2012 full-year earnings

I. Introduction and 2012 operating highlights

Henri de CASTRIES, Chairman and CEO

Welcome to this press conference devoted to AXA's full-year earnings for 2012. The results we are presenting today demonstrate that we are on track to achieve our medium- and long-term objectives. 2012 was a solid year for the Group and our results show that we are well on the way to accomplishing the goals of our Ambition AXA program.

Our performance, as far as revenue and earnings growth is concerned, is in line with our objectives because the execution was successful—whether in terms of development or in terms of the restructuring and reorganization of certain businesses. The Group's strength was bolstered, with respect to operations as well as the balance sheet, because our earnings level is good and business lines that in the past contributed less to the Group's development and profitability are in the process of restoring the path to more normal growth and profit. I am thinking in particular about our asset management business in the United States.

We also pursued our process of transformation in 2012. Growth remains strong in both new businesses and new geographic regions. Group revenues rose by 2% on a constant portfolio basis and by 5% on a reported basis. We are winning new clients and have surpassed the symbolic threshold of 100 million clients, suggesting that our product and service offering is effective and that we know how to attract more and more clients every day.

Underlying earnings rose by 9%. As a reminder, the growth target set within the context of Ambition AXA is between 5 and 10% each year. In 2012, despite the decline in interest rates, which has an impact on some insurance lines, underlying earnings increased by 9% and adjusted earnings by 28%. We did this by realizing more capital gains than in the course of 2011. In 2011, net income included one-off items related to the sale of some businesses. On a comparable basis, net income increased significantly.

Our already strong balance sheet got even stronger: shareholders' equity recorded double-digit growth. Our debt gearing ratio, which was 30% in 2009, now stands at 26%, and our target for 2015 is 25%. Our Solvency I ratio is the highest it has ever been. Measured in Solvency II terms, our solvency margin exceeds 200%.

We are attempting to build a group that is more collaborative and more efficient. AXA is a global group with operations in numerous countries around the world. In order to turn this global reality into a competitive edge, we must extract synergies on spending but also on distribution and products, not to mention in terms of the way our teams work together. We decided to organize along global business lines in 2010, with global life insurance led by Jacques de Vaucleroy and global property-casualty insurance led by Jean-Laurent Granier, in order to generate more efficiency in our operations. Our operating performance reflects the efforts made in the area of productivity. The teams under the leadership of Véronique Weill have contributed to these outcomes and enable us to raise the cost-savings targets we had previously set for 2015. We made substantial strides in lowering our operating costs in 2012 and are now able to raise the 2015 target by 200 million euros, to 1.7 billion euros.

The Group is much more than the sum of its revenues and earnings. We are a responsible and engaged organization, and we think that the insurance business is far superior to the caricature that is sometimes made of it: we are not content to simply collect premiums and settle claims. Our business has a much broader component: we act upstream to improve our understanding of the risks we underwrite and downstream to improve our ability to repair the consequences when insured losses do occur. AXA has in fact endowed 100 million euros over five years to fund fundamental research around the globe in the interest of advancing our knowledge of large risks—natural, demographic and health risks, not to mention financial ones. We are forging partnerships with NGOs that specialize in prevention, for example with CARE, in order to help local populations in high-risk zones prevent disasters. All of these actions reflect our commitment to genuine corporate responsibility.

We are also working to increase our agility and mobility. The economic arena is marked by a number of growth opportunities but also by increasing pressure to react rapidly. The regions where growth is happening are changing and so are the aspirations of our customers. Heavy organizations have a hard time surviving in this universe. Our goal is to combine the advantages we get from our global size with those we can get through greater agility. The success of these efforts can be measured in terms of our growth in the emerging countries and our new business lines. AXA's exposure to growth regions is increasing steadily.

We have 102 million clients and we are the world's number one insurance brand for the fourth year in a row.

The strong growth markets and segments are the emerging countries (Asia ex-Japan, Latin America, the countries of Eastern Europe) and the emerging businesses (direct insurance, online insurance). These activities accounted for 4% of the Group's overall revenues in 2007, 15% in 2009 and 21% in 2012 for property-casualty side. For life insurance, the figures are 4% in 2007, 7% in 2009 and 17% in 2012. Even though the bulk of our business is still in the so-called developed countries, the uptick in emerging countries and emerging businesses is very marked. AXA had fallen behind its peers in this regard but we are closing the gap at an accelerated clip and in fact are now the top international property-casualty insurer in Asia. Our joint venture in the Chinese market with ICBC, the world's number one bank based on the number of clients, illustrates this trend: revenues between the first half of 2012—before the agreement was signed—and the second half of the year increased by a factor of 2.5.

Becoming more agile also encompasses changes we want to see in our life insurance and property-casualty businesses. Our property-casualty revenues continue to grow. Among the world's largest insurance groups, we have achieved the most rapid growth in property-casualty business since 2000. In 2000, we reported property-casualty revenues of 15 billion euros: today, the figure has nearly doubled. Our combined ratios continue to improve, demonstrating that this growth is not at the expense of profitability. When we look at the life and savings business, we see that efforts to increase agility are bearing fruit. We have set the objective of increasing protection and health because these are high margin businesses that have significant development potential. In three years, the proportion of protection and health in our new business mix has increased by a third, to the detriment of general account and savings which in France, for example, are traditional, euro-based funds. These businesses are less attractive today—for our clients as well as for us. The effort to evolve our business mix is therefore bearing fruit.

Voilà! As you can see, 2012 was a year of solid results that will enable us to continue our forward march.

II. Life & Savings

Jacques de VAUCLEROY, CEO of AXA Global Life, Savings & Health

We do business in more than 30 countries and have achieved excellent diversification in terms of our business lines – protection and health now represent nearly 40% of our business – but also in terms of our distribution networks: 50% of our products are now distributed by our exclusive tied agents' network and salaried sales affiliates. Through these different distribution networks, we collected an additional 3.9 billion euros in 2012. Diversification allows our clients to access our products via the channel of their choosing; it is also a guarantor of our financial strength and allowed us to pay out more than 11 billion euros in benefits to our protection and health clients last year. Nearly 5.2 billion euros in interest was earned on their savings invested in euro funds.

New business was up by 3% in 2012, while our new business margin for 2012 was 31%, compared with 25% in 2011. This improvement was driven mainly by sales of protection and health products, and by unit-linked business. The margin reflects an actuarial calculation and does not in fact correspond to the margin generated each year on premiums. Our growth in sales was attributable to the dynamism of protection and health products, with sales up by 7% thanks in particular to Asia including Japan. These products represent 40% of new business in the life and savings segment: net inflows on these products came to 4.8 billion euros in 2012. We are very motivated to continue developing this business segment, since client needs are growing and these clients are profitable. Unit-linked sales rose by 2%, with net inflows reaching 2.8 billion euros. Sales were strong in the United States, Japan and continental Europe. For the general account, the trend reflects our selective strategy, which led to lower sales in France, Italy and Germany, where the protracted climate of low interest rates makes these products less attractive to our clients and also capital intensive for us. Lastly, mutual fund product sales were up by 13% in 2012, driven mainly by the United States and the United Kingdom. This trend is in line with the Ambition AXA strategy, which places the focus on health, protection and unit-linked products.

Today, 83% of our sales come from the mature markets. In 2010, these markets accounted for 90% of all new business. We want to increase the share of business from the high-growth markets. In the mature markets, sales rose by 2%, with a net inflow of 2.5 billion euros. France remains the biggest contributor, with sales up by 3%. Net inflow was positive at around 1.1 billion euros. In the United States, growth reached 14%, a sign that our new sales strategy is bearing fruit. In Japan, thanks largely to protection products sold through the chamber of commerce and industry channels and also the agency network, sales rose by 17%. The new business margin was 29% in the mature countries. In the high-growth countries, sales rose by 4%, with net inflow of 1.5 billion euros. If the countries of Eastern and Central Europe are excluded—where business is in a marked slowdown phase—sales grew by 15.5%, with a notable performance from Asia (17%). The new business margin in these high-growth countries was 44% in 2012.

Concerning underlying earnings by business, pre-tax, the biggest contributor was again protection and health, even though earnings were unchanged this year due to higher acquisition costs and commissions, reflecting higher sales, particularly in Asia and Japan. Underlying earnings from general account business rose sharply, reflecting our selective approach to underwriting and our disciplined cost management. Unit-linked earnings rose as normalcy returned to the United States.

It is interesting to note that protection and health represent two-thirds of pre-tax underlying earnings in our segment.

Overall, underlying earnings after tax rose by 19% on a comparable basis. This very good outcome was driven in particular by the United States. In 2011, the cost of variable annuities had a very adverse impact on earnings from this country. I want to stress the quality performances in France, Japan and Asia, the fourth contributor to life and savings. This rapidly growing region already accounts for a large part of our earnings, reflecting the improvement in our business mix, which now places more emphasis on protection, health and unit-linked business.

III. Property & Casualty Insurance

Jean-Laurent GRANIER, Chairman and CEO of AXA Global P&C

We are directly present in the property-casualty markets of more than 40 countries and are the world's fourth largest property-casualty insurer, with annual revenues of 28 billion euros—the figure rises to 31.3 billion euros if the international large risks insurer AXA Corporate Solutions is included. In 2012, we paid out 19 billion euros in claims to 10 million clients. We settled 6.5 million auto claims for a total of 7 billion euros. We are now the top international insurer in the Asian property-casualty market thanks to the acquisition of the property-casualty business of HSBC in Hong Kong and Singapore. We are Europe's third largest direct insurer, with a platform developed in Europe and in Asia.

Our distribution channels are balanced between our tied agents, who account for 40% of our business, and brokerage networks, which account for 46%. Direct insurance now accounts for 11% of our business and partnerships for 5% of total revenues. We have also achieved a healthy balance between individual clients (54 %) and businesses (36% in the local markets and 10% for businesses in international insurance programs).

Property-casualty business grew by 3% in 2012, which means that this business has nearly doubled since 2000. Growth was driven by mature markets, as well as by emerging markets and direct insurance. In the mature markets, revenues grew by 2% in France, by 3% in Italy and by 5% in Germany, while other countries experienced recession and market contraction. Overall, the mature markets saw their revenues increase by 2%, with a total gain of 133 000 clients. In the high-growth markets, revenues increased by 12% (11% in Asia and 12% in Latin America). As for direct insurance, the increase was just 2% due to the restructuring of the UK portfolio, which led to a decline of 17%, while revenues were up by 9% overall in the other countries (such as France, Spain, Italy, Japan and South Korea). Half of all new contracts (more than 600 000) were written in high-growth markets, while a quarter were for direct business (+300 000) and 12% were written in the mature markets, where we are more selective.

Profitability indicators are calculated on current business first, independently of reserves and prior year losses. The current year combined ratio was up by 0.8 point, to 98.8%, which puts it on track for the Ambition AXA goal of 97% by 2015. Positive loss development on prior years helped to improve the combined ratio by 1.2%, compared to 1.7% in 2011, reflecting necessary reserving in Turkey for bodily injury claims settled after a legal proceeding, which rose sharply. We increased our reserves and have now acquired the necessary cushion for this market. The total combined ratio for the Group has improved and stands at 97.6% (the target for 2015 is 96%). This improvement reflects the ongoing pursuit of technical excellence in our underwriting and claims management, which benefits from the diversity of the Group's businesses and the experience accumulated in the European markets and made available to new markets, in particular Mexico and China. The impact of natural catastrophes was limited in 2012 thanks to the Group's underwriting policy, which calls for limited exposure to this risk Groupwide: the impact was 0.4%, down by 0.3% compared with 2011. We were more affected by the harsh winter conditions in some regions, including the impact of frost on buildings in Western Europe (France and Germany) in early 2012, which more than offset the slight improvement in the area of natural catastrophes (with an adverse impact of 0.4 point on our ratio). The change in these profitability indicators was mainly driven by our underwriting and portfolio management policies and not to external factors that impact our business.

International insurance is being developed by AXA Corporate Solutions, a global organization that caters to large industrial clients with business in several countries. Success in this segment requires excellent underwriting skills. Last year, revenues grew by 3% on a comparable data basis, surpassing 2 billion euros. This business is growing strongly in emerging markets (+16%). The AXA Corporate Solutions platform offers strong support as we develop AXA's presence in the commercial segment of the high-growth markets of Asia, the Gulf States and the Middle East, as well as Central and Latin America. This business is profitable and became even more so in 2012: the combined ratio was 97.8%, up by 0.1%, which indicates we are correctly managing the underwriting process in this area. Underlying earnings for this business were virtually unchanged year-over-year (from 150 million euros last year to 145 million euros in 2011). The contribution to the Group's net income rose by 17%, to 166 million euros. This business has the capacity to generate significant recurrent revenues.

Underlying earnings for the property-casualty segment rose by 3% on a reported basis, to 1.9 billion euros, without taking into account the 145 million euros provided by AXA Corporate Solutions. All of the Group's businesses and geographic regions are now making a positive contribution to this outcome, including the direct segment, which added 50 million euros. It is now a profitable business and will become an important contributor to overall profitability. These positive results are mainly driven by the improvement in our operational efficiency as measured by our expense ratio, which was 26.8% in 2012, a 0.2 point improvement. This quest for higher productivity and operational efficiency is not over and we intend to pursue it to improve our competitive position. The results so far reveal genuine underwriting discipline that we can leverage in high growth markets as well as in the direct insurance segment.

IV. Spotlight on France

Nicolas MOREAU, Chairman and CEO of AXA France

AXA France is France's leading insurance provider, a multi-specialist in property-casualty insurance, in life insurance and savings, in protection, in health and in legal expense, with nearly 9 million clients and three major proprietary distribution networks: the tied agents' network, which has 3 500 agents who sell life and non-life insurance; the network of 900 agents specialized in protection and financial planning; and 4 000 employees in the AXA *Epargne et Protection* network. We also work with brokers and independent financial planners. In 2012, AXA France's revenues totaled 19 billion euros and our underlying earnings were up by 7%. We are on a solid growth path, with an extremely solid domestic base that can support the Group in its international development.

Our sales performance was very good in 2012. I'd like to take a minute to congratulate the people of AXA France for their commitment and their success. We achieved major growth in both protection and health, with sales up by 6%. This growth was driven by Group Insurance (business risks) and International Employee Benefits via our MAXIS network, a joint venture with MetLife. In individual protection, we were very innovative with the introduction of a long-term care product called *Entour'Age* (16 000 new contracts) and a funeral insurance product called *Essen'ciel* (11 000 new contracts). Sales rose by 7.5% in family protection, with the launch of global protection against digital risks. We play a major role in the field of social protection, are active in prevention and are providing risk education in our advertising campaigns.

In the property-casualty segment, revenues grew by 2% on a combined ratio of 95.1%, an improvement of 0.5%. The combined ratio for personal lines was 96.1%, while for commercial lines it was 93.8%. As for savings and retirement, we are seeing resilience in a very challenging environment (euro crisis, low rates, competition from the *Livret A* savings passbook, tax and regulatory uncertainty). Inflows to euro funds fell by 10% but AXA turned in an excellent performance in individual and group retirement savings. The strategy of diversification into unit-linked vehicles worked very well, with sales growth of 7% driven by the success of products like *Selectiv'Immo* and AXA *Coupon* Sérénité, giving us a margin of 26% (versus 13% for the market). The outlook for the French savings market remains murky, and we are eagerly awaiting the conclusions of the Berger-Lefebvre report. The concept of a euro fund is a bit exhausted and it is time to invent new products. With returns of 3% and investments that are - mostly bonds, these funds have lost investor interest. It is time to convince our clients to invest in more risky assets, via unit-linked products or euro diversified type products that offer the client a capital guarantee but also a more dynamic investment policy and a higher equity component.

We continued to pursue a cost-cutting policy focused on general expenses. The commitment of France accounts for one-third of the Group's commitment and we are on track with respect to our promise, having lowered our operating expenses by 30 million euros in 2012.

We are also continuing our transformation process with two major projects, the first of which seeks to improve service quality: it is the AXA *Votre Service* program. We have made strong promises to our clients, both individuals and businesses, in the form of service commitments based on tangible proof. This program puts the organization on a path of continuous improvement. We launched our service comparison tool *quialemeilleurservice.com* (**whohasthebestservice.com**), which compares 28 companies with respect to 13 critical moments (death, car accident, etc.) and the services offered by each company. The site has been wildly successful, with 1.2 million connections since it was launched. We have already received 5 600 suggestions from site users on how to improve our services and what new services we can offer, and we are incorporating the tool into the sales process of our tied agents so that they can show clients the differentiating aspects of the services which accompany our products. We are really pushing online services to improve the experience of our clients. 30% of our clients have taken us up on our offer of a reserved client space where they can track their health payments, get an update on the status of their motor claim, change their coverage, etc. We have just introduced a platform called *Climat d'entraide*, based on an idea that came from one of our employees as part of an innovation challenge. This platform links victims, service providers and insurance agents in the event of a natural disaster, helping to organize relief efforts and community solidarity. The second major transformation concerns the renovation of our distribution networks. The *Innov'* project supplies our 4 000 employees with a tablet device so they can underwrite policies remotely from the client's place of residence or business. They have access to general conditions, sales pitches, tips and modeling software that helps clients choose the best products. We are also working on improving multi-access for our tied agents, who are at the center of our multi-access policy. Instead of creating a direct channel on axa.fr, we create virtual agencies for our tied agents that are an extension of their physical agencies. We launched a new auto product on February 11 of this year, and this product can be purchased online or at the agency. The client experience is seen as a continuum between the demand for a quote online and a follow-up in the agency. This is full integration. We are redeveloping axa.fr with special pages for each of our distributors. Our strategy is to make the internet the center of the agency—as the continuation of the agency. Other experiments will help modernize our network. We will be presenting a more detailed update on AXA France on March 28th.

V. Asset Management

Denis DUVERNE, Deputy CEO

Our two asset managers, AXA IM and AllianceBernstein, manage assets for insurance companies and third-party clients. 2012 was a rebound year for our asset managers with respect to flows, which turned positive in the second half of the year for AXA Investment Managers and in the last quarter for AllianceBernstein. Assets under management rose by 56 billion euros over 2011, due to market appreciation but also to an improvement in the net flow situation, which was only 1.5 billion euros in the red. In total, the Group manages 1 116 billion euros in assets, a slight increase compared with 2011. Revenues rose by 2% on a reported basis, but fell by 3% on a comparable basis, which reflects a decline for AllianceBernstein related to a slight dip in average assets under management.

While flows are slightly negative, underlying earnings rose by 19% on a reported basis and by 14% on a comparable data basis, mostly driven by very active expense management, in particular at AllianceBernstein, whose underlying earnings rose by 39%. For AXA Investment Managers, underlying earnings were unchanged versus the prior year. The investment performance of both managers shows clear improvement and we expect a return to positive flows in 2013.

VI. Global Performance

The year 2012 saw the return of revenue and earnings growth.

Revenues increased by 5% on a reported basis and by 2% on a comparable basis: they were up by 3% in life and savings, thanks to business growth in Asia and the United States, and by 3% in property-casualty insurance.

Under the Ambition AXA efficiency program, the goal of reducing expenses by 1.5 billion euros was announced in June 2011. After having achieved 300 million euros in savings in 2011, we decided to raise the target to 1.7 billion euros by adding additional savings targets on life insurance acquisition costs. In 2012, we achieved savings of 400 million euros. So we have an additional 1 billion euros in savings that we need to achieve over the next three years. We feel that these savings are totally achievable. Also in 2012, we invested 1.1 billion euros in the improvement of our claims management platforms and also in the effort to modernize our distribution networks. In 2013, we are stepping up the pace of these investments with an additional 1.2 billion euros. We will be using the funds to develop a new claims management system in Spain that keeps our clients informed of the status of their pending claims by SMS and by email. In Japan, we have created an electronic policy purchase application for life insurance products.

Underlying earnings are dominated by property-casualty, protection and health, which account for three-quarters of these earnings. The remaining quarter is attributable to asset management and savings. Underlying earnings rose by 13% on a reported basis and by 9% on a comparable basis, reaching the highest level in five years. This improvement is due to the turnaround in savings and asset management and also to the resilience of our insurance businesses. The increase in underlying earnings from life insurance drove the Group's progression, boosted in particular by the return to normal in the United States.

Adjusted earnings, after capital gains and losses, were up by 31% on a reported basis and by 28% on a comparable basis, reflecting a combination of significantly higher underlying earnings and the financial market rally observed in late 2012, which reduced impairments. Net income, excluding one-off items, was up by 44%: with one-off items (capital gains on the sale of businesses in Canada, Australia and New Zealand and on the sale of our stake in the Chinese insurer Taikang Life) included, net income for the year is down by 1%.

The rise in adjusted earnings enables us to recommend a dividend of 72 cents per share, which is an increase of 4% over the previous year. This result ensures a return of 5.4% compared with the share price on January 1, 2012. The dividend payout ratio is 40%, compared with 50% in 2011, since the Group is back on the growth track and wishes to invest some of its profit into development. The higher dividend is made possible by the significant 11% in Group operating free cash flows, mainly driven by the Life and Savings contribution. The Group has increased its flexibility.

VII. Balance Sheet Indicators

In 2012, we increased the Group's financial strength, adding 7 billion euros to shareholders' equity compared with 2011. This increase is attributable to the combined effect of higher net income and higher unrealized capital gains. The Solvency I ratio increased to the record high level of 233%, while economic solvency rose to 206%. This solvency is the result of our internal economic capital model, which prefigures Solvency II. The gearing ratio declined from 27 to 26%, which is close to our medium-term goal of 25%. The Group's financing debt also fell in 2012.

The balance sheet trading portfolio is valued at 491 billion euros, marked to market value on December 31, 2012. Our allocation is basically focused on government and other bond instruments. Since our investment policy is to hold assets which, in terms of characteristics and maturity, are matched with our insurance liabilities, it is normal that we invest primarily in bonds. In 2012, we invested more in corporate bonds than in government bonds because the yields on government bonds were very low. Our unrealized capital gains rose sharply and those on the balance sheet came to 11.2 billion euros, in addition to which we have 3.5 billion euros in real estate assets that are carried off-balance sheet. The unrealized capital gains portfolio is substantial and all major asset classes are represented. For equities, the total unrealized capital gain is 1.5 billion euros.

VIII. Conclusion

Henri de CASTRIES

What might at first glance appear to be stagnation in net income is in fact due to the non-recurrence of certain one-off items and should not obscure the fact that we have gradually made the necessary adjustment on the issues and operations that produced the less-than-hoped-for performances during the crisis years. I am thinking of the United States and the asset management business, which are showing very clear signs of improvement in terms of performance. In addition, the strength of the balance sheet, further reinforced this year, plus the gradual return of revenue and earnings growth give us confidence going forward, even if the environment remains relatively uncertain, particularly in Europe. Consequently, we are recommending that the dividend be increased by 4%, to 72 cents, and we are looking to the future with determination, since we do not underestimate the magnitude of the efforts that we must continue to make, but also with confidence.

Questions/Answers

Thomas CARLAT, *Agefi*

In looking at the general account for life and savings, we see that for the Group as a whole the outflow was 3.9 billion euros. How does this total break down? How much of it is attributable to the French market alone?

Henri de CASTRIES

Developing the general account is not a priority given the relatively low level of rates and lower margins for this segment, even though we did see improvement over the course of the year.

Jacques de VAUCLEROY

The outflow was -3.9 compared with -3.7 billion euros in 2011, which demonstrates a concern for heightened selectivity. This outflow was the most marked in Southern Europe, and it responds to both a global strategy and more specific market phenomena, particularly in Italy.

Nicolas MOREAU

In France, we had a net inflow of 400 million euros, with substantial differences. The retirement segment was very positive, while the unit-linked individual savings segment was negative.

Jacques de VAUCLEROY

This trend is mostly deliberate. Under the Ambition AXA plan, we do not wish to invest more capital in general account savings business. We are further amplifying this strategy by focusing on unit linked savings, protection and health. The fact that there is a net outflow on euro fund savings within the broader picture of a net inflow of 3.9 billion euros is actually good news.

Henri de CASTRIES

Net inflow went from 3.3 to 3.9 billion euros, an increase of 20% in segments for which margins are better than they are for general account business. This explains some of the increase in the profitability of new business.

Thomas CARLAT, *Agefi*

For a long time, insurers banked on pure life insurance, unit-linked (separate account) or general account: are we seeing a shift toward a pure insurance model with protection and disability coverage or health and protection?

Henri de CASTRIES

Managing savings by handing out guarantees or coverage is our core business. There is no crime in being smart and looking at what best serves the interests of clients while producing decent margins for manufacturers. The sharp decline in interest rates means that some products are less appealing than they used to be.

Jacques de VAUCLEROY

It is important to avoid binary thinking here. The euro fund option remains a valid response but it is not the only valid response. For France in particular, our savings business is based on several different vehicles, with unit-linked savings products accounting for 26% of the total. For some clients, the percentage is higher, while others are more heavily invested in the euro fund. We have to look at things from a general perspective. We want to be diversified in our approach to clients in order to address their needs.

Nicolas MOREAU

In the euro general account, we have an outflow of 1.3 billion euros, while for – unit-linked we have a positive net inflow of 60 million euros, and for the retirement, protection and savings segments, we have a positive inflow of 2.3 billion euros.

Muriel BREIMAN, *Investir*

What's your take on the recent trend in the equity markets? Do you think it will last? Do you plan to increase your investment in equities in the trading portfolio?

Henri de CASTRIES

Personally, I avoid the temptation of trying to predict how the equity markets will move over the short term. When one looks at the growth outlook around the world and equity market valuations compared with past levels, this asset class is relatively attractive in light of its risk/reward profile, at least compared to government bonds and real estate. Asset/liability management concerns direct our asset allocations: we can increase our exposure to equities but not to an unlimited degree.

Denis DUVERNE

Instead, we intend to slightly increase our equity allocations but not enough to produce a major shift in the market. Our current allocation is 3% and we may move that up to 4%. So the level will remain low in light of our asset/liability matching constraints and changes in solvency standards.

Ivan BEST, *La Tribune*

How can you anticipate the asset allocation within the general account one year from now? What is your asset management policy for 2013 with respect to the general account?

Henri de CASTRIES

We do not manage just the general account but also the reserves from our other businesses—health and protection, property and casualty and unit-linked.

Denis DUVERNE

The general account for life insurance, health, protection and property-casualty shows a duration for our portfolio in excess of 7 years. In 2012, 50 billion euros were invested, generating a return of 2.7%. In all, 40% of these investments were in corporate bonds and 30% in government bonds. For 2013, the allocation will not be very different and we will continue to gradually reinforce the percentage of corporate bonds and loans compared with government bonds, while at the same time continuing to invest in government bonds. In 2012, our investment program will surpass 30 billion euros. We manage flows on the margin and do not change the portfolio radically, since out investment policy is guided by asset/liability matching considerations.

A journalist for *Envoyé Spécial*

Cécile Duflot, French Minister of Housing, has called for the requisitioning of vacant housing. Does AXA intend to make some portion of its real estate holdings available to the government? I am thinking in particular of 22 Avenue Matignon and its 2 100 square meters of empty office space.

Henri de CASTRIES

The policy goal of insurers is not to increase the percentage of vacant housing but rather to do the opposite. When one has substantial holdings, it is not unusual to have some vacant properties at any given time. The building you refer to is an office building that is currently being transformed due to asbestos issues. We applied for a building permit, a process that took a long time because one of the co-owners with a minority share was opposed to the work. This building is not suitable as housing. I don't think that current safety regulations would even allow us to house people there. We are a major force in low-income housing and in fact are the majority shareholder in *Logement Français*, which conducts an active and well-developed policy aimed at solving housing problems.

Fabio BENEDETTI, *Bloomberg*

In light of the positive results for 2012, you are already where you should be. Does this mean that you could end up at the top of your range in 2015? With respect to the Italian bank Monte Paschi, of which you are a shareholder, there will be a capital increase without preferential rights for existing shareholders, which means you could see your equity diluted. How do you see your risks related to Monte Paschi with respect to the derivatives transactions on the bank's balance sheet? Lastly, where are you in your business review of AXA Private Equity?

Henri de CASTRIES

The results show that we are aligned with respect to our Ambition AXA targets and we are confident that we will be at the finish line in 2015. But we have learned from recent history that the economic situation is subject to volatility and unforeseen shocks, so I will refrain from making any more statements three years away from the end point of this strategic plan.

With respect to Monte Paschi, we are shareholders and we also have a joint venture with the bank to develop life and property-casualty insurance businesses. We are managing this joint venture. In 2012, our share in the results of this joint venture was 72 million euros. Our business is developing as it should in terms of volumes and results. We do not regret our strategic decision to partner with this bank. Our relationship with the bank's new management is excellent. It so happens that this bank has a past that was hard on us as a shareholder because the share price fell, but we have confidence that the new management team will be able to put these problems—which are not its fault—behind and resume the bank's development.

As for AXA Private Equity, discussions are ongoing. This business is growing and highly profitable. France's appeal for some foreign investors sometimes raises questions. We are pursuing our discussions with management and certain investors calmly, in order to find the best solution for everyone involved.

Lionel GRANIER, *Le Revenu*

In the area of asset management, we are seeing a return to normal with both inflows and profitability back in the picture. How do you see your positioning with AllianceBernstein? Do you intend to evolve it? Analysts think that we are headed for a bond market crash: do you think the risk is serious? Lastly, with respect to the – "Say on Pay" and the idea of having shareholders weigh in at annual meetings on executive pay, where do you stand in this debate?

Denis DUVERNE

We are delighted with the current evolution of AllianceBernstein and satisfied with our position, since we have 62% ownership of the publicly traded company. AllianceBernstein is developing new areas of expertise and we do not have any plans to acquire or reduce our stake. AllianceBernstein has everything it needs to resume growth on more diversified footing than before, since the difficulties it encountered came from a period of great success, between 2003 and 2007, on US large cap mandates. We have no intention of changing our position on the strategic level.

Henri de CASTRIES

If AllianceBernstein's inflows are combined with those of AXA IM in 2012, AXA is the second largest asset collector in Europe behind Pimco, according to the *Financial Times.*

As for the bond market crash, I think a more distanced and calm approach is in order. Long-term interest rates, or yields, reached their lowest points in a century in 2012 due to the extraordinarily accommodative stance of the central banks. This is true for nominal rates but almost as true for real rates. This phenomenon is not sustainable. These accommodative policies, which some are calling financial repression on savers/investors, were devised to allow the markets to stabilize and the banks to convalesce and get healthy financially. These policies are reaching their end with the return of growth, as the current debate inside the Fed reveals. Long-term rates should gradually climb back up until they reach their long-term equilibrium. If the return to higher rates is gradual, this is far from being bad news for insurers—on the contrary, since insurers are also big investors/savers, which means they too are penalized by the fact that long-term rates are too low. So any gradual return to higher rates would be viewed as welcome news.

With regard to the - "Say on Pay", AXA's compensation policies have never been the subject of problematic criticism and we have always been fully transparent. We practice moderation and variability. The issue for us is not transparency but rather the identification of where the responsibilities lie for various stakeholders. How can we divide up the responsibility between general meetings and board meetings? The annual meeting is for shareholders and appoints a board of directors that is charged with both supporting and challenging management in its running of the company. The more we strip the board of directors of its powers, the more we create potential uncertainties with regard to how the company is run. I am not automatically opposed to the – "Say on Pay" or to the idea of shareholders expressing themselves on the issue but we really need to think about how to go about this. I observe that the majority of the capital of France's publicly traded groups is held by shareholders who are not. This reflects the gradual globalization of the business of these groups. If the shareholders are eventually consulted on the question of executive compensation, they will possibly be consulted on other issues as well someday.

Scheherazade DANESHKHU, *Financial Times*

An American CEO criticized the French way of working: is he right? Does this image of France constitute a problem for French businesses?

Henri de CASTRIES

I said this morning in an interview on BFM radio that Mr. Montebourg doesn't have a monopoly on verbal - slip ups, and that this story unfortunately reflects the perception of France abroad. I also said we needed to understand this, and that it confirms that some of us are right to be a bit worried about what the level of productive investment in France will be in the years ahead. The combination of a corporate income tax rate that is 1.5 times the European average, a tax rate on capital gains that is twice the European average and a tendency to make statements about certain situations that are out of line does not create the conditions supportive of a business friendly environment.

Laurent THEVENIN, *Les Echos*

How do you view the reform that would generalize supplemental health insurance for employees, and in particular the fact that it maintains the principle of designation clauses that on the face of it favors France's *institutions de prévoyance*?

Henri de CASTRIES

This reform needs to be resituated within the context of the recent negotiations between the MEDEF and the trade unions which signed the agreement. An agreement always contains gains and concessions on both sides. The counterpart to greater flexibility is the extension of coverage/guarantees to employees who did not have them before. As an insurer and a long-time observer of the French economy, we consider that the agreement is a good one because greater flexibility is offset by better protections for employees. In terms of execution, there are two issues to consider with respect to the nature of the transposition and the designation clauses. The French President made a public moral commitment to a literal transcription of the agreements. We await the fulfillment of this promise. With regard to the designation clauses, we are in favor of transparency in terms of how the coverage will be extended and competition between the players likely to be in a position to provide it. If these clauses result in locked-in monopolies, this would run counter to the notion of transparency and would be against the general interest—since I doubt that quasi-monopolies are the best way to improve prices or create good service quality.

Noémie BISSERBE, *Wall Street Journal, Dow Jones*

You mentioned having identified 200 million euros worth of additional potential savings. Where do they come from? And what is the purpose of the 1.2 billion euro investment? Lastly, can you explain the turnaround in US business and in asset management?

Véronique WEILL

The 1.5 billion euro savings plan was broken down into savings of 0.4 billion euros on property-casualty insurance acquisition costs and 1.1 billion euros on administrative spending. Using certain sources of leverage, such as IT, procurement and operations, we identified more potential savings. In 2012, 425 million euros in savings were achieved, of which 337 million euros in acquisition costs and administrative costs. In life insurance, we had opportunities to reduce our acquisition costs and achieved 80 million euros this year. We still have our sources of leverage and are looking at our acquisition costs in property-casualty and life, which enables us to set a target of 1.7 billion euros.

Our investment plan is 1.2 billion euros, including 1.1 billion euros in technologies. We want to build strength in digital and multi-access, because clients want a different relationship with their insurer. So we have decided to invest 220 million euros in the area of digital, with our distribution networks, on more powerful tools and on offering our clients the opportunity to have interactions in service activities by decreasing the amount of paper documents sent. We are also offering clients the chance to buy online and to get advice from their agents via the internet.

Denis DUVERNE

In the area of asset management, the 14% increase in underlying earnings is due to the combined impact of a 5% decrease in expenses and a 3% increase in revenues. In the United States, the variable annuity business generated a loss of 325 million euros in 2011. In 2012, the loss was only 28 million euros. We decided to increase reserves due to the changing behaviors of policyholders. The risk of further strengthening of reserves is much lower today than it was.

Christian SCHUBERT, *Frankfurter Allgemeine Zeitung*

Why did AXA's underlying earnings from German life insurance decrease by such a substantial amount in 2012? How do you compare yourself to Allianz?

Jacques de VAUCLEROY

In Germany, we also do variable annuity business, with negative elements linked to the higher degree of interest rate volatility. The rest of our business there is unchanged for the most part. This variable annuity business has been interrupted / suspended. As for the rest, our business remains focused primarily on protection and health insurance on the one hand and unit-linked business on the other.

Henri de CASTRIES

Allianz is a bigger group when it comes to property-casualty insurance. In 2000, Allianz posted property-casualty revenues of 40 billion euros to AXA's 16 billion euros. In 2012, Allianz is still somewhere around 40 billion euros, while AXA reported 30 billion euros. We are bigger than Allianz in life insurance. They outperformed us in asset management these past few years, having opted—with Pimco—for a manager that mostly does fixed income. The two groups are similar in terms of geographic exposure. The combined ratio for property-casualty insurance is below 100 for both groups, which shows that both have a disciplined approach to management. When it comes to industry issues and regulations, our approaches are very close.

A journalist, *EasyBourse*

Concerning euro funds, apparently the people who sell AXA products have been told not to propose them. You say that this disenchantment is due to the low interest rates that prevail. If interest rates were to go up, would you change your attitude toward these products? Are you feeding fears with respect to your business in Southern Europe, Italy in particular? You say that the environment in France is not business friendly: what are your concerns and recommendations?

Henri de CASTRIES

We ask our distribution networks to provide the best service to our clients based on the latter's needs. There is no binary answer. In some specific cases, the euro funds are the right solution. When a client has substantial savings that can be invested over the long term, certain asset classes may be more attractive than euro funds, which offer low returns because interest rates have fallen.

We don't have any particular concerns about the countries of Southern Europe. In Spain, our revenues fell because some clients are cutting back on their coverage demands. Both Italy and Spain are involved in the difficult task of making the structural reforms that are needed to get back on the growth track.

I have nothing to add with respect to the French situation.

Giuliana LICINI, *Radiocor*

Are you interested in businesses sold in Italy?

Henri de CASTRIES

We have nothing to add to the numerous statements we have already made on the subject.

Delphine DECHAUX, *Challenges*

You indicated that the possibility of a gradual rise in interest rates would be considered good news, as opposed to a sudden rise. Is this a hypothesis you are genuinely taking into account?

For the emerging countries, you show that the contribution from high-growth markets and segments has increased substantially. What would the figures be if new business was eliminated from the calculation?

Lastly, you say that AXA is the top international insurer in Asia. What is your market share in this region, where domestic companies are predominant?

Henri de CASTRIES

We never rule out a scenario, as recent financial history demonstrates. A sudden rise in interest rates would be less positive than a gradual rise, more for the economy in general than for us in particular, because this would cause tensions and disruptions. The best protection we have against accidents of this kind is the quality of our asset/liability matching and management and the existence of a low duration gap. We manage our assets on the basis of our obligations on the liabilities side of our balance sheet and we follow this indicator dynamically. We also have hedging programs in place.

Jean-Laurent GRANIER

On the property-casualty side, the percentage of business done in the emerging markets is now 20%, which is linked to the change in our size in Asia. In AXA's consolidated revenues, Asia's contribution has increased by 11%. Today, we are number 1 in more than ten countries that fall into the high growth market category, especially in Hong Kong thanks to the HSBC acquisition, and number 2 in Singapore. We have established good positions in a whole series of markets where not many people have insurance and hence where there is plenty of room for growth and where profitability is improving each year. For us, the Asian property-casualty market is an important source of growth and profitability in the coming years.

Henri de CASTRIES

Thanks, everyone, and have a good day.