more than some of our competitors and perhaps more than the market is to focus on that. We feel that we are certainly and you hope you have seen the presentation; we are very well represented there and we start from a better place than the rest of the market meaning that we should normally outperform the market on that size.

Matthieu, would you like to take the response on the Inforce please?

A - Matthieu Andre {BIO 4391969 <GO>}

Sure, I will. So the question was more around as we're looking at the book and the portfolios, how do we ensure that this is actually being funneled through in terms of cash remittance to the group? So obviously, we have objectives per portfolio in terms of return on capital and efficiency of those portfolios. And then you have objectives at the entity level and then you have objectives at the regional level. All of that been mastered through quantitative target setting that is established at the group, which really include elements such as underlying earnings, return on capital, so that would be actually captured as part of this program.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

I could add also from a macro standpoint it's clear that the work done by the team of Matthieu is consistent and very aligned with the work done by the teams of Gérald and so we have one global capital allocation process where the two teams are converging and working together. So, it's not just, you could say, a business movement, it is really completely aligned with the financial discipline within the group.

Gérald, do you want to add something?

A - Gérald Harlin

Yes, your question related also, Farooq, to the U.S. And as you know, the U.S. are financed through debts and we are expecting this year the U.S. to reimburse at least $1 billion. Explained as remittance ratio, we could say that last year we're at $75 million. This could increase by at least 5% of remittance ratio. That gives you an idea.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you, Gérald. Other question? Yes, same table?

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

Jon Hocking from Morgan Stanley. I've got three questions, please; two on Inforce and one on the Retirement business. First, on the Inforce, could you give some idea of how far through the book of reserves you are with the review process? And you said like you've done the sort of high impact areas first. So this programs will tail off naturally over time? That's the first question.

Second question, whether you'd actually learned anything during its review for new business product design and whether there is a feedback loop between the Inforce program and product design? Second question.

And then finally, just in terms of the comment you made about selling retirement income product through P&C carriers, I wonder if you could explain how that works? It sounds quite unusual. Thank you.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Okay. So I would take the first one. I would probably give – I would take the second one, I will give the first one to Mathieu, and I propose that Mark, eventually complement by Joerg, you take the third one.

Feedback loop, I think it's very, very important, and it exists. So I think Paul did explain that Inforce is not a separate discipline, it is completely integrated in the day-to-day operation and fully reporting to the other lives in every single unit. In fact, we did a lot of reporting. We have a reporting within the Inforce community, but they are still part. The German Inforce team is in Germany and reports with the other life in Germany. So indeed, there's much more than a feedback loop. A lot of the – you could say, taking in disciplined fitness that we acquire in Inforce is transported into the new business and, clearly, on the new product side, we have a very clear feedback loop that we're putting in place. And we believe that it's very important that we keep this double-passport type of approach being part of the local team and at the same time, being part of the global inforce community.

Do you take, Matthieu, the first part of the question on Inforce?

A - Matthieu Andre {BIO 4391969 <GO>}

Yes. And maybe just to complement on the first element, and this double feed or positive cycle has actually been put together into our group risk management framework by which the head of Inforce locally does sit into the product approval process just to make sure that on top of exchanging, actually, the lessons learned from the past are being integrated into the new product design. So I think it was quite an important step.

In regards to where we are in the program, I believe that as Paul mentioned, we started in 2011, and we started on the book that needed the more attention given the economic environment, which were, obviously, the individual savings book, whether we talk about general account in Europe or the VA book in the U.S. obviously.

I think since then, what we have done is we've expanded from a scope of six countries, which were the biggest mature countries of the group to 13 countries across the world. And the expansion really kicked off last year, and so we're in full motion as we speak this year. And from a business mix standpoint, we've enlarged to individual protection. We will enlarge to Group Life next year and to health next year also overall. So it's probably fair to say that as we stand, we have covered probably two-third of individual savings really, okay?

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Mark, can you elaborate on the question on the P&C carriers?

A - Mark Pearson {BIO 16565503 <GO>}

Yeah. The third question was on the P&C carriers and the partnership we have in the U.S. So we've established this channel in the last three years. This year, we will get incoming funds of about $600 million from this channel, retirement products, as you've said. I think there's two or three things going for us. Firstly, important to remember, we're not a P&C carrier in the U.S. So these large players did not see us as a direct competitor to them. We can complement their product range without stealing their P&C business because we don't like it.

Secondly, we have a lot of experience which they really value in wholesaling to our own advisor force and other banks and wire houses. So we know how to market these products in a simple-to-understand way and in a way that they can use. So obviously I wouldn't (01:57:09) business in for us gives additional income to them as well. And so far, it's gone extremely well.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Joerg, anything you want to add?

A - Joerg Arnold {BIO 20098738 <GO>}

Yeah. I mean, you see a clear trend. I mean, if you take this slides Frédéric showed on the product we have on the shelf, you see that products are getting more comprehensive that it is not one-size-fits-all what you can offer. And there's a clear trend that for this product that up you need specialize advisor. So in the good all days, part-time agent could sell product to one of his friends, but these days are really over. And it's now you need this expertise and I think what we see in the U.S. that people value if you have this expertise around and can line up with their business model and come up with some additional earnings for both sides.

A - Frédéric Marie de Courtois d'Arcollières

Maybe I could complement the answer on our own distribution channels because I said that now we are quite successful selling savings or pension product through our P&C channels. What we are doing now is, I'm talking about France, I'm talking about Spain, I'm talking about Italy, I'm talking about Switzerland, the point is that we need to have specialized Life & Savings people working on the P&C portfolio of the agents. So this people can be either within the agency or outside the agency, we have various business models. But we've seen that having only, generally is the agent which is often P&C one from his background, selling Life & Savings product is difficult.

So the whole process is to have a dedicated guys, specialist guys in Life & Savings and retirement, working on the portfolio of the agents. Of course, the agent has a commercial relationship, is opening the door, helps making the appointment, is also partially incentivized because the guy is working this portfolio. But the point is to have dedicated people, and we see that it works well and we'll increase the lot, the business over the past three years to increase.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you. There's one question...

A - Paul Evans {BIO 20793138 <GO>}

Sorry. I just add one point to your question about what we learned. So to the degree we learned from Inforce, perhaps to design new products, but the other thing that we're learning is that this concept of cross-selling and multi-equipment rates which I think in this market has been viewed to be the Holy Grail or the myth that's never realized. And we are seeing that customers want to engage. They want to engage to review what they have with this. They want to engage to buy additional products, and, therefore, the leverage of the products network is really delivering additional value. That's been a big learning from this project that if you put real emphasis on managing the customers you already have, you can enhance the value of your portfolio. And that's been a massive learning for us.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you, Paul. There's a question on the right there.

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

Good morning. Hi. It's Andrew Crean from Autonomous. I had two questions and a clarification. Two questions. The first one is on slide E6. You make a lot over time of the switch in your Life business between GA savings and protection and health. What I'd like to know is in a protection and health product, what proportion of the profits actually come from GA savings spread, and how much of the profit actually comes from protection and health writers?

Then the second question, I think on slide E6 and when you were talking about France, you said that between about 2000 - I can't remember really it was 2010, 2013, you've gone from negative net flows on unit-linked of minus €300 million to positive flows of €600 million. It'd be interesting to know whether that is impressive in the context of the actual reserves backing that because my sense is two years into a bull market in equities, positive net flows of just €0.6 billion is modest compared with what you would have expected from history. And it may reflect the fact that customers are not coming back by unit-linked products this time when they come back into the equity market.

And then the clarification was when you were talking about increasing the remittance ratio from 75% to 80%, is that a definitional issue or is that an issue where you're actually getting more real cash back, which is not tied to debt repayments?

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Good. I think we'll take the question by the reverse order. Can you ask Gérald to come with the last one first?

A - Gérald Harlin

Yes.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Then we'll ask Olivier to take the French one, and then we'll come back on the protection one.

A - Gérald Harlin

Andrew, strictly speaking, it's not a dividend. But at the same time, the fact that all the U.S. are financed through debt and mostly internal debt, we believe that it was important to take into account this and that's where I highlighted it meaning that starting from 75% taking only there's a dividend adopted by our subsidiaries, taking this into account, and I mentioned $1 billion, it would increase roughly by 5%. But it's not - its debt repayment strictly speaking.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you. Olivier, you take the French question?

A - Olivier Mariée

Yeah. I think what you have to understand is that we have a very mature kind of old book in France. And that's - when you look at the cash flow, in fact, we are very - if you look at the first nine months and last year, we have very negative cash flow on the general account and now we have positive cash flow on the UL. And the €600 million, because we have a mature book, we have of course some outflows on this maturity and so on. So this is, I think, a good performance and this is also growing when you look at the first nine months. And as I said earlier, there is a huge difference with very strong negative cash flow now on general account and very positive on UL.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you, Olivier. Regarding your first question, I think the best is probably to refer to the appendix that we are releasing every - with the results every six months where you have the margin analysis by business. And I have here the one for the first half earnings. It was the page B21, where you have in fact for each of our, you could say, segment, protection and health, savings, unit-linked and so on, where you have all the source of earnings. And if I take, for example, the GA protection and health, you have a net technical result of $633 million, you have an investment margin of $457 million, which is contributing to the pre-tax underlying earnings of $1.1 billion.

So all information is there. What I think is important to say - and I think it was also alluded in the presentation of Joerg and Frédéric, it's very difficult to split protection and savings. We are, of course, selling a lot of savings with protection embedded in it, and we like to continue to do that. And so I think it's completely normal that you have the pending - if you look at protection with the saving component or savings with a protection complement, we are looking at these as one, I would say, set of products because that's what our customers like, both on the individual side and on the group side. Therefore, that we provide here the different source of earnings. I can tell you that we are managing both appropriately looking, for example, at our claims ratio for what about on the technical side, looking at the investment margin on the savings side. This is completely highlighted in our different appendix and we can come back offline on this.

Other question in the room? Center please?

Q - François Boissin

Thank you, sir. Good morning. François Boissin, Exane BNP Paribas. Three questions, please. The first one on the U.S. A few years ago I think you mentioned that if you use your internal model to capitalize your U.S. operations, you would have a 40 points or so negative impact in terms of economic solvency. So now, if you take into account the improvement of your business profile in the U.S., how would this number evolve? That's question number one.

Question number two would be on the Inforce management. So basically you announced €400 million improvement in earnings. On what amount of reserves have you achieved this? And, basically, if we consider the €35 billion additional reserves that you're going to consider for new measures, can we apply a similar ratio? So in other words, can you help us try and estimate what the earnings uplift may be from this €35 billion more reserves that you would consider?

And the third question is on France. Recently, the Bank of France basically said that life insurers should push down crediting rates to policyholders this year. So I was wondering whether you can expect an uplift in your investment-spread margin this year. Thank you.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Good. I think – who is taking the first one? Do you want to, Gérald?

A - Gérald Harlin

Yes, the 40% difference roughly is the difference between two different frameworks, which is, on one side, the Solvency II of the economic capital. On the other side, it's a U.S. REIT-based capital. So we can expect that this difference more or less could reduce slightly, but will more or less stay stable. But analyzed as the consumption of economic capital in the U.S, yes, we improved. And as explained by Mark, the shift to less-risky products makes the economic capital drop down.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Matthieu, you take the second one?

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

Yes, it's working.

A - Matthieu Andre {BIO 4391969 <GO>}

It's working, okay. In regards to the second one, as we've disclosed earlier, our total reserve for Life & Savings are around €495 billion. So that's the full scope potentially of the Inforce program. And that's at least the playground on which we will be working over the next few years. Having said that, even if we say that the more we search, the more we find, there is another saying also that we should all keep in mind which is stay away from average because if there is one thing that we've learned through the Inforce process is that books are quite different. And therefore, overall rule of thumbs are pretty difficult to apply. So every businesses will be quite different in the way they would react and in the potential improvement they can bring. Sorry for that, I know it's not very helpful for you I'm trying to project, but I think at this level, it could be potentially misleading to go for averages.

On your last question, I believe, in regards to the €35 billion that we are targeting, typically here, we have the belief that the key focus is, as Paul mentioned, around finding a win-win solution for shareholder and customers. And here, the key focus is probably more on capital efficiency than on pure earnings because – and it will have to be looked at in details. But for each block of business or portfolios, you would have to measure the potential low margin or negative margin of those business versus the cost of transforming it. So it's more of a capital efficiency play than a pure earnings play.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you, Matthieu. Olivier?

A - Olivier Mariée

Yes. So I think the message from (02:10:12) was not take more margin, his message was you should make some reserve and, of course, he has a very clear message on that, we will listen to him. But I think we took our margin last year. We are going to take our margin this year and we are going to be prudent as usual. The point is to make sure that at the end also, the customer gets I would say the right interest rate. So basically, we'll take our margin as expected and we will be prudent and listen to (02:10:45).

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

And I think that is, I don't want to call it policy, this is an attitude that we have been having since several years and while we have some support from the authorities, we welcome it, but to a large extent we continue with the attitude we have had, which is to have been proactive when there was a need to be proactive and that the crediting rates accordingly, and finding the right balance between I would say rewarding correctly our customers and at the same time having the right protection of our balance sheet and the long-term interest of our policyholders also.

There was another question in the room. Yeah, take the mic please, the mic is in front of you.

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

Okay. Sorry. Peter Eliot from Berenberg. If I can just come back on that last point, first of all quickly on the law of averages. I mean if you look to sort of 200 pockets of – €200 million-plus then statistically by the time you looked at sort of that many pockets, one would think law of averages should start to apply a little bit and I guess you've got a separate point to sort of the law of diminishing returns and you may have sort of targeted the areas where you can do most work first. But nevertheless, by the time one has looked at that many pockets, one maybe can extrapolate a little bit.

The second question was quite specific, just on Switzerland. You reiterated your strategy of pulling back from the full insurance solutions there. Seems to be an area that a lot of your competitors in Switzerland are finding quite attractive and are liking the margins there. So I'm wondering if you could just touch on why your view on that market is different to others? Thank you.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you. So perhaps on your first question which is more an observation question, let me just confirm what we said. The feel that we have engaged a program which is not finished and where feel that we still have a lot of potential.

It's true that probably some of the (02:12:43) have been captured. At the same time Matthieu was explaining, we did start with a small amount of countries. We are extending this. So we feel that we still have a continued source of additional, you could say, benefits, because it's not just earnings (02:13:00) capital optimization. We have not put any number and therefore we'll not give any number at this stage. But this is, to a large extent, the momentum in which we are and we are strongly confident that we can pursue that momentum.

Regarding Switzerland, I will start and Joerg, if necessary, can complement. I don't think that we have decided to stop. We have just decided to be diversified. And we have decided that while we remain committed to use our balance sheet in our general account, we believe that we should diversify the different products we're offering.

And so we are trying to and its working to make the market place, I would say, looking at a different option than the traditional, you could say, general account option. I believe that it is in the interest of some of the young customers not to put all the retirement at the age of 30 or 35 in a low – in full guarantee but low-yielding general account product. And so we are looking to build a two multi, you could say, product expansion solution team using, of course, the current team that we're having and – but we are still writing businesses, but we write the less business this year than we have written in the past and we want to completely diversify.

You see many operators in the market are doing that. I know one competitor which is aggressively developing it and all the others having a more moderate expense like the one we are having. Joerg, I don't know whether you want to add anything?

A - Joerg Arnold {BIO 20098738 <GO>}

I think you explained it perfectly. I mean, it's a question you have all over the world is how much upside you want to have. And in Switzerland, in this full insurance space, you have to invest completely in bonds. You don't get any upside and what the colleagues told me just recently is even in Switzerland a debate is starting if it is enough for your pension to go just in such a product where the upside is very limited. And I think what we do all over in all the areas in the world, we want to do as well to come with products which gives a good balance between some protection on the downside, but some of the upside as well.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you, Joerg. We'd like to open the question to web participants because I know there are a few questions and we don't have a lot of time before the break.

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

Yes. We have a question from Blair Stewart of Bank of America Merrill Lynch. Is the €400 million uplift from closed-book actions part of the cost savings plan or on top of these? Given the size of the back book, 1 basis point equals €50 million, is the potential benefit of back-book actions significantly higher than this?

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Thank you. So Matthieu, I think you are the one for this question.

A - Matthieu Andre {BIO 4391969 <GO>}

So thank you, Blair, for this question. I believe, first of all, that as Paul mentioned earlier today, there is a big difference between a closed book and the Inforce. Here at AXA, we are mainly managing our new business and an open book, and for some areas of the business we are looking at closed-book solution either from an operational standpoint or from a financial standpoint. And I think the closed book represent less than 10% of our total Life & Savings results. So that's the first point.

The second point which is how to compare the €400 million earnings to efficiency. There is, obviously, as part of this number, some efficiency gains that will come out from our closed book of an amount of roughly 10%. So €40 million, €50 million, which will be embedded also in the efficiency program that the group has overall and that – on which the group has reported on a regular basis. So any double counting from an expense efficiency will be in what I've just mentioned.

Maybe it is also worth mentioning that as we've described inforce activities around four levers as I said; commercial levers, financial levers, operational and pricing levers, and operation of closed book. In the financial levers, you have what we've discussed a lot, which is crediting rate. And crediting rate is – has the goal of maintaining a margin and not actually increasing the margin. So basically what this means is out of the overall achievements of targets of the program, you can say that the 30% to 40% of this program is actually to mitigate an interest rate environment which is challenging for traditional saving business.

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

Yes. I think I wanted to just clarify the definition to make sure there wasn't any misunderstanding on the €400 million, what it means. You can think of it in terms of the €280 million already achieved by the program. So this €280 million is built into our current earnings and is recurring in that sense. We're saying the target is €400 million by the end of 2015, so that's €120 million left, so about €60 million if you like of additional savings to be built into earnings in the next three years. That's how you could interpret that number.

A - Jacques M. de Vaucleroy {BIO 3144344 <GO>}

Good. Thank you, Andrew. I would say time is running. It is close to 20 past 1:00 PM. We were supposed to close on 15 past 1:00 PM. I've also been educated that it's better to stop when there's still some demand than waiting too long. So I think we're all hungry, we'll stop here. Stay for the afternoon. We will have the second part of the program is on the other part of our savings business, which is also a very important one, our asset management business. I'm sure it will be as interesting this morning.

Thank you for your attention. Thank you for your question. And we will all be available, I see, also having John will all be available for additional question during lunch. I think we come back here at 2 o'clock. Please be here back in the room at 2 o'clock. Thank you very much.