AXA FY15 EARNINGS

Transcript

February 25, 2016

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Andrew WALLACE-BARNETT, Head of Investor Relations, AXA

So, good afternoon everyone, and welcome to AXA's full-year 2015 results.

Welcome to those on the telephone, welcome to those watching by webcast and indeed welcome to those here in the room in London. When we get to the Q&A, as per usual, we're happy to take questions from over the phone or the webcast. I believe you have the instructions in order to be able to do that. We will give a preference to questions coming from our friends here in the room.

Presenting today will be Henri DE CASTRIES, Denis DUVERNE, Gérald HARLIN, and it's my pleasure to hand over to Henri.

Henri DE CASTRIES, Group Chairman and CEO, AXA

Denis was asking me if I had taken a piece of chocolate cake and I told him that I resisted but will certainly succumb at the end of this presentation.

So very happy to be with you this afternoon to share with you what our 2015 results have been and as you have already seen, I think they are pretty strong, because we are showing strong earnings and a good dividend, because they also illustrate the fact that we are coming to the end of the five-year journey, which was Ambition AXA and we have completed with the journey with satisfactory outcome on all the key KPIs. And this despite the fact that the economic environment, and in particular, interest rates have not been what we were anticipating at the very beginning of the exercise. So despite the headwinds, we have reached or exceeded the targets we had.

Having said that, and even if I come back to some of these achievements in the presentation, this is not the end of the story. What we are focused at now is not to celebrate the past, but to look at the future and I think we've built a very, very strong basis to reach the next step with the Group, and as you know, it's something we'll share with you around mid-June.

So, the earnings in 2015, strong growth in earnings, of course, helped by the forex, but I mean on a constant basis they are up 2%. We're reaching €5.6 billion in underlying; it's the highest level of earnings ever reached by the Group. Adjusted earnings, same progression at €6 billion, so we are just in the range we have been forecasting in terms of capital gains.

Underlying earnings per share, up 10%; adjusted earnings, which are the basis for the dividend, up 9%. That's why we are proposing to the shareholders meeting to approve a dividend of €1.10, which is an increase of 16% when compared with last year, and seeing that, you see that we are walking the talk on the increase in the payout we announced back in November, the fact that the payout range would move to 45%-55%, we are at 47%.

Just a quick look back at what we have achieved with Ambition AXA. We had three key objectives with that. More selectivity in our business because we thought that they were places of business segments where the returns and the development prospects were not optimal and we thought we had to divest them. We wanted to accelerate, especially in the emerging countries, because we thought that the – at the very beginning the AXA footprints in these places where significant growth would happen over time was not sufficient and the third thing was to generate more efficiency and cut costs, whilst still investing in the future.

I think where we are today is pretty satisfactory from that standpoint because we are achieving a high return on equity, we have a very strong balance sheet, illustrated by the Solvency II ratio, we have very resilient earnings, I think, you've seen that throughout the years. We have a better diversified footprint, both in terms of business segments and in terms of geographies; and last but not least, and this is going to be a very important element for the future, I think the momentum we have created on digital and big data is such that we are well positioned to take a very significant advantage out of these things.

Just to go back to what were the key indicators. Earnings per share have improved by 7% a year on a compounded basis, so exactly in the middle of the range we had announced. The return on equity is at 14.1%, the cash flows generated over the period have been higher than what we had announced and the debt gearing is at the bottom of the range we had decided. By the way, we are going to slightly change as you know the way we report the debt gearing to align our reporting with what other players in the industry are doing and Gérald will mention that of course.

Solvency II, we have disclosed in November everything, so you know us as well as we know ourselves there. The ratio is 205%, so far it seems to be that the – it is the highest ratio published in the European industry and we've told you that we would navigate between 170% and 230% with pretty – we have given you a pretty precise roadmap there. We are giving you here some sensitivities to illustrate our resistance to extreme scenarios and since I am sure that some of you are wondering where we are today or where we will be tomorrow if, I think you have here all the elements, you need to understand that we are in a very, very comfortable situation from this standpoint. Debt gearing I've already mentioned.

The discipline is illustrated by the numbers who are on this page. In five years, we have sold €9 billion of assets, operational assets. We have invested for €6 billion; €5.1 billion of them to be precise being in emerging countries. We have a low sensitivity to interest rates, less than or around one year duration gap, an impact of €200 million a year if rates negative, if rates stay at the current level. Our asset portfolio is of very good quality. We've shown to you here the average rating of the bonds and we've given you the exposure because it seems to be the fashion of the day, what's the exposure to banking, what's the exposure to oil and gas, you have it here. Gérald or Denis will come back to that. The 2% or the 1% applied to the General Account assets, so a little more than €500 billion. So and the exposure we have there is a very good quality exposure.

The next point is what have we been doing to shift the business mix and increase the margins, and there I think over five years the picture is pretty impressive because not only did we change the business mix in Life, reducing the amount of General Account in the new business, which has grown over the period, but we've also very significantly changed the margins on each and every segment of the business, which puts us in a situation where APEs are higher than before and where the margins have progressed by approximately 50% over the period, moving from 22% to 34%. On the P&C side, the game has been a game of reducing the combined ratio by a little more than three points, whilst generating, nevertheless, some revenue growth. It's clear that the P&C business is a business where growth is challenged, but you see that we can resist very well.

The footprint in Asia and in other emerging markets is very stronger than what it was back in 2010. As I said, we have invested a little more than €5 billion in this market. There has been a place where we've been disappointed. It's clearly Central and Eastern Europe, fine. But Asia certainly has delivered as well as MedLA, where we have very good and significant market positions, which we think will pay off in the long term, even if there is volatility on the trend.

Just to illustrate, in Asia, APEs have been doubling, the NBV has been nearly doubling and the cash earnings we've been extracting from Asia are at €2 billion over the period. The last leg of Ambition AXA was the efficiency. The initial target was €1.5 billion of savings; we have achieved €1.9 billion, whilst investing a little less than €1 billion in the new technologies. So we've been able to improve the efficiency of the Group without sacrificing the future, which I think is an important element.

This digital transformation keeps gathering momentum. As you know, we have three levels. What do we explore – that’s the AXA labs. What do we start to do? Where do we build tools, applications and where do we invest to participate into interesting stories. We put for you there, the way our investments have been targeted internally, and it's interesting because what it shows is that it's affecting each and every segment of the insurance value chain in a significant way.

The other things we've been putting there is the amounts we've been investing outside of the Group to try to generate new ideas, disruptive models, sometimes purely outside of the Group and it's AXA Strategic Ventures, which has now completed approximately 17 investments in various startups. The second thing is at the border of the Group, KAMET, which is led by Stéphane Guinet, the former Head of the Direct

Business, which is another interesting experience we started in the 90s, which is now generating billions of revenues. This is to build internally disruptive models.

The last point is a quite interesting investment we've made in the recent weeks in AIG, not the insurance AIG, but Africa Internet Group, which is the Amazon of Africa where we have invested in their equity, but also set-up an exclusive distribution agreement for our insurance products to their clients. It's an illustration of the combination of new technologies and new geographies which, for the future, should create additional growth.

Last but not least, of course, we do that with high consciousness of that fact that AXA is not only a balance sheet and a P&L, and we have moved on the corporate responsibility side, and I think some of the moves we have been making have been extremely good for the understanding and the reputation of the brand. We've been divesting from coal, as you know, because we don't think it's a good long-term investment. We are publishing our carbon footprint, which leads us to have a pretty strong ranking on the DJSI. We are well prepared for the future and we will tell you more about that in June because I think we can write now an interesting new page. We have a great business – a great mix of businesses, 25% Protection & Health, 40% Property & Casualty, 36% – or 35% Savings & Asset Management, so three legs to walk. We have a very strong balance sheet, we are the number one brand, which is great to attract talents, clients and partners, and interestingly, even if it seems an anecdotal, we've been ranked the most innovative insurance company by the 800 biggest clients of BCG, which I think is an illustration of the fact that people are taking seriously what we've been doing in new technologies.

So, this was just the introduction I wanted to make. As usual, Denis and Gérald are going to walk you through these earnings, which we think are pretty good earnings.

Denis DUVERNE, Group Deputy CEO, AXA

Thank you Henri. Good afternoon everyone.

So, we'll start as usual with the underlying earnings of the Group. You see that on the – they are up 2% on the comparable basis and 9% on the nominal basis. Life & Savings had very good results, plus 3% on a comparable basis to €3.5 billion. P&C is slightly down on a comparable basis by 1% and I will comment on that further. Asset Management's up 1%, I will not comment in detail on the last three segments, which are smaller, but just to say that the net of the three is positive and the biggest change is in the Holdings segment where the charge for interest rates has declined by roughly €60 million, partly offset by more investments in digital.

Adjusted earnings were up 2% to €6.008 billion on a comparable basis, plus 9% in nominal value. You see that the net realized capital gains were almost stable at €433 million, about the same amount of capital gains, the same amount of impairments; good results of plus 2%.

Net income was up 3% at €5.617 billion. The main comments are related to the change in fair value and forex. On interest rate hedges not eligible for hedge accounting, we have a negative number of €158 million. On forex, we have a slightly less positive number than last year at €141 million. And on the change in fair value of assets accounted for as fair value, so it's essentially the bond funds, which are fair values to the P&L, we have a minus €212 million, which relates to both slight increase in interest rates during the period and widening of interest rate spreads.

On the exceptional and discontinued operations, we have the benefit of the capital gain done on the sale of our mandatory pension funds business in Hong Kong. Integration and restructuring costs are fairly stable. Intangible amortization is slightly negative, but much less than in 2014 where we took a hit on our Russian goodwill, as you will recall.

Moving to the Life & Savings business; on the Life & Savings business we have a growth of our new business of 6% in mature markets with the new business margin, which is slightly down from 31% to 30%. The main – I think the main reason for that is probably coming from a slight dilution in the UK with a large sale of cooperative, but it's not a big figure. High growth market is disappointing at a plus 1% in new business. It's really essentially because of decline of our sales in Honk Kong. This is something that we had flagged a year ago. Hong Kong changed the regulation of – regulation in terms of disclosure for Unit-Linked products where all the charges and commissions had to be disclosed.

The market stopped selling Unit-Linked altogether. We were the biggest seller of Unit-Linked. Our General Accounts product was too capital intensive and we didn't push for the sale of this General Account. We had a shorter product that was redesigned in the spring, but didn't sell as well as the competition. We have redesigned our product more in line with the competition. It's starting to sell in January, but we've lost time in Honk Kong and that the disappointing sales volume of minus 12%. The rest of the high-growth markets were up 12%, much more in line with what we expect going forward. Overall, the margin moved from 49% to 51%, which, I would say, a consolation. All-in-all, Life's new business sales were up 5%, with a relatively flat margin of 34%.

Looking now at the mix of business of our Life sales, you see the Protection sales were up 4%, margin relatively stable at 52%. Net flows at €5.9 billion; G/A Savings down 7%, in line with our strategy to focus on Protection & Health and Unit-Linked. Margin at a high of 19%, you have seen in one of the slides presented by Henri, that five years ago the margin in that business was minus 1%, which is a testimony to the change in the product design that we have achieved also in G/A Savings. Flows are negative at €2.4 billion. Unit-Linked sales up 12%, margin of 31%. The flows have moved from €0.7 million to plus €5.7 million. This is also due to the fact that last year we had the big buyout in the U.S., which we have an ongoing buyout in the U.S. but it's much smaller, so this has helped the net flows on the Unit-Linked side. All-in-all, €9.6 billion of net flows compared to €4 billion last year.

From an earnings standpoint, the sales were, sorry, the profits were up 3% overall. They were up 2% in Protection & Health with higher mortality margin in France and the U.S., partly offset by an accelerated amortization of DAC in the U.S. G/A Savings, we have a negative evolution of profit of 4% with on one hand lower administrative expenses, which is a good; on the other hand, lower investment margins and a change in annuitization assumptions in Japan. Unit-Linked profits were up 10%, thanks to higher fees and the better results from GMxB in the U.S. in spite of a reserve strengthening on our GMxB due to policyholder behavior, in part essentially linked to the secondary effects of the buyouts.

Moving to P&C, our volumes – our revenues were up 1%, they were up 2% in personal lines and flat in commercial lines. In both lines we have a price effect, which is quite substantial, 3.2% in personal lines, 2.4% in commercial. This price effect was more than offset by volume effect and we can see that in more detail on the next page, page A30, where you see the details of price effects and revenue growth by country and the business line. A few points to highlight, you see that in the UK personal lines we benefit from a 5.5% price effect, so a continuation of solid price increases in motor in particular. You see in France on the commercial line side, a price effect of 4.4%, which is essentially a function of the price increases that we've put in the construction line, which had losses consecutive to the economic crisis in France and the decline in construction volumes. In MedLA, we had both significant price effects in the personal and commercial lines. And the price effect in personal lines is particularly linked to Turkey. In commercial lines, it's a little bit across the board.

For 2016, we have given you some pricing trends. You see in green in the UK, in yellow, you see most of the other territories. You see negatives in Switzerland and Belgium. We need to remind you that in both countries we have combined ratios which are quite low, 86% in Switzerland and 91% from my recollection in Belgium, so we believe we can swallow that.

Looking now at the evolution of our revenues and margins by markets; revenues were flat in mature markets with the combined ratio declining from 97.1% to 96.3% on a current year basis. High-growth markets' revenues were up 3%, Asia up 8%, Turkey, in particular, flat. The current year combined ratio deteriorated from 98.7% to 100.9%. If we exclude the impact of the current year reserve strengthening in Turkey, it's 99.4%.

May be I comment on Turkey now. Turkey, we strengthened our reserves in total by €252 million, €57 million for the current year and the balance for prior years. It's linked to continued deterioration of the legislative environment for bodily injury. It's a story that has started back in 2012 but has continued to deteriorate this year with not only the retrospective application of the legislation, but also new legislation which was adverse. We believe that – we have addressed the situation correctly both from a reserving standpoint and from a pricing standpoint. If I compare the beginning of 2015 and the end of 2015 on motor third-party liability, we have more than doubled our prices. The full-year effect on motor is only 18%, but from beginning to end of the year, we have more than doubled our prices. We believe that the market is seriously under reserved. We believe that in our consolidated accounts, we have fully adjusted our reserves and that we are reasonably well-prepared for the future.

Direct business is in good shape. We have increased our revenues by 7%, mostly in France, Japan and the UK. Our combined ratio slightly improved to 99.3% on a current year basis. All-in-all, our current year combined ratio went down from 97.6% to 97.3%.

Looking now at the full-year earnings from P&C, minus 1% on a comparable basis. Combined ratio has improved from 96.9% to 96.2% on an all-year basis. You see 3 impacts to current year combined, as I mentioned, down 0.3 points. The impact within that of natural catastrophes was modest this year, 0.6%, essentially some storms in Germany and floods in France, but it's lower than our normalized Nat Cat charge, which is around 1%, whereas it was higher in the previous year. Prior year reserve developments are slightly more favorable at 1%. All-in-all, we end up at 96.2%. If we were to exclude the impact of reserve strengthening in Turkey on one hand and normalized the Nat Cat level to 1%, we would have ended up at 95.6%.

We take a hit on the investment income, which is down 8%. We had an investment yield of 3.6% against 3.9% in 2014, it was exceptionally high in 2014 and so normalized, it would probably have been more 3.7%, 3.8%, but still we have a decline in investment yields, which had to be expected.

Moving to Asset Management, we had a good year in Asset Management overall, particularly at AXA Investment Managers, where the net flows were €42 billion, of which €34 billion in our Asian JVs, the bulk of that being with our Chinese JV with – called AXA SPDB, which is Shanghaï Pudong Development Bank. Within that JV, we continue to see very strong inflows even post the equity market crisis. We have negative flows in July and August, but we resumed the positive flows as early as September. We are considered the best equity manager in China. The non-JV business also had a good year because the non-JV flows moved from €4 billion in 2014 to €8 billion in 2015. Average AUM for AXA IM excluding joint ventures are up 7% and revenues up 4%, excluding joint ventures because we are not consolidating them.

Net flows in AB were more modest, €3 billion positive. Average AUM up 3% and revenues flat on a comparable basis, but significantly up on a euro basis. For the underlying earnings, they were up 1% on a comparable basis in Asset Management, 5% at AXA IM, and minus 2% on a comparable basis for AB.

I'll hand over now to Gérald. Thank you very much for your attention.

Gerald HARLIN, Group CFO, AXA

Good afternoon.

So as far as ALM is concerned, our invested assets amounted to €552 billion. You can notice that in the past the vast majority of our assets, 83%, are fixed income assets and real estate correspond to 5%, listed equities 4%, and other income mostly loans and ABS represent 7%. The duration of our assets is pretty long, 8 years for Life & Savings, 5 years for P&C, so we kept a tight duration mismatch, which is good in this environment where rates are going down. And the asset yields are – continue to hold quite well. In Life, as well as P&C, you can notice in P&C that it goes down from 3.9% to 3.6%, but as Denis just told you excluding an exceptional dividend in 2014, we would have been at 3.8%.

Let's focus now on the – more on the fixed income side, and first of all starting on the left with the Govies and the related bonds, which are maintaining a AA range and whereas on the right-hand side, you have the corporate bonds rating, which is corresponding to €190 billion, still in the A range, and of course, you will note also that we have 8% invested in below investment grade. Below investment grade is roughly €19 billion at the Group level, but it's mostly the vast majority is very short-term high yield, which has much more visibility by short term, I mean between 1.5 years and 2 years. You will see more detail in the appendices and if you have more questions of course I will be quite happy to discuss it during the Q&A.

Let's focus now on the 2015 investments. We have been investing €65 billion at an average rate of 2.1% and you will see that we have been invested in investment grade credit for 57% with an average rating of A. Govies, because you know that the way to manage our duration, the only way to manage long duration is through Govies because the duration of corporate bonds is shorter. Below investment grade 12%, that's the same comment mostly in short-term high-yield bonds below – between 1.5 year and 2 years.

Let's have a look at the investment margin. The investment margin was quite resilient. It dropped from 80 to 79 basis points. This is mostly explained by the spreads of the guaranteed rate on the Inforce book, because with an earning yield at 3.6%, we have a guaranteed rate at 2%, one year ago it was 2.1%, which means that we have a margin of 160 bps. On the new business, it's the same, that means that we are investing at 2.1%, the average guaranteed rate is 0.5%, which means that we have an average spread of 160 bps.

Let's have a look now at the shareholders' equity. The shareholders' equity went up from €65.2 billion to €68.5, mostly explained, I would say, by four elements. The first one is by definition, net income of the year, €5.6 billion. Next is the dividend, the dividend €0.95 that we paid one year ago, that we paid in May last year, corresponding to €2.3 billion. Next is the change in net unrealized capital gains, mostly coming from the widening of the spreads and slightly higher rates, minus €2.6 billion and the forex movement. I remind you that it's worth noting that our FX hedging policy is to protect up to 25% of our shareholders' equity, meaning that we benefited from a higher dollar, higher Swiss franc and higher pound.

Next is the debt, I would say that, as already mentioned, we have a debt gearing, which is at 23%, which is in the low end of our range, which was 23% to 25%, the interest coverage went up to 10.7 times. Most of our debt are subordinated debt, you can see €9.5 billion undated sub-debt, Tier 1 debt, and Tier 2 debt €6.9 billion. We remind you that our rating are now A+ positive outlook for S&P and AA- or equivalent at Moody's and Fitch.

Moving to Solvency II; Solvency II ratio is at 205% and you can see on the right the sensitivity of the Solvency II ratio, which is more or less in line with what we had been sharing with you in our IR Day at the beginning of December. Since we – starting from 2012, which is indeed that we shared with you at the IR Day the evolution – so rollforward - it is quite straightforward, you have the operating return of the last quarter plus five points minus the dividend corresponding to minus nine points in the end we are two – we end up at 205%.

Let's move to Group EV, so the Group EV had been adjusted in order to take into account the cost of capital of Solvency II, which is a plus of €0.5 billion, which is not in the operating return. Nevertheless the operating return is quite strong at plus 18%, in line with our earnings and NBV growth and we end up with a Group EV at €51.2 billion.

Let's move to the operating free cash flow; the operating free cash flow in 2014 was – in Life, €2.5 billion, in 2015 on a pro forma basis it's €3.1 billion taking into account the fact that we have a higher cash flow of €0.5 billion coming from the lower cash requirement as you know under Solvency II, we can benefit from the future profit just to match the capital requirement. The story is same with internal rate of return, our internal rate of return went up from 14.2% to 14.4% under a Solvency I framework, in Solvency II it's 17.5% to higher for the same reason as the one I explained for the Life cash flows.

Next is the global cash flow, I would say, and the cash flow combining Life and the other business lines went up from €5.5 billion to €5.8billion, plus 5%, and the remittance ratio went up from 86% to 87%, in the end, we had €5.1 billion up-streamed to the holding company. And as you can see here, the part coming from the U.S. was in line with what we said, €0.6 billion. On a pro forma basis, it's the same story that means that it would have been – the global cash flow would have been €0.5 billion higher due to the less – to the lower capital constraints.

Last, I would like to share with you the sensitivities to market conditions that we did the same one a year ago and assuming that we would invest at 2% on average, we were at 2.1% last year, so 2% on average, it means that we would have an impact of €0.2 billion that would be recurring, assuming that we would still invest in the future years at 2%. In case we would invest at 2.4% then it would be a hit of €0.1 billion only. As you know, we already had such an impact of minus 0.2% in our 2015 accounts. Limited equity sensitivity, because if we would have a 10% decline in our equity, in the equity market, the net impact on earnings coming mostly from the fees from the Unit-Linked business would be down €0.1 billion.

Last, Solvency II ratio is at estimated, these days that means yesterday, it would be circa 190%. How do we explain the drop of 15 points? I would say minus 8 point coming from the rates and from the fact that we had a decline between 40 bps and 50 bps depending on the currency. We had a slight decline coming from the equity, assuming a 10% equity, it's minus 2 points, so overall its 10, and on top with the volatility and the volatility on both equity and interest rates went up, which explains an additional minus point: 6. In this 190% we didn't take into account the operating returns for the almost two months of the year.

I hand over to Henri for the conclusion.

Henri DE CASTRIES, Group Chairman and CEO, AXA

Thanks, Gérald. So conclusion is going to be a very brief one, strong earnings, strong platform, interesting future.

Now, questions. So let's start.

Maybe when you ask your question if you can say who you are, not that we don't know you, we know all of you, but for the people who are just listening to the presentation, it's probably more helpful. Is there a mic somewhere, if you could come infront. Thank you.

James SHUCK, UBS: Thanks. It's James Shuck from UBS. I had three questions if I may. Firstly, just thinking about the development of the AFR, appreciate this new disclosure that we're moving through, with Solvency II. But I mean just to get a feel for the kind of a natural organic capital generation into 2016, because one thing as I look at your capital generation as you kind of on a cash flow basis. It's another thing to think about certain drag effects. So there might be such as the unwind of the volatility adjuster for example. So if you could just talk through how we should think about AFR development in 2016 that would be helpful.

My second question is around the Tier 1 capital. I mean, I think we showed the Solvency II, at Investor Day, you gave some excellent disclosures that was very helpful, and I think you had 84%, we are showing this in Tier 1 capital. I just like a bit more insight into the components of that Tier 1 capital. If I was to take the Inforce value from the MCEV disclosure, is that a good proxy for the amount of Inforce that's actually included within Tier 1? That's my second question.

And then if I can quickly steal a third one, it was just on the new money yield, I'm just interested and I knew you were at 2.1% in 2015, but what is that if we were to sort of think about the first quarter of this year? And are you seeing any problems about actually finding liquidity and investing in corporate bonds?

Henri DE CASTRIES: Gérald, you want to take this question?

Gérald HARLIN: Yes. About the development of AFR, you remember that in – at the beginning of December, we mentioned that on average we could expect to have an operational capital generation of 20 points net of dividend, let's say, of 10 points, it would mean roughly 11 points, but this is I would say an average and for sure as far as the AFR is concerned, it goes along with – it will evolve with the mark-to-market and that's the reason why I said that we would move from 205% to 190%. So on an instantaneous…on today's basis, roughly we would be slightly above 190% let's say. You can expect to have an attrition of, let's say, 10 points. You should deduct from these 10 points that a point that I mentioned the acquisitions when we make some external acquisition, I remember that I took the example of – of imagine that it would be €1 billion, €1 billion in high growth countries, it's minus 6 points, in mature it's minus 3 points. So I believe with these elements, and don't take the €1 billion as a kind of forecast, it's just an example, but it gives you an idea of the sensitivity.

Your second question was about the Tier 1 capital and the MCEV. So in the EV report, but we can also take it offline, but in the EV report you have a reconciliation and if you go to page 27, and here you have a reconciliation between IFRS shareholders' equity, and the Group AFR. And so you first, you have the shareholder equity, that's quite classical, you deduct all the TSS, TSDI, you deduct then the excluded intangible that's quite customary, that's the way we present, we have been presenting up to now. And you had the TNAV which at €32.3 billion and then you have the VIF and you end up with an EV of €51.2 billion. Next you have the dividend to be paid. You add the TSS, TSDI, Tier 1, Tier 2 because they are part of the numerator of the Solvency II ratio and you have some technical adjustment – among this minus €5.9 billion, you have two main elements. One correspond to the, MVMs, market value margin, which is quite significant and you have also the move from the actually P&C reserves to the Solvency II reserves, so that's mostly it. But we can – I can comment further after the meeting with you to – if you have additional questions.

Your last question was about the investment. Today, we are – under the present condition, we are investing roughly between 2% and 2.1%, which is nevertheless not so easy, but we don't give up on the quality. You notice that we have been quite firm on the fact that we were investing in as far as the sovereign bonds are concerned on average in AA, A in corporate bonds, so it's not so easy. The liquidity is not so high, but we nevertheless, we achieve it. Don’t miss also that we can invest in other type of assets like ABS, like CLOs, but high-quality CLOs, AA+ but it's illiquid and we can get some higher returns, as well as in loans like corporate real estate loans. So, we are using different ways in order – while giving up some part of the liquidity, not giving up the quality. Keep in mind that when we invest in BBB-, for example bonds, if there is a downgrading, then immediately the cost of capital would be much, much higher. So that's why we're extremely cautious on that side.

Henri DE CASTRIES: Go ahead.

Michael HUTTNER, J.P. Morgan: Couple of niggling questions, I beg your pardon. The first one is on the cash, so you had this increase in net of cash from €5.5 billion to €5.8 billion. Last year I remember you remitted, figure I had in mind of, I don't know which currency, but call it $1 billion, this year I think you've remitted $800 million and I just wondered why you left $200 million in the U.S. I mean I was joking with your lovely IR team and I said, I'd be like – Uncle Scrooge – take a bath in gold doubloons every day, I wouldn't leave anything in the U.S. So that's really – I just wondered is there – to understand this.

The other thing is I noticed and it's kind of a really stupid question. There is quite a big rise this year in your deferred acquisition cost, the last year they went up €2 billion, this year they went up €3 billion, so that's – and one day these things have to be amortized or written off, so, I always wonder a little bit about that.

And then the final point is, can you look us in the eye and say Turkey is finished, that would be really nice? Thank you.

Denis DUVERNE: I will take the Turkish question and leave the other two for Gérald. So, I mean, I probably told you in 2012, when we take the first big hit that Turkey was finished. This was without knowing what the regulator – not the regulators, but what the judges and the legislators would do in the meantime. Right now, I can tell you that we have taken a hit that we believe is reasonable, it's way more significant than our competitors. That's – but this is – there are still a number of assumptions here. The hit is IBNRs. So we are basing our reserve estimates and ultimately – what we believe is the ultimate development of those claims and we are making certain assumptions on the likelihood of a litigation by the victims of accidents of the last 10 years. And this percentage of claimants has increased steadily. We've made our own estimate of where it would peak. The peak that we have estimated is not 100%, so we may be proven wrong, but it's quite high. And so there are lots of estimates like this that come into account. But among the last developments that have taken place, there was an indemnity for the liable driver that didn't exist. There was a compensation for the loss of value, which is something that exist in Germany, but in no other place and will there be further surprises, I don't believe because we believe that if people were putting their reserves – if the rest of the market were putting their reserves where we have put our reserves, there would be no equity left in the P&C market in Turkey. So I think there will be some time for adjustments of our capital with our competitors.

Henri DE CASTRIES: The only good news is that we have the feeling that following the lobbying efforts the Turkish supervisors and regulators have finally understood that the insurers were not the Alibaba cavern. Gérald?

Gérald HARLIN: First of all, about the U.S., so in the U.S. we don't pile up the cash in the U.S. You know that we mentioned last time that we would upstream between €0.6 billion and €1 billion, that's what we did and I can tell you that we still have €4.3 billion debt left in the U.S., loan from the holding company to the U.S. We will maintain the same type of amount we can expect to have is between €0.6 billion and €1 billion that will be upstream to the holding company. So no specific worry on that side. And the story that we told you last time is still true today.

Denis DUVERNE: There is a positive regulatory development on that front, which is that the New York State was allowing the lower of 10% of surplus and the statutory earnings as an automatic upstream and now it's the higher of the two that works. So it will allow us to increase the dividend that doesn't have to go through the regulatory gates and that should come sometime this year.

Henri DE CASTRIES: On the DAC?

Gérald HARLIN: On the DAC, so I believe that your remark is mostly relative to the U.S. The DAC increased from €10 billion to €10.9 billion after tax, so that means that this DAC level has been increased mostly due to the significant part of it is explained by the lapse. You know that as explained by Denis, we have increased our reserves to take into account the lapse rate, which is lower than expected, same for what we call the partial withdrawal. So the impact has been roughly €350 million of additional DAC, but pay attention to one point, which is the DAC in itself should be analyzed in the light of the k-factor. And our k-factor went down because we – why because when you have more lapses – less lapses that means that you will have more future profits, more future fees, which means that if I take on the last year we had a k-factor at 65%, and this year we were at 58%. Another way to look at it, if you go into the EV report, you will notice that in the end, the impact on this reinforcement of reserves was only €75 million negative. You have a footnote on this.

Henri DE CASTRIES: OK, go ahead. Let's change sides for a while.

Jon HOCKING, Morgan Stanley: Thank you. It's Jon Hocking from Morgan Stanley. I've got three questions please. I wonder, first if you could talk a little bit about claims inflation in P&C and how that's comparing with the rate you are achieving on the book both in commercial and personal.

Second, on the high yield ratios, [inaudible] it superficially sounds quite scary being in the high yield market at the moment. But if you could talk a little bit about the confidence you've got on the visibility, which sectors you are in, and just give a little bit of color on the high yield exposure please?

And then just finally, just on the slide you put up with the sort of capital stack, the cash you're netting off there, is that the holding company cash because it's gone down quite a lot year-on-year from €4 billion down to €2.8 billion, is that not holding company there or is it a different cash balance? Thank you.

Henri DE CASTRIES: Go ahead Gerald.

Gérald HARLIN: The first point on the claims inflation, so you have an appendix on this that – let me find it – and the…

Denis DUVERNE: B-39

Gérald HARLIN: Yeah that's on page B-39. Thank you Denis. On B-39, so you can notice that on the total P&C, we had frequency and severity, which increased our combined ratio and it was – severity is 2.1%, but of which you had the impact of severity of Turkey so which – and Turkey is roughly one full point. So, that's why we have severity of plus one point, which is more than offset by price effect of minus 1.5%. What is a good news is a fact that we have a frequency which we is still negative at minus 0.8% and so that I remember that one year ago a lot you had questions about the fear that severity would – that frequency would go up, it's not the case at all and we don't see for the time being any rise of frequency.

Your second question was about the – was relative to high yield. And as far as the high yield is concerned, we don't have, I know that there are a lot of questions, and legitimate question, about high yield and the impact of oil on high yield and I believe it's your question. We have an appendix on oil and on our exposure to oil and gas, it's – our exposure to oil and gas as a whole is €12 billion only. And this €12 billion, out of this €12 billion, the share of corresponding to...

Denis DUVERNE: B-48 and B-49.

Gérald HARLIN: 48 and 49. I've always difficulty to find my pages. So, on – out of the – on page B-48, you can notice that we have €12.1 billion invested in oil and gas, of which investment grade is only 8%. So you can…

Denis DUVERNE: …Below investment grade.

Gerald HARLIN: Below investment grade is only 8%. Thank you, Denis.

I didn't want you to have a wrong assessment of our – of the way we manage our assets. So below investment grade being 8% only out of €12 billion means that we are quite safe and we don't believe there is any risk and going back to the previous question I answered, look at the BBB minus, it's 9% only and that's what we – we have a close look at this.

Just general I'll comment about the way we manage our corporate bond risk, we have a Group credit team, which is independent from the two Group asset managers, which assess all the risk they cover 80% globally of our corporate bond exposure and so that means that on a regular basis we are assessing the risk, we have our own ratings, it is part of our Solvency II, I would say, framework. That means that we have our own view on each type of risk. And that's why we have been for a long time now extremely cautious on managing and anticipating these downgrades.

Denis DUVERNE: And one comment on this below investment grade portfolio. It's essentially, as you said, short-duration high-yield. And this short-duration high-yield portfolio is essentially managed by an AXA Investment Managers team based in Greenwich, Connecticut, with a duration that is lower than two years, and extremely good track record they've maintained through the various cycles and we're quite confident with that.

Jon HOCKING, Morgan Stanley: Just as indication, what is the sort of new money yield if you are investing in the high yield today, what sort of spread are you getting on it?

Gerald HARLIN: Roughly speaking, we can invest at a level which is 3.5%, roughly, as of today. Your last question was about the cash in the holding company...

Jon HOCKING, Morgan Stanley: …[inaudible]… Holding company...

Gérald HARLIN: And maybe we can go to page B-76, because it's – on page B-76 you can notice that up to now we've been reporting our debt level, which was a net of cash basis. And that's what you see here. We were at 23%. That's what I reported. But the new methodology, we will apply a new methodology, why? Because we believe that it's much more in line with the global practice for you, it should be far easier to compare ourselves with our peers and for us, it will be also easier because it's the way most of the rating agencies are reporting the debt gearing, so that's what I wanted to, so, we will start in 2016 reporting this way.

Henri DE CASTRIES: Okay, go ahead Farooq.

Farooq HANIF, Citi: Hi, there. Farooq Hanif from Citigroup. Even if you add back the – some of the one-offs, Turkey reserving in the U.S., your underlying growth rate in underlying earnings is still between 2% and 3%, so it's a low number compared to what you've achieved obviously historically with markets, FX and all the tailwinds. So should we think of you now going forward as a company that just needs to supplement a low level of organic growth with M&A or with attractive cash is that how you like us to view you, that's the kind of question/comment, number one.

And the second point is the more I look at the U.S. business, you seem to talk about it less, you are talking about high-growth markets, it's never central to your strategy and view and the VA market I think is about to take a – see a big change in the U.S., probably this year, with for the DOL regulation, isn't it time that – I mean would you ever consider exiting the U.S.

Henri DE CASTRIES: No.

Farooq HANIF, Citi: Thank you.

Henri DE CASTRIES: No. I mean it's not – I mean we are trying to focus on the elements which are noticeable. I mean the U.S. had a strong and a good year. Strategically I think it's important for a Group like us to be in the U.S. because structurally the U.S. economy has a potential growth rate which is higher than Europe, so I see no reason for us to exit the U.S. Yes, sometime you have headwinds. We've had some of them in the past. But there is absolutely no strategic reasons to exit the U.S., I mean, the contrary I think we have a very solid basis to build from. As you know, we've been starting some initiatives under the employee benefit field. We think there is room to grow. We have a very strong team there. No, no, go ahead…

Denis DUVERNE: So, on the U.S., yes we have the cloud of the DOL which applies not just to AXA but to the totality of the market, but we have a number of growth initiatives and when you look at the trajectory of growth of our U.S. earnings over the last five years, I wouldn't say that we are ashamed of this trajectory. So we're quite confident in the quality of our U.S. business, the quality of our U.S. teams, and we have a certain course trajectory.

B-34, yeah, okay. So B-34 you see that we've moved from under €500 million of earnings to €850 million this year. So, we are not worried about our ability to keep some growth in our U.S. earnings. Coming back to your more general comment on low underlying earnings growth, I mean we have not been shy of telling you that low interest rates were permanent €200 million headwinds at the current level, which means that we need to offset this minus 4 points roughly of underlying EPS growth by the various growth initiatives. I will not give you in February the June presentation. We still believe that we have the ability to grow organically this business.

You see that our Life growth, in terms of earnings, was quite good. We've had some negatives in P&C this year, but we have a number of initiatives to grow our commercial lines business. It was part of our Ambition AXA priorities to grow the commercial lines business. We've not been totally successful, but we've worked a lot in the meantime and we believe that it will come eventually. Our Asset Management business is reasonably well positioned, so we do believe that we'll be able to grow organically. M&A we'll add on top of that, but we believe that we will be able to grow organically.

Henri DE CASTRIES: So, wait until June and you will see.

Farooq HANIF, Citi: But, between now and June, it's – look, you can do better than that, but we just have to wait for what those initiatives are.

Henri DE CASTRIES: Yeah.

Blair STEWART, Bank of America Merrill Lynch : Thanks very much. It's Blair Stewart from BofA Merrill. Just a couple on the U.S., just looking at the DOL, have you refined your thoughts as to what might happen there and how do you see the products evolving in the U.S. It strikes me that either lower volumes and therefore there will be possibly better cash flows for you, could you invest quite a lot in terms of new business strain or the products will evolve to be less capital intensive from the outside if the market moves to a fee based structure side. How do you see the U.S. evolving with regards to the product and what impact the DOL might have? And sticking to the U.S., the reserving change that you've made for experience, is the reserving note in line with current experience or is there still some gap plus or minus. I've got another question on cost, but maybe we can do the U.S. first?

Henri DE CASTRIES: Denis, you want to take the two questions?

Denis DUVERNE: Yes, so reserving change for experience is now completely – reserving change, sorry, for lapses and for partial withdrawals is fully in line with the current experience.

DOL, I wouldn't say that we have more clarity now on the DOL other than that we know that probably in April the new rule will be published with an application, roughly at year-end that's about all we know. I think the people are really waking up to this because a number of people thought that lobbying would be effective and now they realize that it's probably – it has not been fully effective but there is still a lot of uncertainty in terms of whether the various firms will allow their distributors to provide advice and take additional legal risk. And what I heard in the U.S. a few weeks ago was that probably large firms would be forced to accept that their distributors take that responsibility because it will be a competitive advantage to do it and a competitive disadvantage not to do it. So, basically that's, I mean this, I think there will be as much news coming from the behavior of the firms and their advisors as from the rule itself, and, until we have more clarity on that it's very difficult to anticipate the impact.

Blair STEWART, Bank of America Merrill Lynch: What's AXA's thoughts around advice?

Denis DUVERNE: Again, we will look at the potential impact and also react to what the competition is doing, but this is clearly a very important topic and I believe that the U.S. market is quite competitive from a – I mean advisors are quite mobile and we need to take that into account in our thought process.

Blair STEWART, Bank of America Merrill Lynch: What about move to fee based...

Denis DUVERNE: The move to fee based is only going to apply to the high end of the market. We've seen that in other – I mean we see that in the UK. I don't believe that's for the – I would say, the mass affluent client base, which is our client base, the vast majority of people will be sold on fee based products.

Henri DE CASTRIES: Okay. Next question on this side this time. Sorry, we'll come back. Nick…

Nick HOLMES, Société Génerale: Nick Holmes of Société Génerale. A couple of questions this time on the P&C business.

Firstly, your target combined ratio of 96%, wondered if you could give us a little bit of color as to what you think the environment will permit you to target going forward, sorry, to be more direct, can you beat 96% going forward?

And then second question sort of related is on the Turkish experience, how does this influence your plans to expand in new markets, particularly direct, I think Asia direct

P&C is a big focus for you. Does the Turkish experience make you think that it's more difficult to do that? Thank you.

Henri DE CASTRIES: I would say on the first question be a little bit patient and wait for June. I mean, there are a number of markets where we are below 96%. One of the reasons for which we are still at this level is also that in a number of countries we are still in the development mode. On the direct side, which over time should see improving combined ratios. On the Turkish experience, I would go beyond that. I mean, we've had some disappointing experiences in Eastern Europe as an example. I think one of the issues each and every business is faced to with emerging countries is that the BRICs and the MINTs, all these emerging countries, they are now faced to a sort of implicit sailing, which is poor quality of their public governance.

And yes, it's a concern, but it goes with the risk premium. We know that we have to accept a certain degree of risk, we are there for the long-term. When you look at the Turkish economy beyond Mr. Erdogan, it remains one of the vastly populated markets of the region. It remains a very strong economy. Yes, you will have phases where there as well as in other markets you will see adverse regulation, adverse governments, bad surprises, but in the long-term, I think it's still worth doing things there, because if you don't do that, the risk you take middle term is to keep yourself from the most rapid emerging consumer class, which you want to target. It's not as if the middle affluent, middle class was growing by tens of millions in the mature countries. We know that there is a challenge in the mature countries, the place where wealth is going to be created even if there are going to be ups and downs around the trend, remains the emerging world.

So we have to target very selectively what we want to do and if you look at what we've been doing, we've been selecting the large markets. We have to accept the fact that you'll have some bad surprises, fine, but I think it's worth a trick in the long run because you build the brand, you build the client base and over time things are probably going to normalize.

Denis DUVERNE: And may be a few additional points, I mean if we look at it from the inside in terms of the lessons we have drawn from, both, what happened in Mexico last year with a big hurricane and what happened in Turkey repeatedly, I think we've taken a number of lessons for the way we manage our portfolios. Reserving sophistication, claims management sophistication, pricing sophistication, more diversification of the book, less motor exposure and more mix – a better mix of motor and commercial lines and reinsurance, we've lowered our – the trigger points of our reinsurance compared to what we do in mature markets, because we realize that we don't have an as sophisticated understanding of each of our exposures.

Henri DE CASTRIES: Yes, I mean the place where populist is taking place, because bad regulation is most of the time coming from populism, it's more retail lines than commercial lines, which leads us to think that, I mean, if there is an area where you want to develop faster, it's probably commercial lines going forward. Next question?

Ralph HEBGEN, KBW: Hi, thank you. This is Ralph Hebgen from KBW. Two things, one relates to the VA reserve increase because I also noticed that you announced another buyback program in the U.S., and I was just wondering whether we could explore to which extent that reserve increase may have been related to the anticipated change in policyholder behavior, which you sort of perhaps yourself created through announcing the buyback. The buyback itself will certainly change that and have an effect on lapse rate.

And the second one…that was such a complicated question, forgot my second one. The second one relates to the volatility adjuster and the Solvency II ratio. This is also quite technical, but are there – to make it simple, are there any limits to which you could, you can make applicable the dynamic volatility adjustment in at a time of heightened market volatility? Is there basically a limit beyond which you will not be able to neutralize the impact of increasing spreads? Thank you.

Henri DE CASTRIES: Denis, you want to take this first and Gérald the second?

Denis DUVERNE: I'll take the first question on the U.S. VAs. In a sense you are right, I mean I mention the relation between the buybacks and the reserve increases linked to a changing policyholder behavior. The buybacks in themselves have triggered lower lapses. And I would say the buyback that we are – that is currently taking place has a much more limited impact in terms of take up. The previous ones had the take up of roughly 12% – slightly more than 12%. This one will have a probably an impact of roughly – something like – take up of something like 4%. So the reserve adjustments are more a function of the previous buybacks and there are a function of this one which is much more limited in its impact. But clearly we have taken the opportunity of the buyback which are, a good guide if you want by adjusting the reserves taking into account our current experience in terms of our policyholder behavior.

Henri DE CASTRIES: Gérald, on the volatility. The limit to the absorption…

Gérald HARLIN: Yes, first of all I remind you that we have a low sensitivity to corporate spread, for one reason which is mainly the fact that the volatility adjuster is done for all companies, so it's an average of different companies in Europe and we have a percentage of sovereign bonds which is higher than the model portfolio. To answer directly, your question, the volatility adjuster has been done and has been created at the demand of whole industry just in order to offset this movement. Why, because it's not because of course if the corporate spreads widening would mean or anticipate any kind of defaults then the default would be your accounts, but so long as it's just a matter of volatility on a mark-to-market basis, it will be offset and it will offset and the objective is really to adjust the discount rate used to discount your liabilities.

So, I don't think so and look at the time we should think about Solvency II…it is the first year of implementation. There is no real intent to change it and keep in mind that you have plenty of companies today who are using the transitionals because they didn't move to Solvency II, so first apply. It would be important to be sure that all the companies move to Solvency II and next to think about any kind of revision, but to be clear for the time being, there is no sign of any kind of revision as far as the volatility adjuster is concerned, it's part of our internal model, it's been validated like this.

Henri DE CASTRIES: Andrew, or yeah yeah…I mean, whoever on this side.

Fahad CHANGAZI, Nomura: It's Fahad Changazi from Nomura. Could I just ask a question on big data and technology, everyone is doing it. And sorry to be provocative but – should we be taking this seriously and what kind of metrics or indicators are you looking at that will leave some tangible gains later on or are you just wanted to standstill. And the second question on commercial, I don't want to preempt the June Investor Day, but UK commercial still remains very competitive and also rest of commercial. Just talk about general market conditions and has there any impact from Zurich's troubles? Thanks.

Henri DE CASTRIES: On UK commercial, since Paul is here, I'll just asking him to briefly comment and the very remarkable performance we've had over the last five years and on the reasons for which we think that we are in a very good position going forward…Come.

Paul EVANS, CEO of AXA UK: Yes, the rates are changing in commercial, I think we probably saw an overall rate movement of around minus 1% in UK SME segment last year. But it's still possible to get growth, growth through being close to brokers, growth through being more digital in our engagement with both our customers and with our brokers. Over the past five years in the commercial segment, we've grown by about 8% compound each year and that comes through very real, tangible growth i.e. more customers through more brokers. I think that is sustainable going forward. You asked if the Zurich situation would create any change in the rating environment, I, to be perfectly honest with you, I don't believe so, I think there is a general pruning that will go on probably in the larger risk segment of the market not really in the SME segment.

But will that in its own rights address what is a sharp softening in the larger segment? I don't think so, that's more structural, that's hedge fund capital coming in, I think it's going to take a much bigger shock to address that. But I think we can have a degree of optimism actually that in a mature market like the UK that we've grown by 7% in this past year that we can maintain growth, not by being cheaper but actually by being better for our customers, our brokers, I think we've demonstrated that over the past year.

Henri DE CASTRIES: On big data, of course, you should take that extremely seriously, why so because in insurance, underwriting and customer understanding is all about capturing data points, which are enabling you to map what the risk is. And to map it not only on the historical basis, as we did it in the past, but sometimes on the dynamic basis. So the ability to accumulate more information and sometimes to have this information real-time is going to very, very profoundly change the underwriting, meaning the risk selection, the pricing, the prevention and I am convinced that over 5 to 10 years the value-added of the business is going to move from efficient claim settlement to efficient prevention, so it's going to change a number of things. I'll give you very, very simple example.

One of our issues in the French business was to have a 360 customers understanding, because a Group is as you all know the result of a piling up of acquisitions and we had in France 17 different databases. What we've been doing with some external help in mapping the, I would say, the customer on trying to get to 360, thanks to big data has enabled us to understand way better who were our customers, what was the connection between them, by the way, has helped us to identify a significant number of orphan clients and you know that orphans clients can be an issue from a regulatory standpoint, so it's becoming real. It's not because it's real, but it's not going to be gradual, but it's really becoming real.

I mean in large risks you'll have a lot of things going on. Because in sophisticated machines when you'll have chips on the machines you will be able to detect much earlier what are the risks of disruption of, I mean, breakup. And therefore if you do it properly and if you have your customers accept to share some of the data with you, you'll be in a position to price better, to minimize the, I mean, to minimize the level of the claims. So, I would take it, we take it, extremely seriously. If not, we wouldn't be making the investments we've been making. Andrew?

Andrew CREAN, Autonomous: Good afternoon, it's Andrew Crean, Autonomous. Three questions, firstly, you're...

Henri DE CASTRIES: I think that everybody has three questions this afternoon, so...

Andrew CREAN, Autonomous: It's quite a big company.

Henri DE CASTRIES: That's why we are three.

Andrew CREAN, Autonomous: On the impairments which was €278 million last year, could you split that between fixed interest and other, and say whether you think given the market turbulence this year that you can still stay within the €300 million to €500 million realized gains target.

Secondly, you always create this figure on the Life side of your Life portfolio yields 3.6% and I think the guarantees are 2% and therefore the spread is protected, but those averages always hide potential rocks just sitting slightly below the surface which we can't see. I wonder whether you could give us some sense and projection maybe not now as to whether you can really genuinely maintain that spread or whether there are rocks which may upset it.

And then thirdly, I mean we've sort of RDR coming in the UK, they are likely scheduled to come in the U.S. through DOL. We have got a similar thing running through MiFID II in Europe coming up, how do you see that impacting your business?

Henri DE CASTRIES: Okay. Gérald, do you want to answer on the impairments and on the spreads...

Gérald HARLIN: Let's say that the impairment is mostly on equities and we had almost no impairment on fixed interest. About your second question which is... [inaudible]…Yes, I could say that the – today if you see, if you have a look at our document, we said that the net unrealized gains on the equity portfolio was €1.7 billion, i.e. €1.7 billion after tax and after PB, meaning that if I update this portfolio under today's condition, just like the way we did it for the Solvency, we would be slightly above €1 billion, so which is a good outcome, why, because we were not almost, not invested in banks and in oil, which means that our portfolio behaved quite well. So we have presently a bit more than €1 billion of unrealized capital gains under the present condition, as a conclusion, we could say that, yes, we maintain the €300 billion to €500 billion, of course I cannot say what will be the evolution of the market, but under today's condition, yes.

Denis DUVERNE: On the second question, on the investment spreads, as you know, we disclosed not only the fact that we had 79 basis points this year against 80 basis points last year and we have as you said the 2% guaranteed rate and the 0.5% guaranteed rate on the new business and the 3.6% and the 2.1%, I mean, current yield and the yield of the new investments. We also disclosed on page B-65 the situation for the main countries, the main geographies and you can see on that page that we are closer – I mean the spread is much tighter in countries like Germany. Having said that, we are still confident for that, for 2016 we should be able to remain within that 70 to 80 basis points. If rates continue to stay very low for longer, we would probably have a gradual compression of a few basis points each year, but our projections five years out are still quite decent. So, we don't expect to hit a wall in that space. Your last question is on....

Andrew CREAN, Autonomous: Sorry, but what are your projections in five years time?

Denis DUVERNE: We'll take about that later, in June.

Henri DE CASTRIES: You want to take the last question?

Denis DUVERNE: And last question was is there anything like the DOL happening in Europe? I mean, with MiFID II, and so on – we believe it will not be massive and nothing like the DOL in a sense that in the – the EU regulation is not prohibiting upfront commissions, I mean we have the UK obviously a situation but apart from the UK, I don't believe that upfront commissions will be disallowed. And there is going to be, because of the low interest rate environment, a pressure on margins both on the Asset Management side and on the Life side, which we have to continue to address with expense efficiencies. And the one thing that we've said, probably already, one or two years ago was that we would have another expense efficiency program as part of our next plan, but we don't see DOL-like situation coming up in Europe.

Henri DE CASTRIES: And more generally, I mean we all know that there is a pressure in favor of the consumer, that's natural. If you want to see it in a negative way you say it's an obstacle to business. If you want to create an opportunity what it leads to is to invest more in compliance to protect yourself from risks, which I think we've done pretty efficiently so far. And if you look in the middle to long term, I would say the more stringent regulations are the higher the obstacle to small to middle-sized companies, which are not going to have the means to invest in the proper systems, and in the – I would say the proper compliance. So for us, it's not at the end of the day necessarily negative.

Peter ELIOT, Kepler Cheuvreux: Thanks. Peter Eliot from Kepler Cheuvreux. I was wondering if you could give us some update on your Inforce Management, you gave us a very good presentation at the end of 2014 when you said you've gone to 10% the way through the books, there was a lot more you could do in 2015 and you are targeting I think €400 million to underlying earnings from that, so just wondering if we can have an update and perhaps if there is anything more we can expect there?

Henri DE CASTRIES: Good, Gérald is a great fan of Inforce Management.

Gérald HARLIN: No, I would say that for sure we are on track and we are moving forward on this Inforce Management. I take this opportunity to say that the Inforce Management is quite important for products which are extremely capital-consuming and that's the way we presented it and we will do the plans that we presented to you.
What is important to understand as well is that progressively we will move as well to – with Solvency II and with the emergence of Solvency II to capital-light type of products and by this I mean products where, for example, you don't have every year a kind of guarantee, but a guarantee *in-fine* after seven years, after eight years. Which is relatively – which has a relatively good profitability under Solvency II, so progressively we can imagine also to replace some of the old products by this generation of products in an environment where you cannot imagine to sell exclusively Unit-Linked products.

Peter ELIOT, Kepler Cheuvreux: Can I just follow-up very quickly, I mean some of that is sort of medium to longer term, but I guess given your comments on the capital intensive, I guess, sort of looking at the progression in the G/A Savings results here and just wondering what we can expect in the nearer term?

Gérald HARLIN: On G/A Savings and you have appendices on this that we could comment. So that means that on the G/A Savings, we have a contribution which is slightly negative in terms of earnings, so we decreased slightly the G/A Savings contribution. We can go to the – maybe that we have – you can go to the appendices at the beginning on page B-20, no, let's go to B-32. And on page B-32, this explains the margin on G/A Savings and you can see that on a pre-tax underlying earnings basis, we dropped by – we had a drop of €38 million, more or less it was the same last year. And you can notice that it's mostly due to the erosion of the investment margin, which was minus €35 million. So, we could say through margin revenues and the technical margin, it's a wash, but it's mostly the investment margin which is going down and this is pretty in line with what we did last year, you know, and if you take the APEs, the APE was minus 7% so that's also something which is quite that we can expect except the development – the potential development of this new capital light type of product.

Henri DE CASTRIES: Good. Still one question in the front.

Michael HUTTNER, J.P. Morgan: You mentioned you sell two big buildings in New York?

Henri DE CASTRIES: Yeah.

Michael HUTTNER, J.P. Morgan: And it's a big gain right, so €1 billion is a huge amount of money…

Henri DE CASTRIES: What are we going to do with the money?

Michael HUTTNER, J.P. Morgan: Yeah, exactly.

Henri DE CASTRIES: Run…Run...we will tell you…

Denis DUVERNE: We'll bring it back.

Michael HUTTNER, J.P. Morgan: Can it be used for the dividend?

Denis DUVERNE: One thing at a time, Michael.

Henri DE CASTRIES: Be sure we are conscious of the fact that this represents – [gestures with inaudible voice]…Okay, very good. If there are no questions – oh… there is one additional question in the back.

Operator: Sorry, this is the question from the web if everyone is done in the room, if thats okay. It's from Pierre Chédeville at CM-CIC and he asks, how do you respond to higher competition coming from banks in the protection and health business in France and have you lost market share?

Henri DE CASTRIES: No, I don't think we have, it's clear that the banks which are struggling because of the, I'd say the situation in terms of interest rates, they are trying to generate more revenues from other activities. Well, it's something we have been knowing for long. If you look at what we've been doing, I don't think we have lost market share. If you look at the health market as an example, we have lost through the last evolution of the regulation in France some individual clients but we have gained group clients through the ANI reform. So, I mean it's a fact that banks are trying to do more. I don't think we are necessarily victims of it on the contrary, I would just...

Denis DUVERNE: If I may add on this, first the fact that banks are very present in the Life markets in France is not new...

Henri DE CASTRIES: …is no news…

Denis DUVERNE: They have had for many years more than 60% market share on the French Life market. On the Protection side, 2015 was extremely successful for AXA France and you may have noticed that there was a change in regulation that we have done in several steps for mortgage insurance where the banks essentially were doing a tight sale and now they have to tell their customers that they have a choice to take the mortgage insurance from a different provider. So, overall our Protection sales have a very good future in France and 2015 was already very successful.

Henri DE CASTRIES: Another question coming from the web, no it was the only one? Very good. So I think on this happy note we are going to conclude. I mean the food industry is trying to take salt and palm? oil out their products. We are trying to take coal out of our investments and capital out of our new products. Happy afternoon.
Thank you.

--- [End of Presentation] ---