

# Half Year 2013 Earnings

August 2, 2013

**Presentation**

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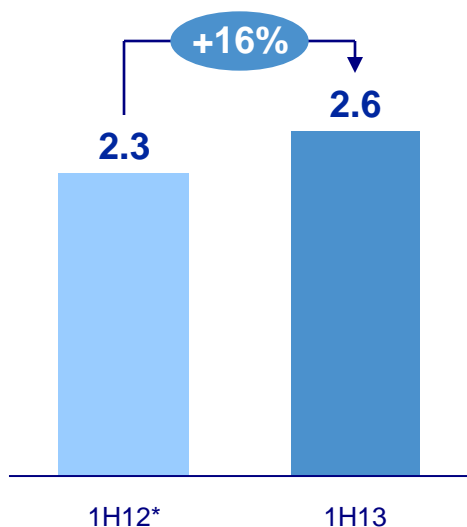
# Cautionary note concerning forward-looking statements

Certain statements contained herein are forward-looking statements including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties. Please refer to the section “Cautionary statements” in page 2 of AXA’s Document de Référence for the year ended December 31, 2012, for a description of certain important factors, risks and uncertainties that may affect AXA’s business. AXA undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

# Strong growth in 1H13

## Underlying Earnings

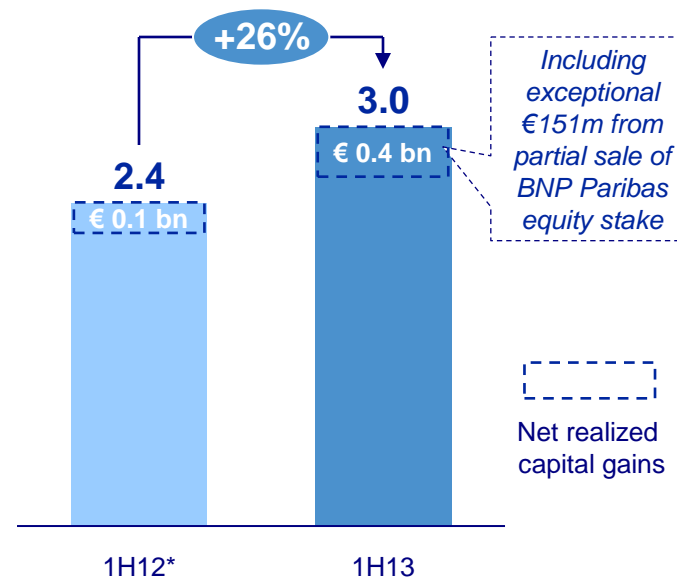
In Euro billion



Change is at constant Forex

## Adjusted Earnings

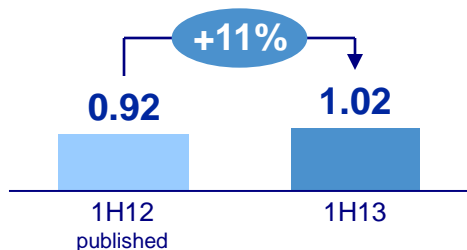
In Euro billion



Change is at constant Forex

## Underlying Earnings per share

In Euro



Change is on a reported basis

## Dividend policy:

long-term guidance unchanged

**Payout ratio:**

**40-50% of Adjusted Earnings**

net of undated debt interest charges

**Realized capital gains:**

**Euro 300-500 million per year**

\* Retrospectively restated for the amendments to IAS 19

# Ambition AXA

## Financial objectives

### Underlying Earnings per share

In Euro per share



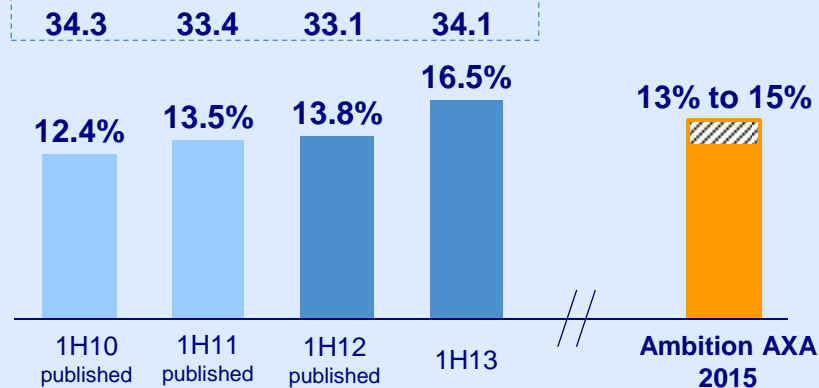
### Group operating free cash flows

1H13 in line with Ambition AXA plan

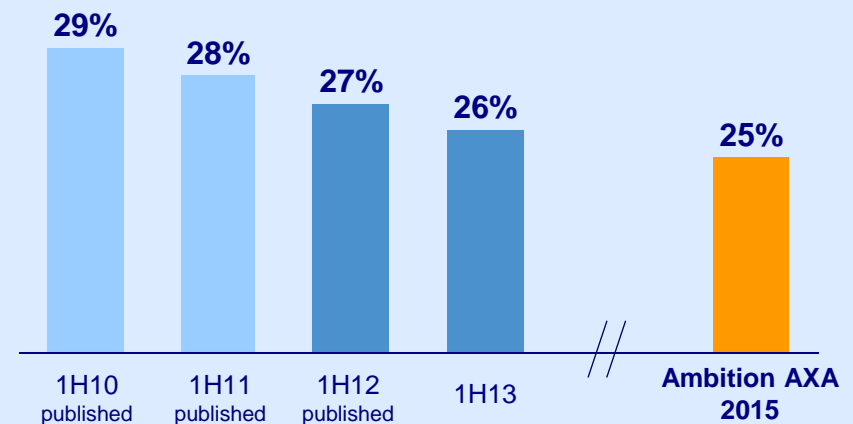
**Ambition AXA 2010-2015 cumulative Euro 24 billion**

### Adjusted return on equity<sup>2</sup>

Average adjusted shareholders' equity<sup>3</sup>  
(in Euro billion)



### Debt gearing



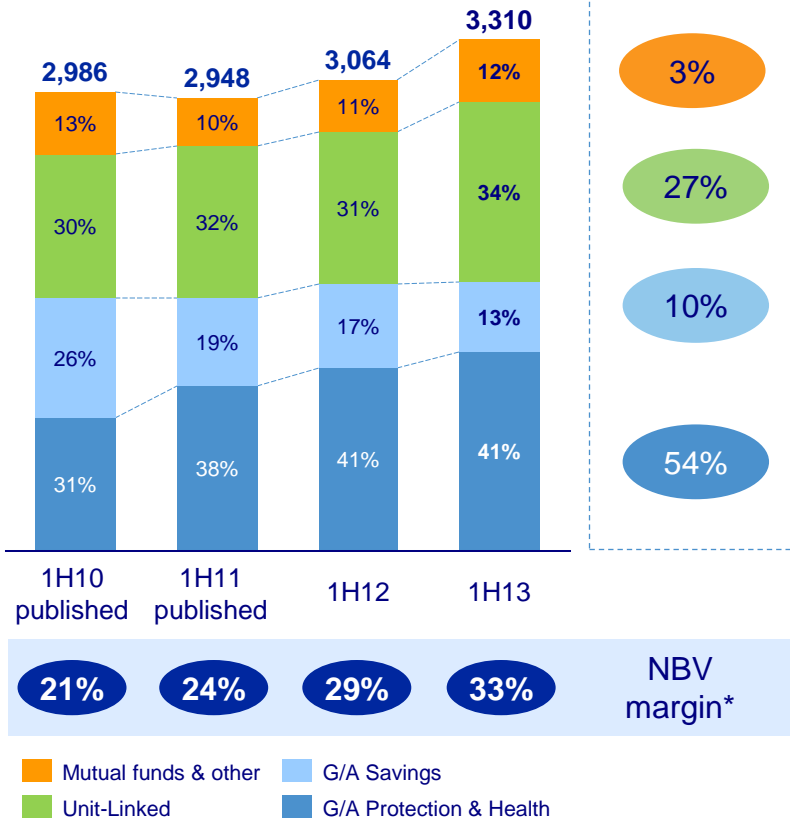
# Selectivity

We are reshaping the Life & Savings business and fostering P&C profitability

## Life & Savings: resuming APE growth (+9% YoY) whilst increasing margins

In Euro million

### APE by product

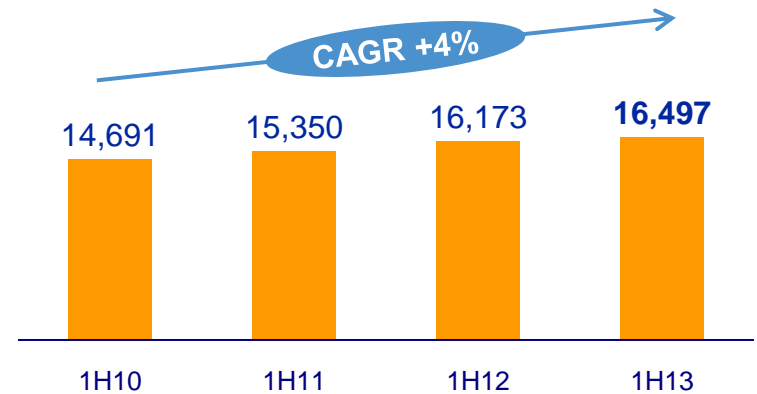


\* Updated for actuarial and financial assumptions as of year end of respective accounting periods. 1H13 will be updated at FY13.

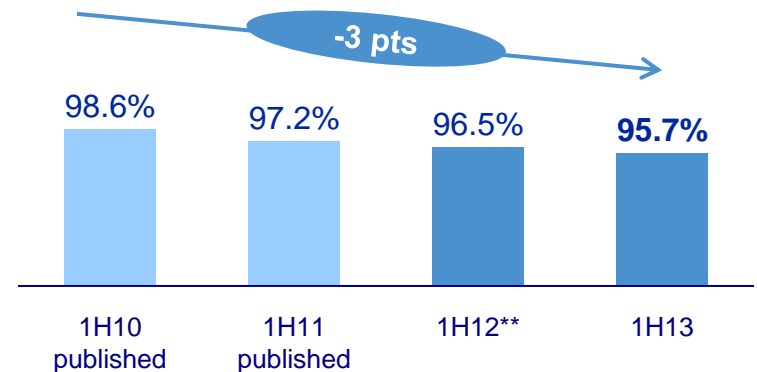
## P&C: continuing to grow the business while improving profitability

in Euro million

### Gross revenues



### Combined ratio

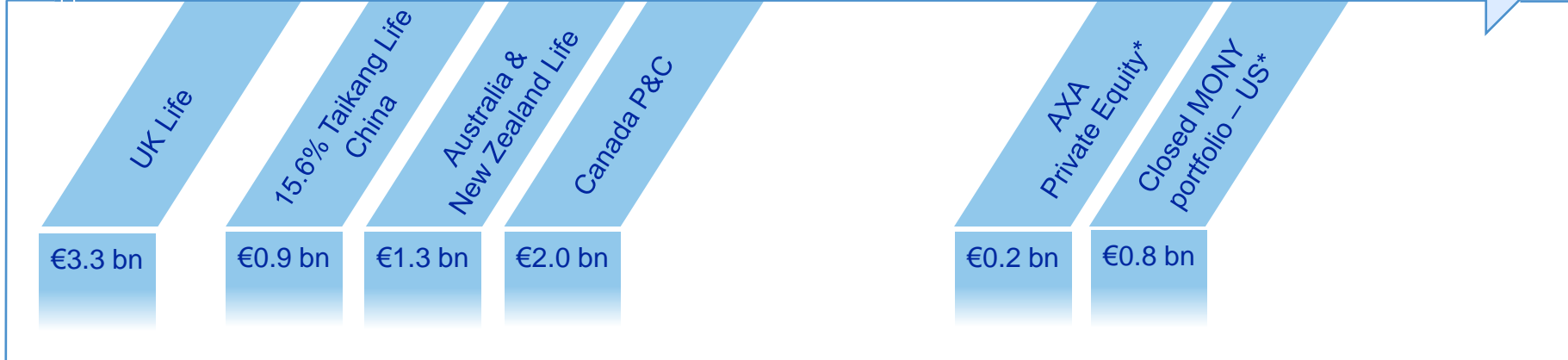
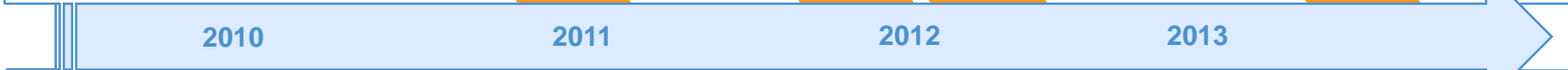
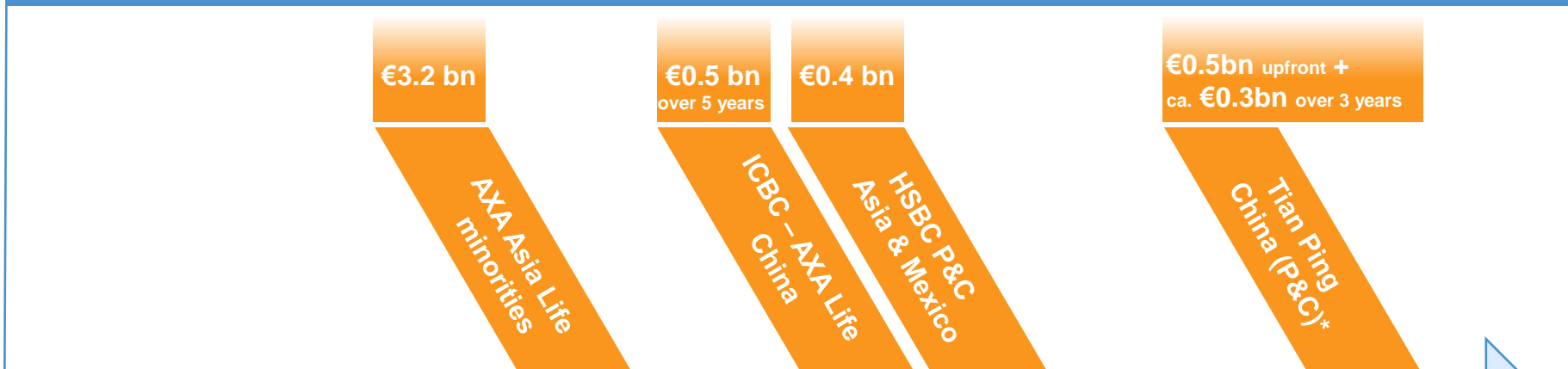


\*\* Retrospectively restated for the amendments to IAS 19

# Acceleration

Pursuing an active capital management

## Investments in high growth markets



## Disposals of mature entities and non-strategic partnerships

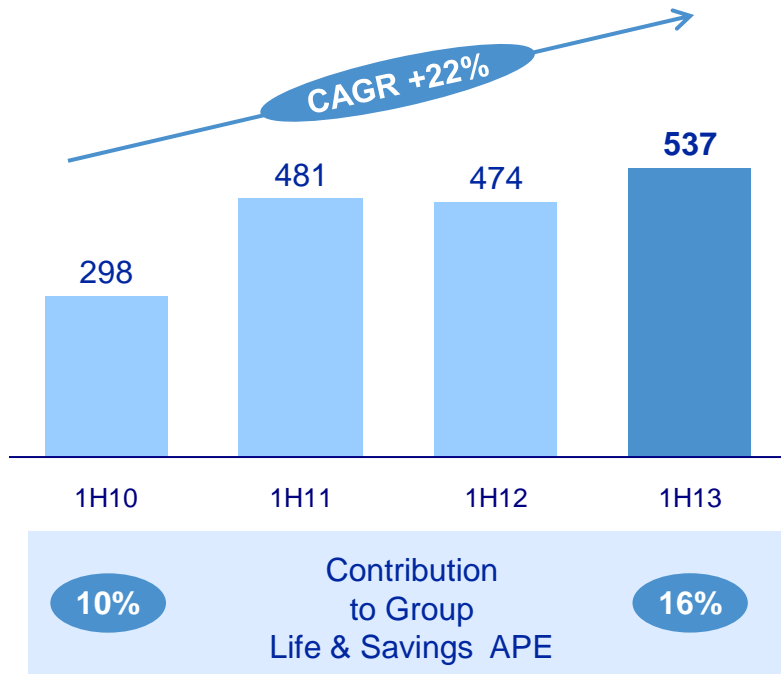
\* Transaction pending, subject to customary closing conditions, including obtaining regulatory approvals

# Acceleration

Double-digit topline evolution in high growth markets

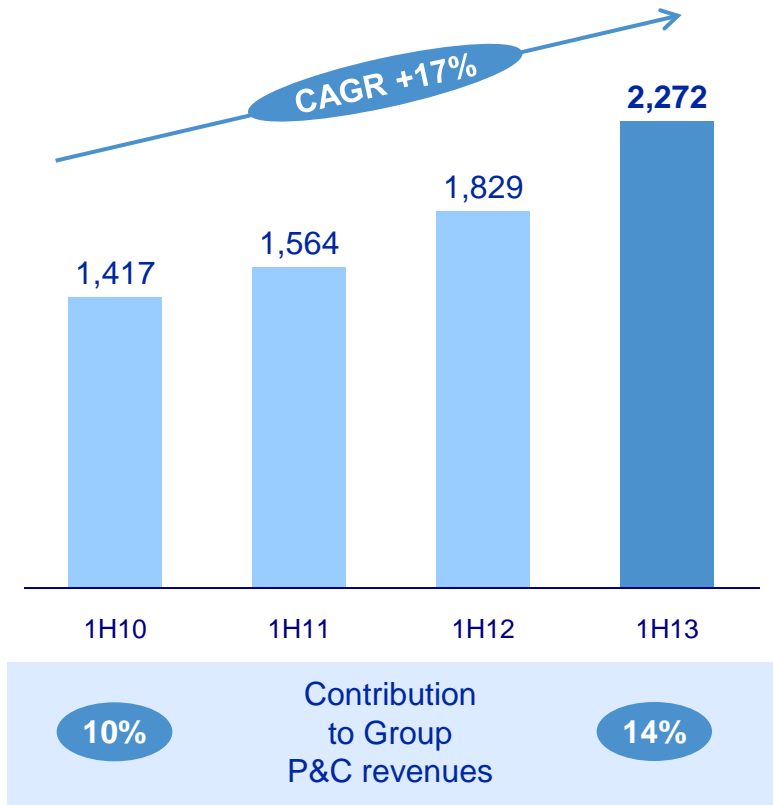
## Life & Savings APE in high growth markets<sup>1</sup>

in Euro million



## P&C revenues in high growth markets<sup>1</sup>

in Euro million



APE and revenues are as reported

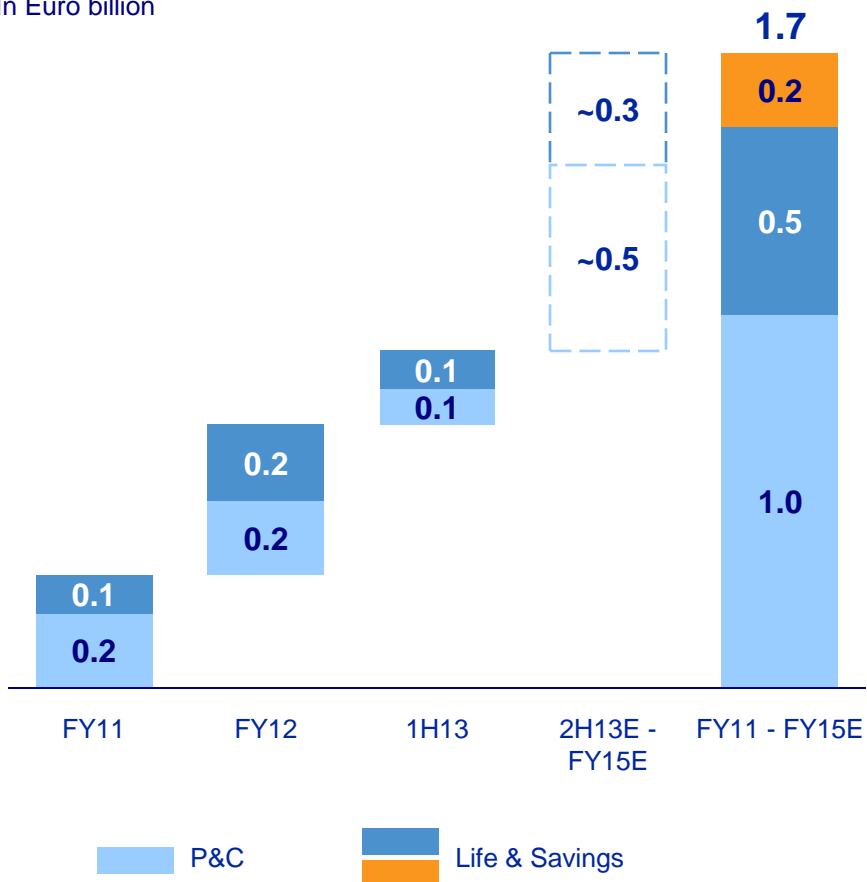


# Efficiency

We are on track to deliver our 2015 productivity gains

## Euro 0.9 billion savings achieved since 2011

In Euro billion



## Ambition AXA efficiency program in mature markets

### Euro 0.6 billion from acquisition costs

#### P&C

~ Euro 0.4 bn

Additional cost saves announced at year end 2012

#### Life & Savings

~ Euro 0.2 bn

### Euro 1.1 billion from maintaining L&S and P&C administrative and claims handling costs

#### Operations

~ Euro 0.6 bn

#### Procurement

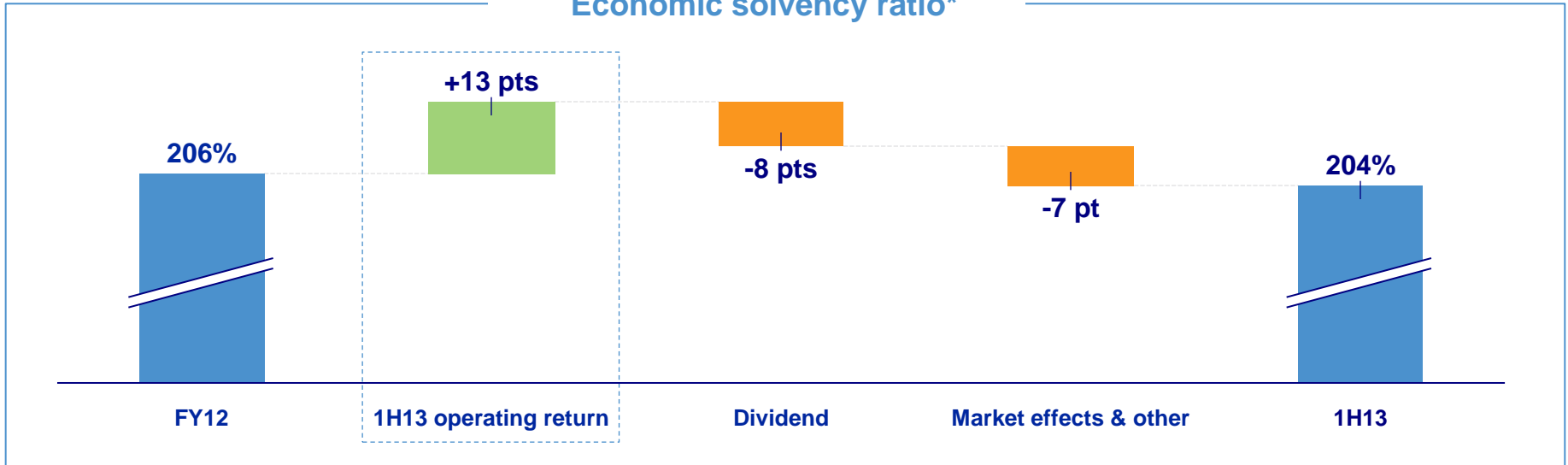
~ Euro 0.3 bn

#### IT

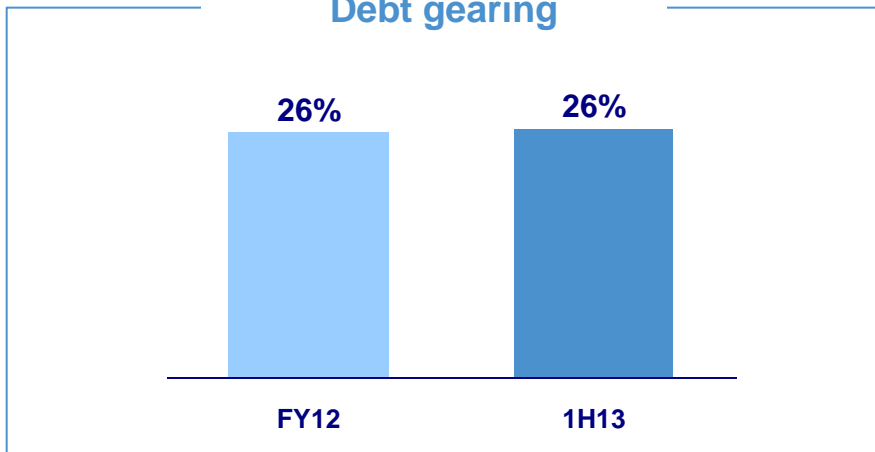
~ Euro 0.2 bn

# Our solvency level is comfortable, supported by strong operating return

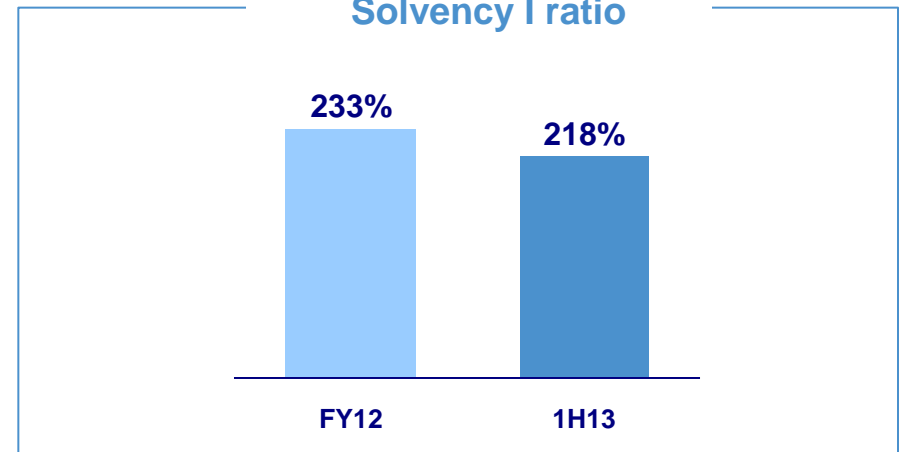
Economic solvency ratio\*



Debt gearing



Solvency I ratio



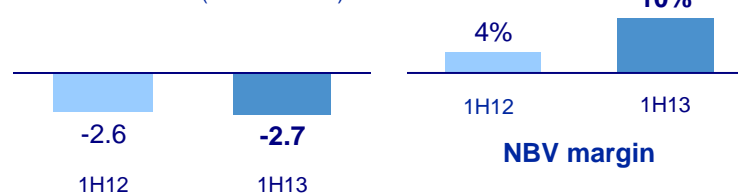
\* Including US equivalence

# Last year's challenged businesses are recovering

## G/A Savings

De-emphasizing while focusing on selectivity and improving profitability

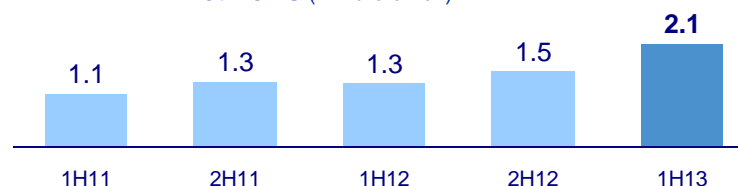
Net flows (In Euro billion)



## Unit-Linked

Further growth in Unit-Linked flows

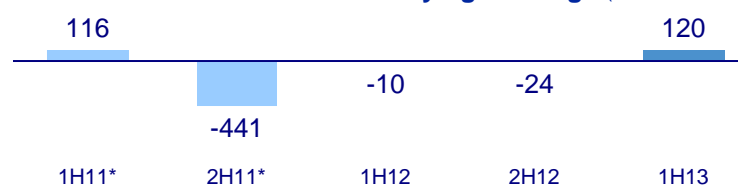
Net flows (In Euro billion)



## US Variable Annuities

De-risked and stabilized US Variable Annuity book

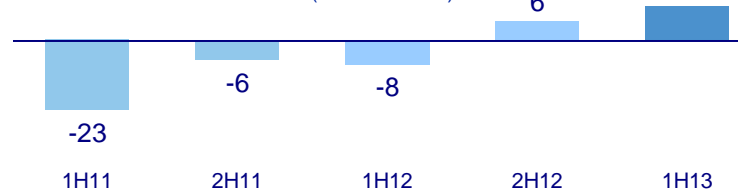
Variable annuities GMxB Underlying Earnings (In Euro million)



## Asset Management

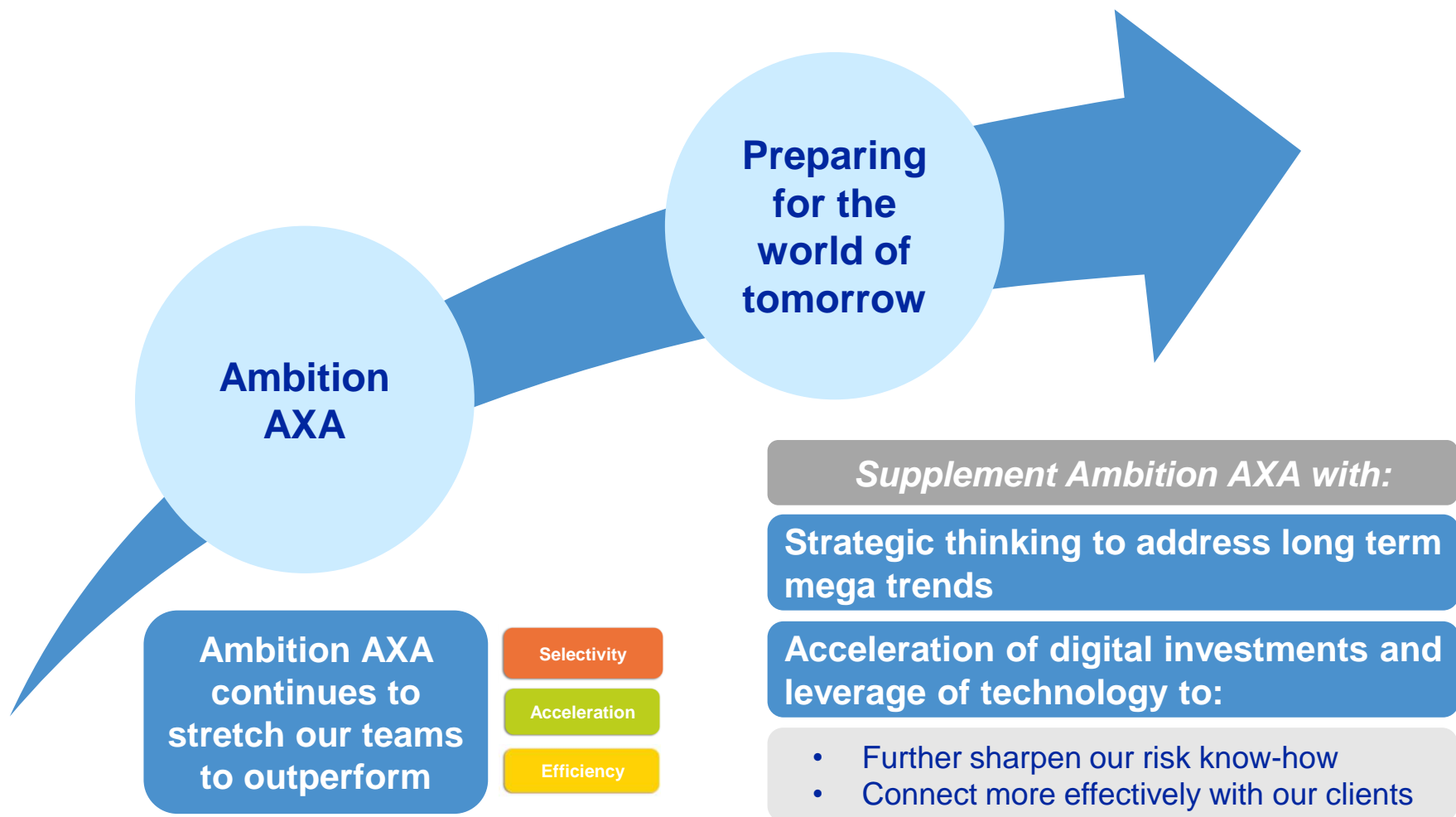
Positive flows in the last 12 months, whilst improving investment performance

Net flows (In Euro billion)



\* Restated for the change in DAC accounting methodology adopted retrospectively as at January 1, 2012

# Continuing to deliver on Ambition AXA objectives whilst shaping AXA for the future



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by Henri de Castries, Chairman and CEO
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by Denis Duverne, Deputy CEO  
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by Henri de Castries, Chairman and CEO

# 1H13 financial performance

Group earnings

Life & Savings

Property & Casualty

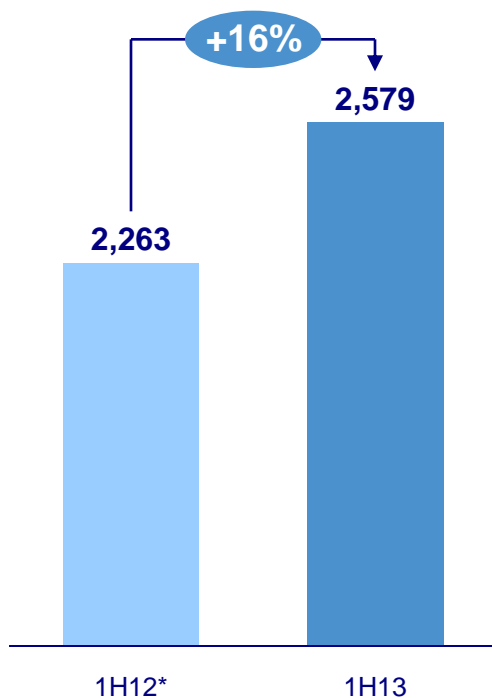
Asset Management

Balance sheet

# Underlying Earnings (1/2)

## Underlying Earnings

In Euro million



Change is at constant Forex

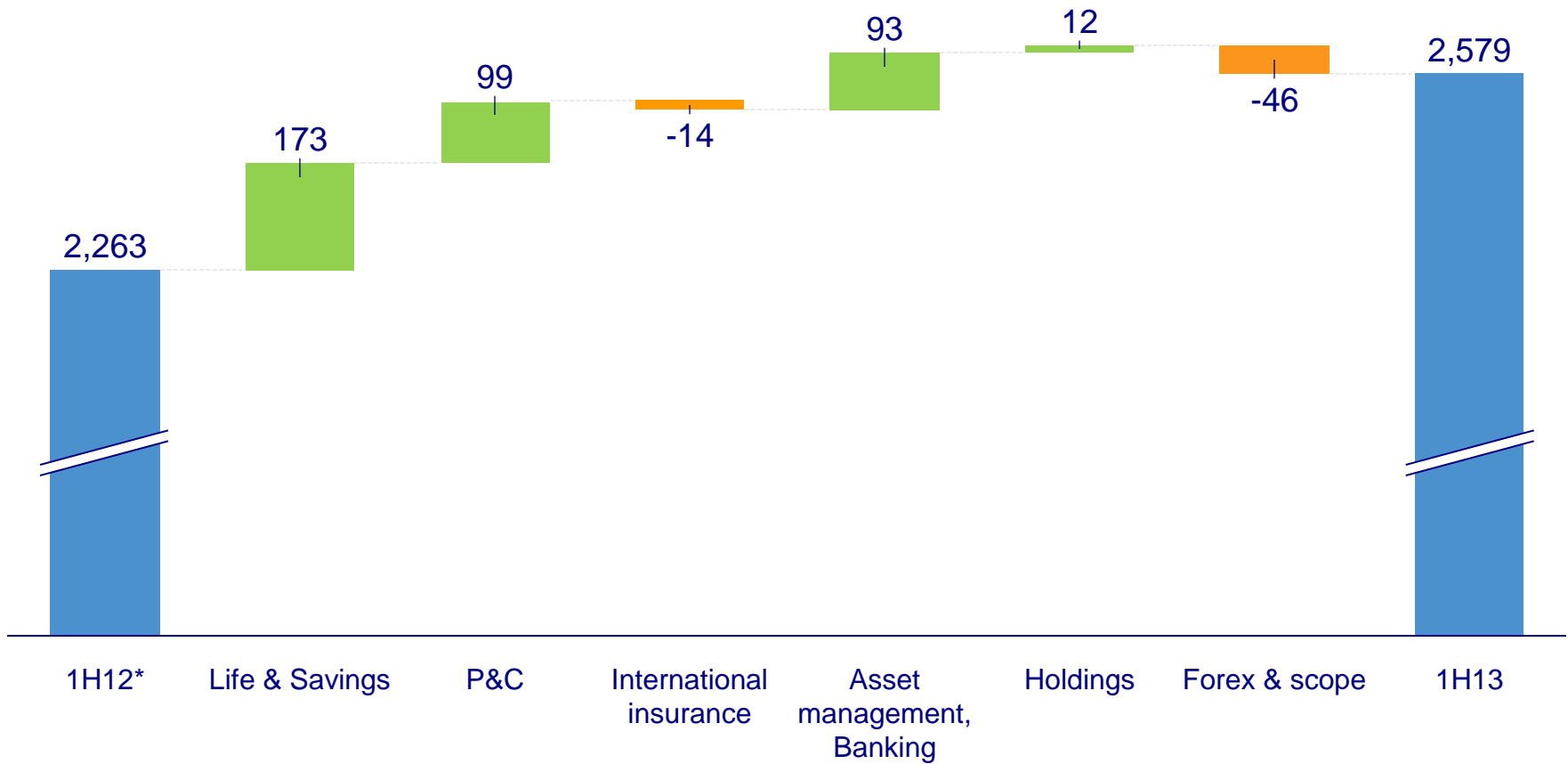
\* Retrospectively restated for the amendments to IAS 19

## Underlying Earnings by segment

In Euro million	1H12*	1H13	Reported basis	Constant Forex
Life & Savings	1,396	1,534	+10%	+12%
Property & Casualty	1,036	1,128	+9%	+10%
Asset Management	159	194	+22%	+24%
International Insurance	118	103	-13%	-12%
Banking	5	61	n.a.	n.a.
Holdings	-451	-441	-2%	+3%
<b>Underlying Earnings</b>	<b>2,263</b>	<b>2,579</b>	<b>+14%</b>	<b>+16%</b>

# Underlying Earnings (2/2)

In Euro million



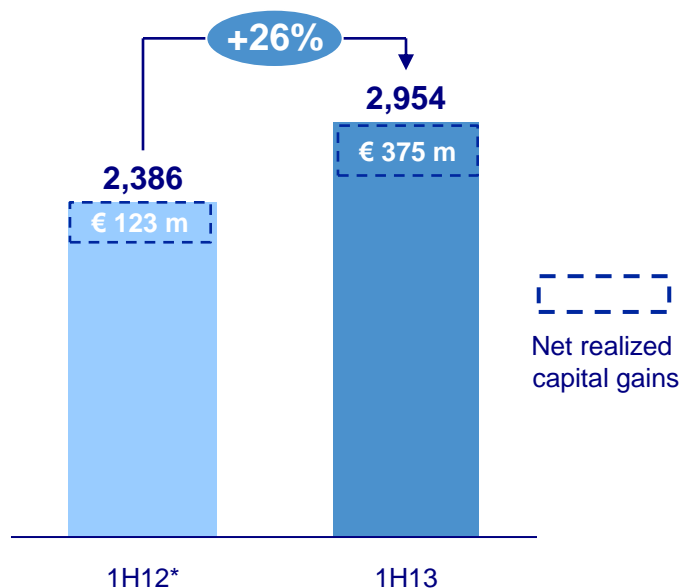
\* Retrospectively restated for the amendments to IAS 19



# Adjusted Earnings

## Adjusted Earnings

In Euro million



Net realized capital gains

**ROE** 13.5%\* 16.5%

Change is at constant Forex

## Details of Adjusted Earnings

In Euro million	1H12*	1H13
<b>Underlying Earnings</b>	2,263	2,579
<b>Net realized capital gains/(losses)<sup>1</sup></b>	123	375
<i>o/w exceptional gain from partial sale of BNP Paribas equity stake</i>	-	151
<b>Adjusted Earnings</b>	2,386	2,954

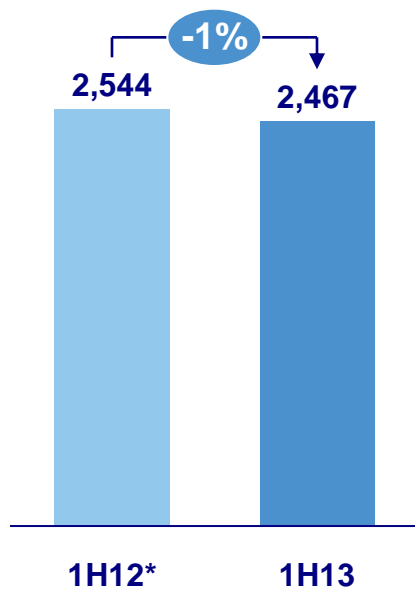
Adjusted Earnings increase mainly driven by higher Underlying Earnings and realized capital gains, including Euro 151 million from the sale of a 2.4% equity stake in BNP Paribas.

\* Retrospectively restated for the amendments to IAS 19

# Net Income

## Net Income

In Euro million



## Details of Net income

In Euro million	1H12*	1H13
<b>Adjusted Earnings</b>	<b>2,386</b>	<b>2,954</b>
Change in fair value & Forex	291	-228
<i>o/w gains (losses) on interest rate and Forex economic hedges not eligible for hedge accounting under IAS 39</i>	+50	-243
<i>o/w change in fair value of assets accounted for as fair value option</i>	+176	+15
Exceptional and discontinued operations	-8	-86
<i>o/w closed MONY portfolio transaction</i>	-	-32
Restructuring costs	-69	-118
Intangibles amortization and other	-56	-54
<b>Net Income</b>	<b>2,544</b>	<b>2,467</b>

Net Income mainly driven by increased Adjusted Earnings more than offset by negative impact of hedging derivatives not eligible for hedge accounting under IAS 39

\* Retrospectively restated for the amendments to IAS 19

# 1H13 financial performance

Group earnings

**Life & Savings**

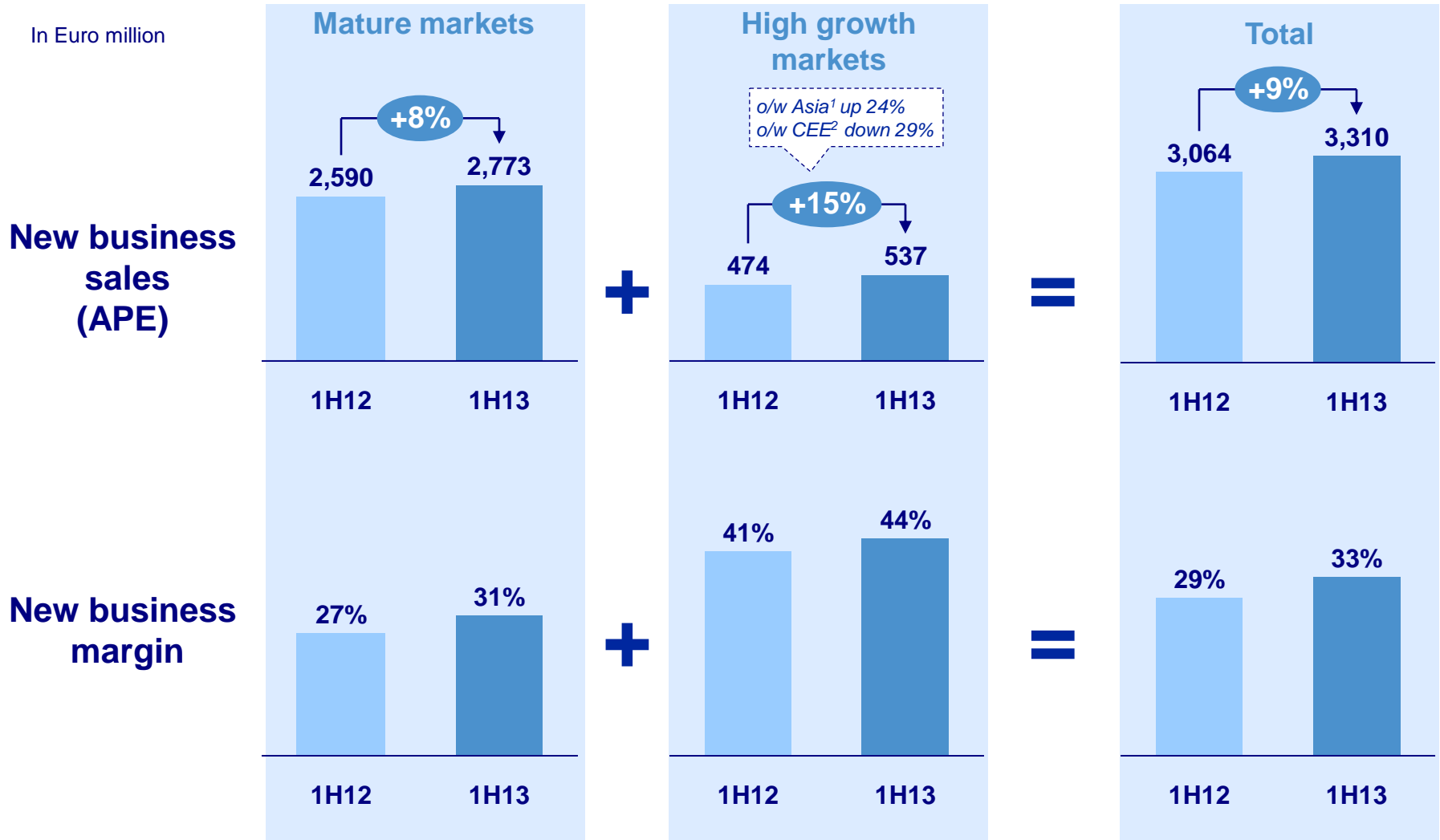
Property & Casualty

Asset Management

Balance sheet

# L&S – New business sales and margins by market

In Euro million



Changes are on a comparable basis<sup>3</sup>

# L&S – New business sales and margins by business

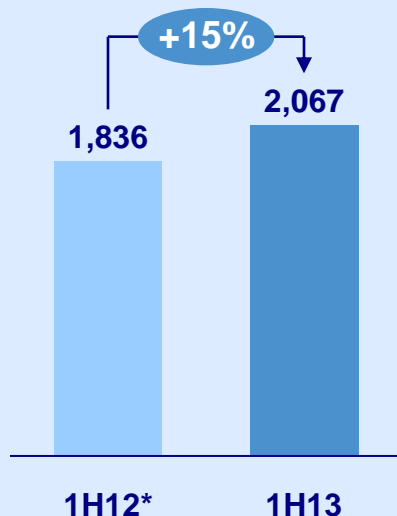
Continued improvement in business mix

Business line	APE (Euro million)		NBV margin	Net flows (Euro billion)	
	1H13	YoY change	1H13	1H13	YoY Change
G/A Protection & Health	1,341	+9%	54%	+4.4	+0.6
G/A Savings	442	-17%	10%	-2.7	-0.1
Unit-Linked	1,138	+21%	27%	+2.1	+0.8
Mutual funds & Other	390	+19%	3%	+0.1	0.0
<b>Total</b>	<b>3,310</b>	<b>+9%</b>	<b>33%</b>	<b>+3.9</b>	<b>+1.3</b>

# L&S – Pre-tax Underlying Earnings by business

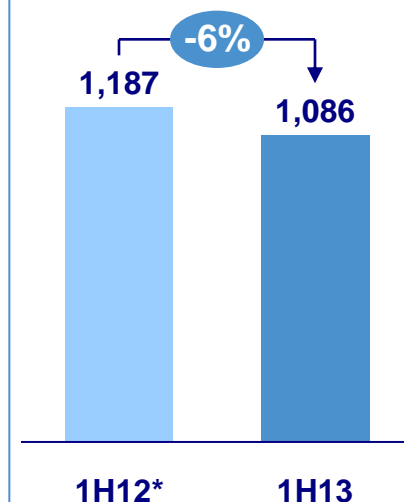
## Total Life & Savings

In Euro million



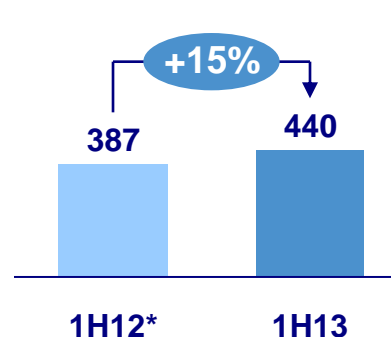
## G/A Protection & Health

In Euro million



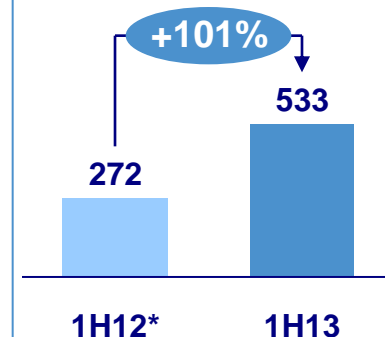
## G/A Savings

In Euro million



## Unit-Linked

In Euro million



- + Improved investment margin
- Less favorable claims development in France, Japan and the US

- + Stable investment margin
- + Lower expenses
- Lower margin on revenues in line with lower sales

- + Higher fees & revenues
- + Higher technical margin (higher US GMxB hedge margin)
- Higher amortization of deferred acquisition costs

\* Retrospectively restated for the amendments to IAS 19

Changes are on a comparable basis

# 1H13 financial performance

Group earnings

Life & Savings

**Property & Casualty**

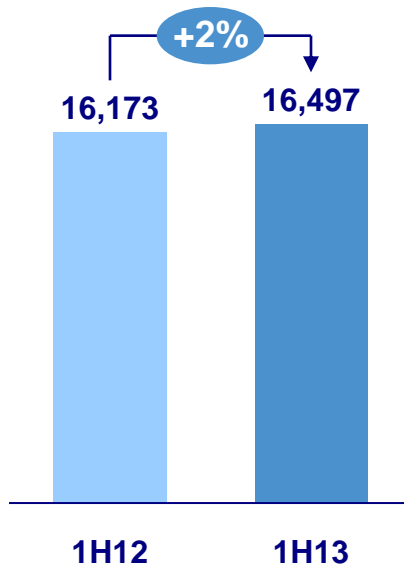
Asset Management

Balance sheet

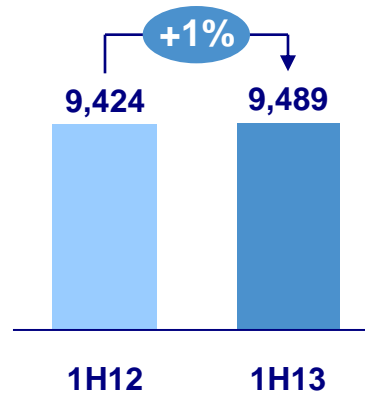
# P&C – Revenues by segment

## Total

In Euro million

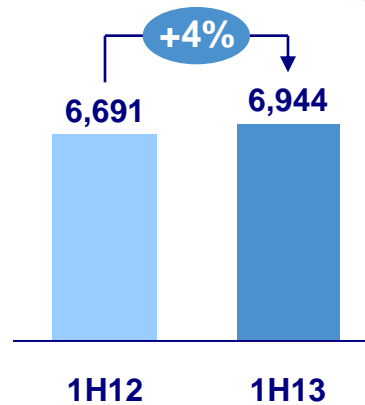


## Personal lines



- Average price increase of +3.0%
- Portfolio growth in Direct and high growth markets
- Volume decreases in mature markets

## Commercial lines



- Average price increase of +3.3%
- Portfolio growth in high growth markets



# P&C – Price increases by country and segment

3.1% price increase on average

1H13	Personal lines		Commercial lines	
	Price increase	Revenues growth	Price increase	Revenues growth
France	+1.7%	+0.3%	+5.4%	+3.0%
Germany	+7.9%	+0.2%	+1.5%	-0.9%
UK & Ireland	+3.6%	-8.0%	+4.3%	+8.6%
Switzerland	0.0%	+2.4%	-1.1%	-1.4%
Belgium	+5.3%	-1.5%	+2.7%	-4.2%
MedLA <sup>1</sup>	+3.3%	+2.9%	+5.5%	+10.3%
Asia <sup>2</sup>	-0.7%	+7.4%	+2.8%	+12.8%
Direct <sup>3</sup>	+1.1%	+6.6%		
<b>Total</b>	<b>+3.0%</b>	<b>+0.9%</b>	<b>+3.3%</b>	<b>+3.8%</b>

Market pricing trends	
	• Price increases likely to continue in personal household and commercial lines
	• Continued market price increases in Motor
	• Slowing pricing trends in personal lines • Commercial lines remain very competitive
	• Trends likely to continue
	• Slowdown of pricing trends in personal lines
	• Impact of economic slowdown in Southern Europe



Prices expected to be stable



Prices expected to increase



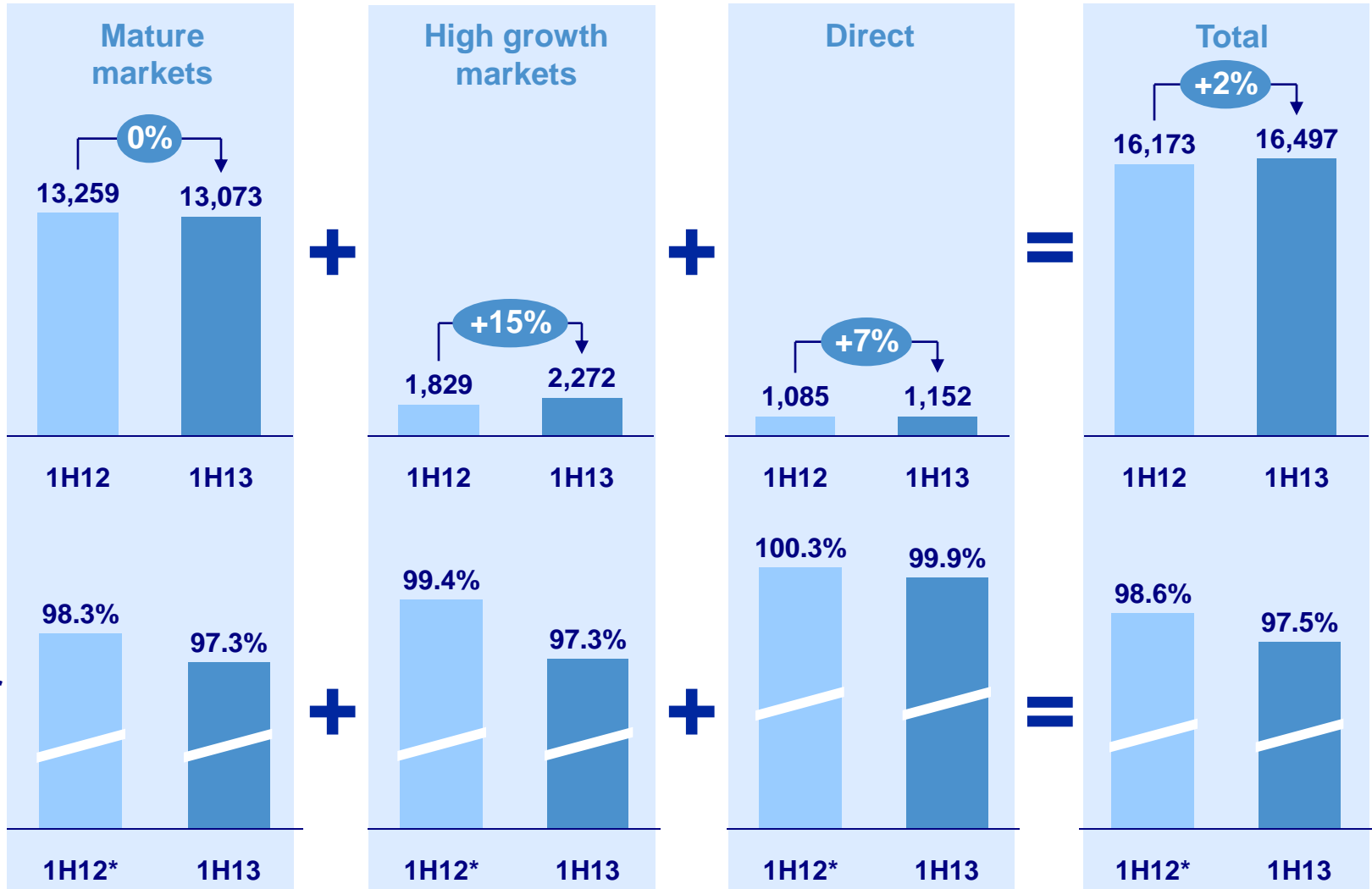
Price increase expected to accelerate vs. 1H13 price increase

# P&C – Revenues and margins by market

Improved current year combined ratio with strong sales in high growth markets and Direct

In Euro million

Revenues



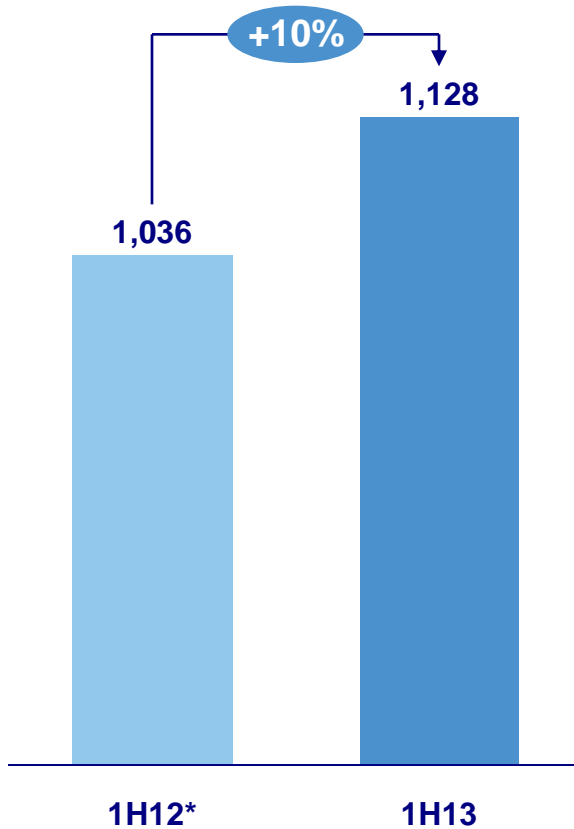
\* Retrospectively restated for the amendments to IAS 19

# P&C – Underlying Earnings

## Improved combined ratio

### P&C Underlying Earnings

In Euro million



Change is at constant Forex

\* Retrospectively restated for the amendments to IAS 19

### Combined ratio

Improved current year combined ratio

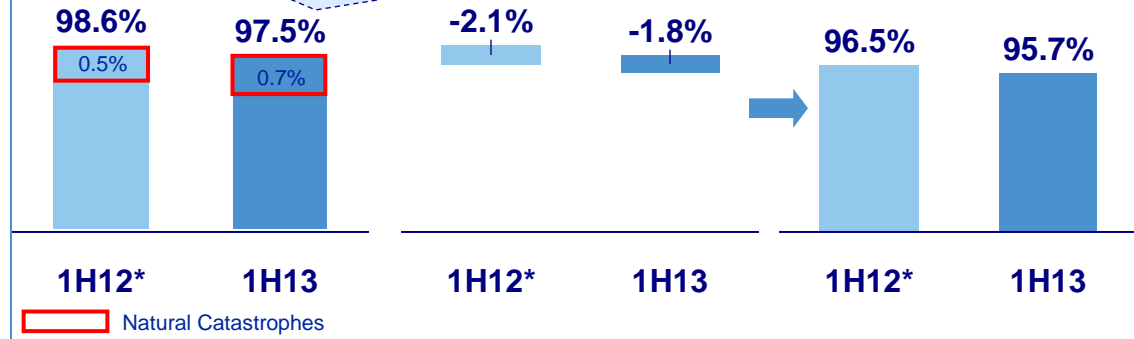


Lower prior year reserve developments



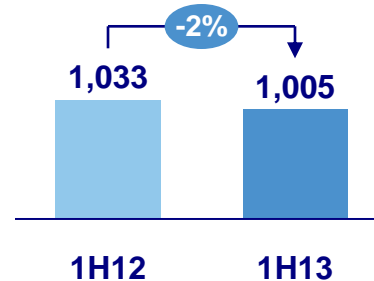
All-year combined ratio

- + Price increases of 3%
- + Lower claims frequency
- Higher large claims
- Higher nat cat o/w €-73m from the floods in Germany



### Investment income

In Euro million



Asset yield stable at 3.9%

# 1H13 financial performance

Group earnings

Life & Savings

Property & Casualty

**Asset Management**

Balance sheet

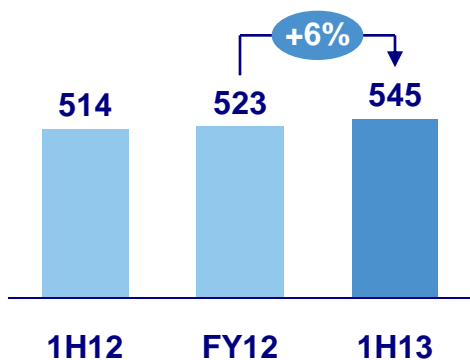
# AM – Assets under management

## Improving net flows

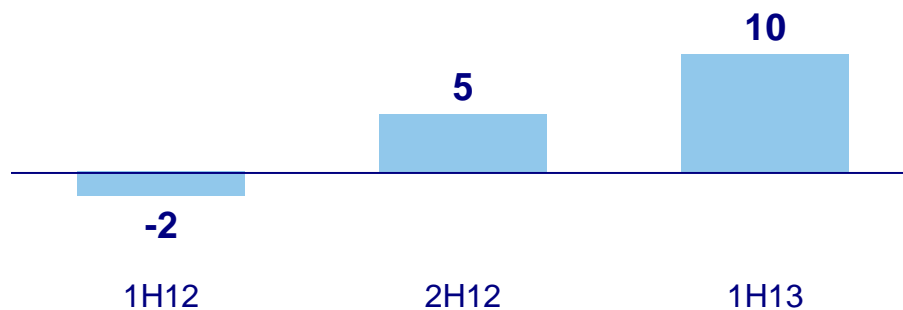


In Euro billion

### Average AUM

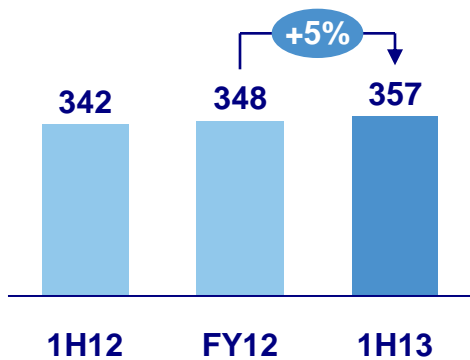


### Net flows

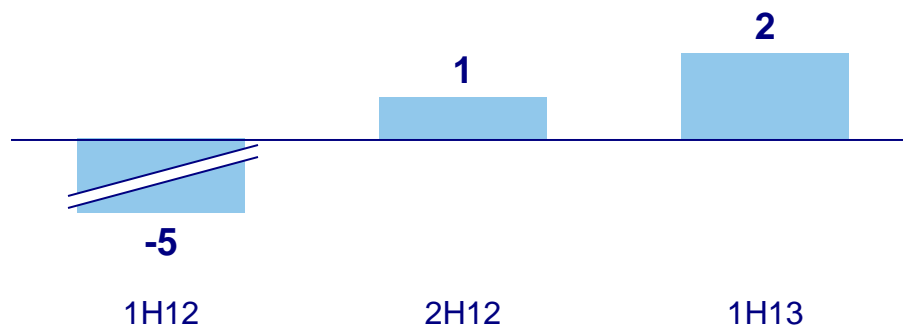


In Euro billion

### Average AUM



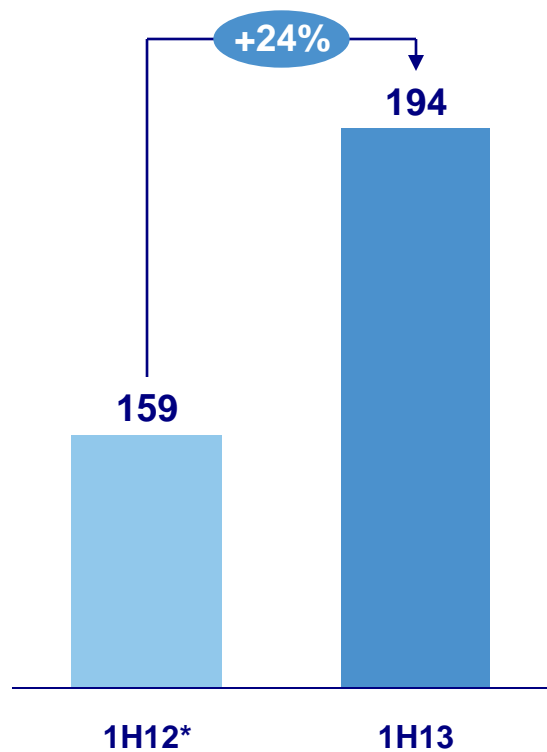
### Net flows



# AM – Underlying Earnings and revenues

## Underlying Earnings

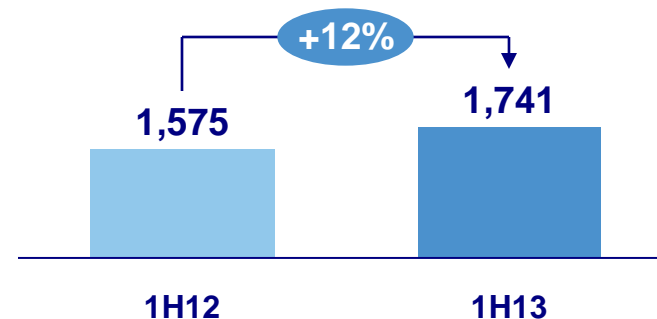
In Euro million



Change is at constant Forex

## Revenues

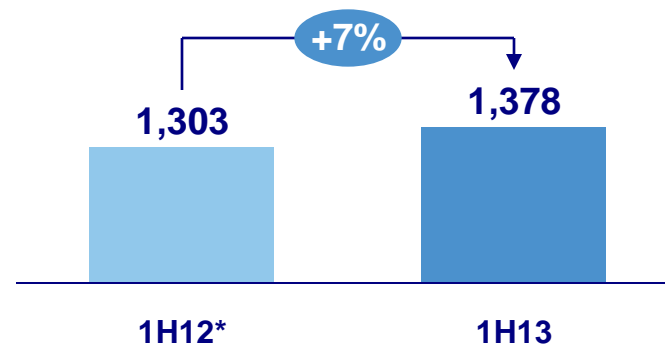
In Euro million



Change is on a comparable basis

## Expenses

In Euro million



Change is at constant Forex

\* Retrospectively restated for the amendments to IAS 19

# 1H13 financial performance

Group earnings

Life & Savings

Property & Casualty

Asset Management

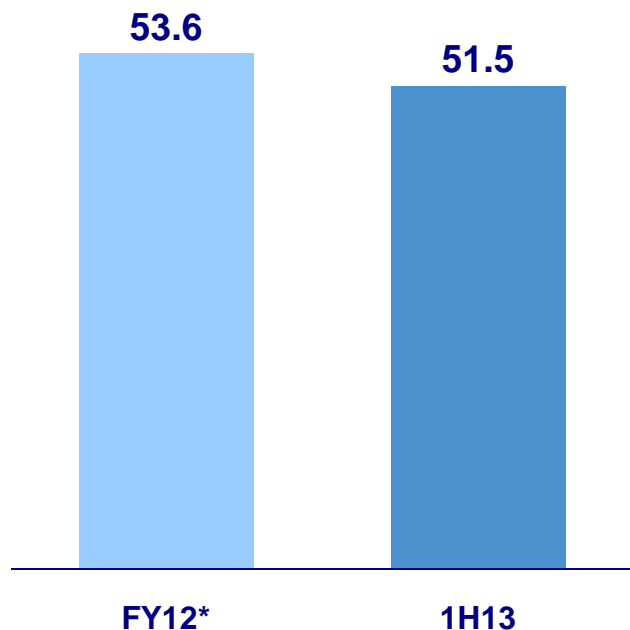
**Balance sheet**

# Shareholders' equity

## Shareholders' equity

In Euro billion

Including €-0.1bn due to retrospective restatement for the amendments to IAS 19



\* Retrospectively restated for the amendments to IAS 19

## Key drivers of change

1H13 vs. FY12\*

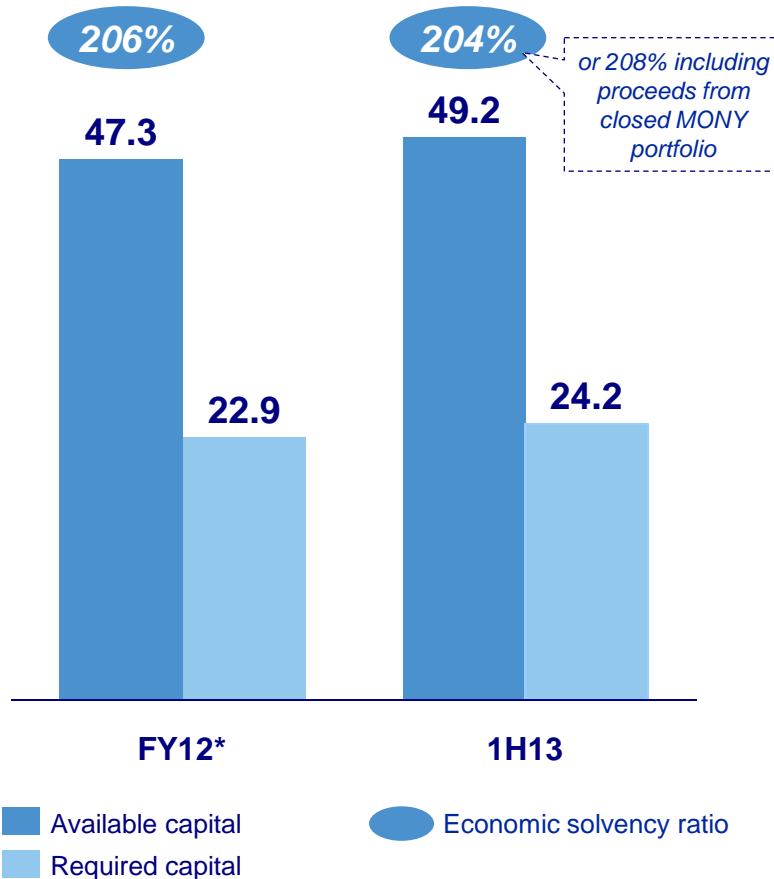
Decrease in net unrealized capital gains	€ -2.5 billion
Dividends	€ -1.7 billion
Forex movements net of hedging instruments	€ -1.0 billion
Net income for the period	€ +2.5 billion
Change in pension benefits	€ +0.3 billion
Other	€ +0.3 billion



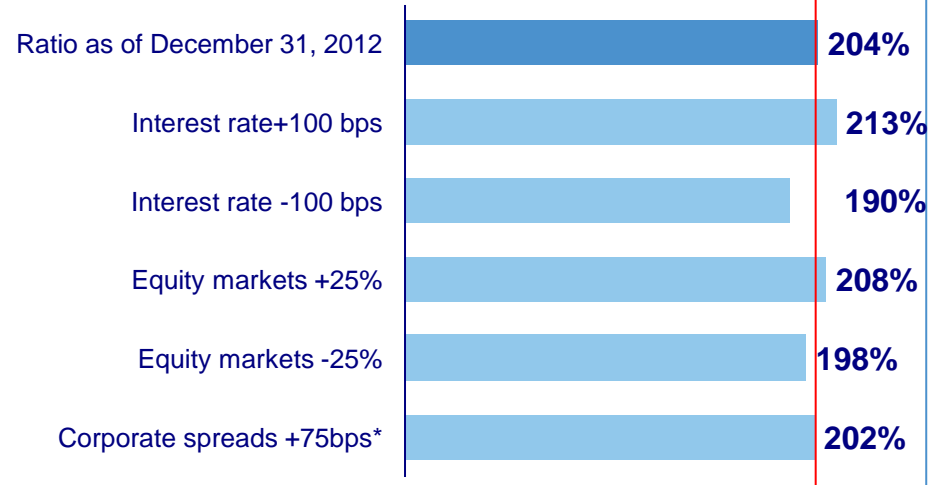
# Economic solvency

## Economic solvency<sup>1</sup> including US equivalence

In Euro billion



## Key sensitivities

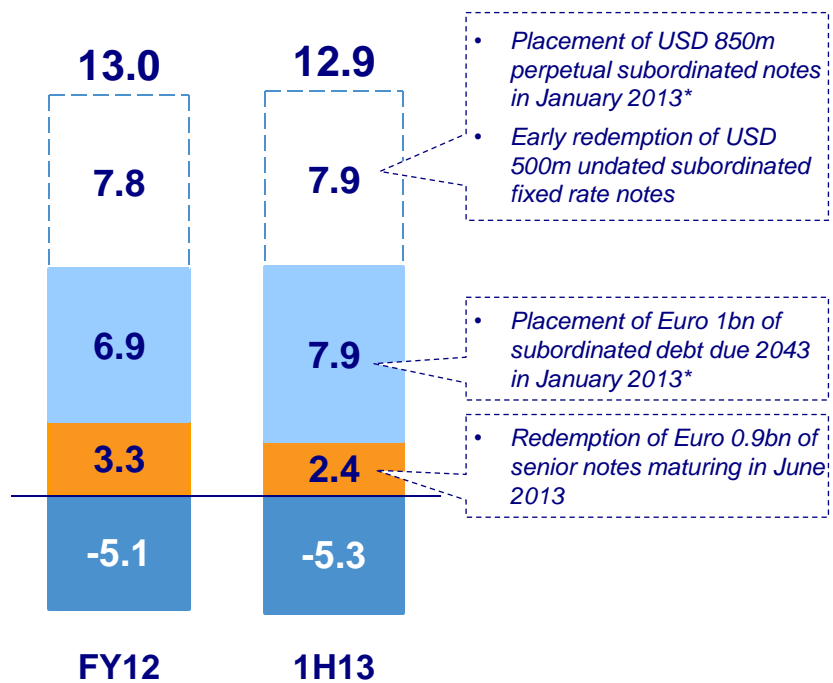


\* Net of change in liquidity premium as defined in QIS 5

# Stable debt gearing at 26%

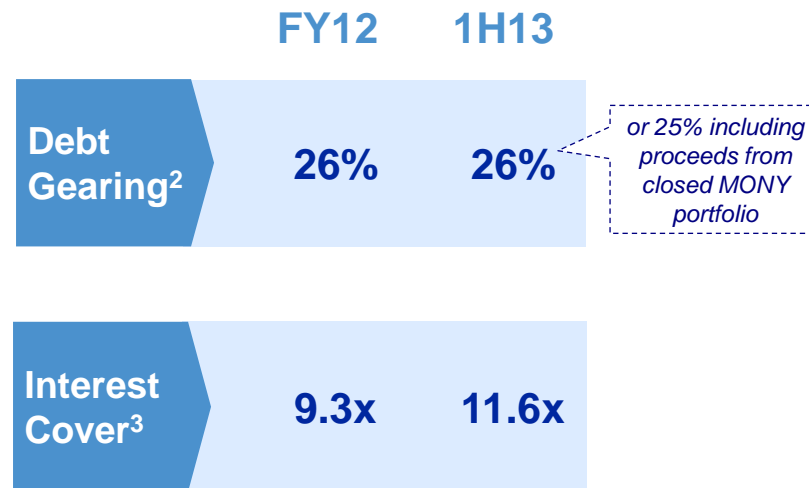
## Net financial debt

In Euro billion



- Undated subordinated debt
- Subordinated debt<sup>1</sup>
- Senior debt
- Cash

## Debt ratios

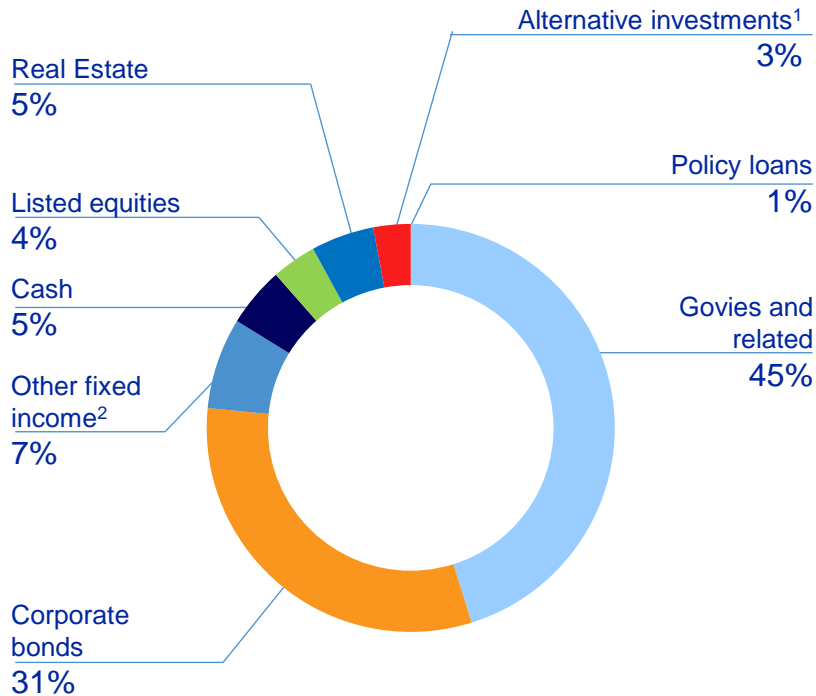


\* Both transactions are part of the refinancing of up to Euro 2.1 billion that corresponding to the outstanding subordinated debt instruments maturing January 1, 2014

# Asset & Liability Management (1/4)

## Diversified and resilient investment portfolio

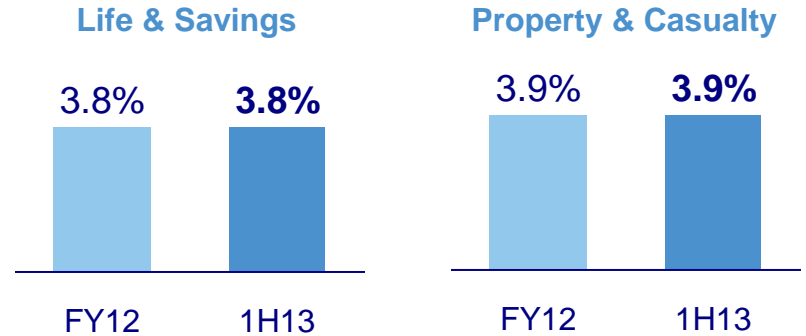
### Investment portfolio overview



**1H13 total General Account invested assets<sup>3</sup>:  
Euro 476 bn**

\* Annualized

### Asset yield\*



#### AXA asset yield definition:

$$\frac{\text{Net underlying investment income on General Account assets}}{\text{Average General Account asset base at amortized cost}}$$

### Duration

#### Assets duration as at June 30, 2013

Life & Savings	7.2 years
Property & Casualty	4.8 years

Duration gap close to 1 year

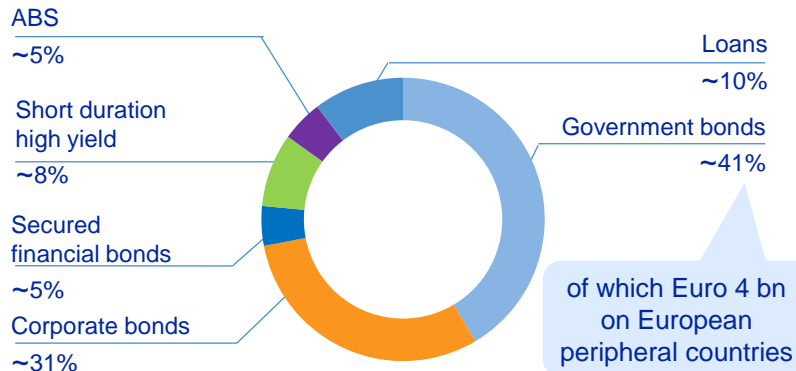
Interest rates increase expected to reduce duration gap

Full detail in appendix on pages B35 to B53

# Asset & Liability Management (2/4)

## Current investment policy

### Current investment policy on Fixed income



#### 1H13 reinvestment rate on Fixed income assets for Life & Savings and Property & Casualty entities

	1H13
Eurozone	3.3%
US	2.6%
Japan	2.1%
Switzerland	2.1%
<b>Total</b>	<b>2.9%</b>
<b>Amount reinvested</b>	<b>Euro 29 billion</b>

### Diversification towards new asset classes

Investments in higher yielding less liquid fixed income asset classes:

Alternative credit funds

Pan-European mid-cap corporate loans

Infrastructure debt

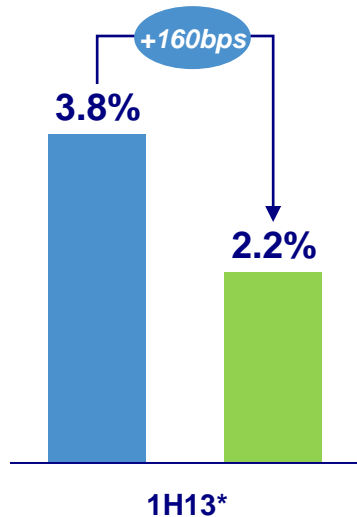
Commercial real estate loans

# Asset & Liability Management (3/4)

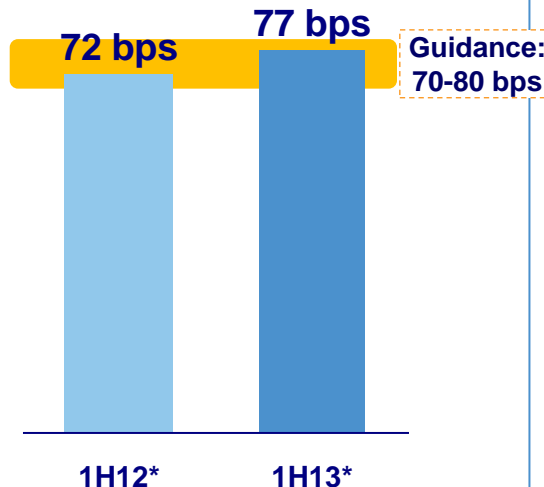
## Life & Savings investment spreads and margin

### Inforce business

Spread above guaranteed rates



Resilient investment margin<sup>1</sup>



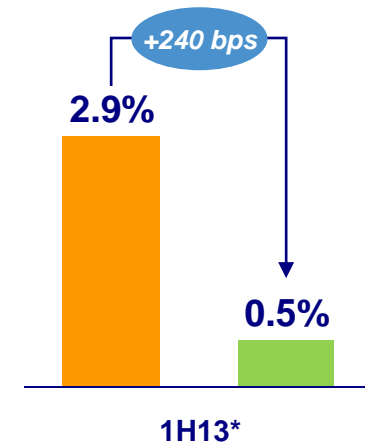
- Yield on total L&S asset base
- L&S average guaranteed rate

Significant buffer to cover guarantees and to manage crediting rates to preserve investment margin

Average reserves of Euro 345 billion

### New business

Spread above guaranteed rate



- Yield on L&S fixed income assets
- L&S average guaranteed rate

Products sold to attract higher margin Unit-Linked business

\* Annualized

# Asset & Liability Management (4/4)

## Expected positive impact from rising interest rates

### Interest rates sensitivity

### Main impacts

**+100 bps<sup>3</sup>**



#### Underlying earnings

- Limited short term sensitivity
- Progressive positive impact due to higher reinvestment yields



#### Net income

- Unfavourable change in fair value of assets accounted for as fair value option, and interest rate and Forex economic hedges not eligible for hedge accounting under IAS 39



#### Embedded value

- Group L&S EEV up +5%<sup>1</sup>
- US L&S EEV up +23%<sup>1</sup>



#### Economic Solvency

Estimated +9 pts on the ratio<sup>2</sup>

1. As of FY12
2. As of 1H13
3. For EEV and Economic Solvency: parallel shift in reference interest rates as defined in 2012 Embedded Value Report.

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- Introduction & highlights** **Page A4**  
by Henri de Castries, Chairman and CEO
  
- 1H13 financial performance** **Page A14**  
by Denis Duverne, Deputy CEO  
& Gérald Harlin, Group CFO
  
- Concluding remarks** **Page A40**  
by Henri de Castries, Chairman and CEO

# Main achievements in 1H13

## Ambition AXA: halfway there and well on track

### Growth and performance

- **APE +9%** and **P&C revenues +2%**
- **Underlying earnings +16%**
- **Adjusted earnings +26%**
- **Adjusted Return on Equity 16.5%**

- **Economic Solvency** at **204%**
- **Shareholders' equity** at **€51.5bn**
- **Debt gearing** at **26%**

**Strong balance sheet**

### Ambition AXA: successful implementation

- **Selectivity** with an improved business mix
  - **Acceleration** in high growth markets organically and through acquisitions
  - **Efficiency** reinforced to improve our competitiveness

- **Unit-Linked:** Further growth in flows
- **G/A Savings:** De-emphasizing while focusing on selectivity and profitability
- **US:** De-risked and stabilized the VA book
- **Asset Management:** Positive flows in the last 12 months

**Last year's challenged businesses are recovering**

**1H13**



**Q&A session**

**Q&A session**

# Notes

## Page A5

1. Compound annual growth rate
2. Adjusted ROE: Return corresponds to adjusted earnings net of interest charges on undated debt. Equity corresponds to average shareholders' equity excluding undated debt and reserves related to change in fair value
3. Average shareholders' equity excluding undated debt and reserves related to change in fair value

## Page A8

1. In Life & Savings, high growth markets are: Hong Kong, Central & Eastern Europe (Poland, Czech Republic, Slovakia and Hungary), South-East Asia (Singapore, Indonesia, Philippines and Thailand), China, India, Morocco, Mexico and Turkey  
In Property & Casualty, high growth markets are: Morocco, Mexico, Turkey, Gulf region, Hong Kong, Singapore, Malaysia, India, Thailand, Lebanon, Russia, Ukraine and Poland (excl. Direct)

## Page A17

1. Includes realized capital gains/ losses, impairments and equity portfolio hedging

## Page A20

1. Excluding Japan
2. Closing of pension fund new business in Poland and Hungary following changes in regulation
3. Change on a comparable basis corresponds to:  
For activity indicators, constant exchange rates, scope and methodology  
For earnings and profitability indicators, constant exchange rates

## Page A25

1. Mediterranean and Latin American Region: Italy, Spain, Portugal, Turkey, Mexico, Morocco, Greece, Lebanon and Gulf region (P&C only)
2. Hong Kong, Malaysia and Singapore, on a 100% share basis
3. Direct P&C operations in UK, France, Belgium, Spain, Portugal, Italy, Poland, South Korea and Japan

## Page A33

1. AXA internal economic model calibrated based on adverse 1/200 years shock

## Page A34

1. Including Euro -0.3 billion of reversal of mark-to-market on interest rate derivatives vs. Euro -0.4 billion in FY12
2. (Net financing debt + undated subordinated debt) divided by (shareholders' equity incl. undated subordinated debt excl. FV in shareholders' equity + net financing debt)
3. Including interest charge on undated subordinated debt

## Page A35

1. Mainly Private Equity and Hedge Funds
2. Mortgage loans & other include residential loans (Euro 12 billion), commercial & agricultural loans (Euro 10 billion) and agency pools (Euro 2 billion)
3. 1H13 invested assets referenced in page 57 of the financial supplement are Euro 664 billion, which include notably Euro 155 billion of Unit-Linked contracts and Euro 36 billion related to the banking segment, and exclude Euro 5 billion of assets related to the closed MONY portfolio which is accounted for as held for sale.

## Page A37

1. Group investment margin on total General Account business

# Definitions

AXA's 1H13 results have been prepared in accordance with IFRS and interpretations applicable and endorsed by the European Commission at June 30, 2013 and are subject to completion of a limited review by AXA's independent auditors.

Adjusted earnings, underlying earnings and NBV are non-GAAP measures and as such are not audited, may not be comparable to similarly titled measures reported by other companies and should be read together with our GAAP measures. Management uses these non-GAAP measures as key indicators of performance in assessing AXA's various businesses and believes that the presentation of these measures provides useful and important information to shareholders and investors as measures of AXA's financial performance. For a reconciliation of underlying and adjusted earnings to net income see page 8 of the appendix presentation.

Life & Savings New Business Value (NBV) is the value of the new business sold during the reporting period. The new business value includes both the initial cost (or strain) to sell new business and the future earnings and return of capital to the shareholder.