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Ladies and gentlemen, welcome to AXA conference call. I now hand over to Mattieu ROUOT. Sir, please go ahead.

Mr. Mattieu ROUOT, Head of Investor Relations, AXA

Good morning to all of you, and welcome to AXA conference call on our 9 month 2013 activity indicators. Gérald HARLIN, our Group CFO will answer your questions after a quick reminder of the main figures included in the press release that we issued yesterday night at 6:30 PM Paris time, and which you can find on our website. Gérald, I hand over to you.

Mr. Gérald HARLIN, CFO, AXA

Hello, good morning and thank you Mattieu. Before moving to the Q&A session, let me give you a quick recap of the main figures for the 9 month period.

Overall, I could say that the trading conditions were positive with a total revenue up 3% on a comparable basis. I might remind you that forex had a negative impact this year with a strengthening of the euro against most currencies. This means that on a reported basis, revenues were growing less: up 2%.

On the Life side, APE was up 7% on a comparable basis with an NBV margin at 33% versus 30% one year ago for the first 9 months of 2012. P&C revenues were up 2% with sustained price increases of 3.1% on average across the board. The third quarter on the Asset Management business was a bit more difficult with net flows which turned negative in an environment where investors’ confidence and business activity were affected, mainly among the fixed income investors in Asia, in fact by three factors. The first one being the uncertainty over the direction of the US interest rate; second the timing of the tapering of bond buy-backs by the Fed and third the US debt ceiling debate.

I remind you as well of our activity in terms of capital management with the completion of the disposal of the MONY portfolio in the US, and of AXA Private Equity while on the acquisition side, our partnership with Tian Ping in P&C in China will further strengthen our footprint in high growth markets.

Note as well that our economic solvency has also improved in the third quarter with a ratio at around 214% at the end of September.

A last word to tell you that we will come back to the market and to you on December 4th with an Investor day which will be dedicated to our P&C activities.
I’m now happy to answer your questions.

Q&A session

Operator

Ladies and gentlemen, if you wish to ask a question, please dial 01 on your telephone keypad. We have a first question from Peter ELIOTT from Berenberg. Sir, please go ahead.

Mr. Peter ELIOT, Berenberg

Thank you very much. I just wanted to clarify slightly those Asset Management net flows because (I guess in particular AllianceBernstein) just looking at their release, they seem to sort of attribute the Q3 outflows to fixed income on the back of the US uncertainties (that’s what you mentioned), but your release is saying more that fixed income flows were positive and that outflows are mainly caused by Equity. So, I was wondering if you could just clarify that, and perhaps, I don’t know if it’s possible, to quantify the Asian flows in particular in AXA Asian.

Thank you very much.

Mr. Gérald HARLIN, CFO, AXA

Ok. On AB, indeed, in the third quarter, we had a net outflow of -3.5 billion euros. It’s mostly on the Institutional channel, roughly speaking, a bit less than (Euro) 3 billion is coming from the Institutional side. And as we explained, it’s mostly coming from Asia. And why Institutional channel? That means the performance in fixed income is good. And across the board, we have an excellent performance over 1, 3 and 5 years and at the same time, on AB, nevertheless this period and the third quarter were not favourable and institutional investors stopped investing.

At the same time, on AXA IM, it’s exactly the same phenomenon. That means that at AXA IM we have a negative outflows of (Euro) 2.5 billion, and our JV in Korea explained a significant part of this. So, that’s the same situation as the one I described for AB.

Mr. Peter ELIOT, Berenberg

Ok, that’s great. You’re not able to quantify the split between equities and fixed income, especially on AB?

Mr. Gérald HARLIN, CFO, AXA

At AB, the total is (USD) -4.8 (billion). So, it corresponds to the -3.5 billion Euros I just explained. Fixed income is (USD) -3.3 (billion)
and equity is (USD) -4.2 (billion). So, we have a positive on the alternatives, we are significantly positive on fixed income passive, on alternatives, but we have an outflow on equities of (USD) 3.1 (billion) and on fixed income, as I've said, of 3.3 billion (US) dollars.

**Mr. Peter ELIOT, Berenberg**

Ok. Thank you very much.

**Operator**

We have a next question from Paul DE’ATH from RBC. Sir, please go ahead.

**Mr. Paul DE’ATH, RBC**

Thanks very much. Just a couple of questions if I can. Firstly on the US variable annuities book and how have the market conditions been in Q3. Have we seen any increase in the competition here? And also, any change in customer behaviour that you’ve seen in the quarter you would be able to tell us about.

And then, the second question is just on the Tian Ping deal that you've highlighted again. Just a reminder please, when are you expecting to see that deal in the numbers? When should we be factoring that in next year?

Thanks.

**Mr. Gérald HARLIN, CFO, AXA**

Just to answer your questions, first with the GMxB: so we could say that in the US, you noticed that our APE growth was at +11% so that means quite strong. And it's mostly driven by Unit-Linked. But Unit-Linked is not only GMxB. It’s also non GMxB sales with the structured product SCS. As far as GMxB (is concerned,) which is exactly your question, we were at +30% in the first 9 months. And it's mostly due to the flexible roll-up rate you remember our retirement cornerstone product, which is at +93%. And I remind you that this product is far less difficult to hedge, and has high profitability. That means that we are quite happy to notice this strong improvement on that side.

Your question about the competition: we have in the present conditions less players than two years ago. That means that the competition is not so harsh. As far as we are concerned, we are not faced with any problems of competition. You can notice that we have a significant NBV margin across the board. In the US, we have a NBV margin at 27%. One year ago, we were at 20%. So, progressively, we have been improving our profitability. And at no time, we gave up on selling our
product, especially the GMxB products with strong margins. So, no problems on that side at all.

The customer behaviour: you remember that one year ago, we increased our reserves for customer behaviour. What I can tell you is that for the time being, we have absolutely no problems. We have no risks in the foreseeable future to have to adjust for policyholder behaviour. We are perfectly in line. We will see in the future, depending on the environment whether we will have to release some of these reserves, but for the time being, it’s far too early to tell you anything on that side, but no bad news. That’s the point.

On Tian Ping, as you see, later in the year we should have the closing of this deal. So we will see. We will have the benefits of this next year.

Mr. Paul DE’ATH, RBC

Ok. Great. Thanks very much.

Operator

We have a next question from John HOCKING from Morgan Stanley. Sir, please go ahead.

Mr. John HOCKING, Morgan Stanley

Good morning. I just have one question, please. I wonder if you could break down the movement in the solvency ratio during the third quarter on the economic basis between earnings and market movements and any other factors that might have impacted it. Thank you.

Mr. Gérald HARLIN, CFO, AXA

I’m not sure I understood your question. Could you please precise?

Mr. John HOCKING, Morgan Stanley

In terms of the movement in the economic solvency ratio during the third quarter, I wondered if you could break it down between retained earnings, market movements, dividend, etc. So we can get an idea of what the underlying improvement was.

Mr. Gérald HARLIN, CFO, AXA

What I can say is that most of the benefit is coming from the operating performance. That means that we had globally an environment which was relatively benign. So, we didn’t have any big moves. Most of it can be explained by the operating performance.

Mr. John HOCKING, Morgan Stanley
Ok. Thank you. And in terms of the solvency ratio now, it’s getting up to quite a high level. What level do you see as a ceiling on that economic solvency ratio?

Mr. Gérald HARLIN, CFO, AXA

Before telling you the ceiling, you know and you will understand it, we should first have a good understanding of what will be the final framework for Solvency 2. As you know, we are not very far; we shouldn’t be very far from a final framework that should be set by Omnibus 2. So, we can expect that at the latest, later in the year, maybe in November or December, we will know what will be the end framework. So, let’s wait for this before saying what the ceiling should be. I believe that this topic will be rediscussed later. It’s far too early for me to give you any indication on that side. Anyway what I can tell you is that we are pretty happy with the present level of solvency.

Mr. John HOCKING, Morgan Stanley

Ok. Thank you very much. Very clear.

Operator

We have a next question from Nick HOLMES from Société Générale. Sir, please go ahead.

Mr. Nick HOLMES, Société Générale

Good morning. Two questions, please. The first one is: you’ve seen good price increases in commercial lines. I wonder if you see this continuing into the fourth quarter or if competition is starting to grow.

The second question is: can you give us an update on how the JV with ICBC is going? I’m thinking: is it going better or worse than you expected?

Thank you.

Mr. Gérald HARLIN, CFO, AXA

Ok, Nick. The first point on commercial lines: we have a strong performance in commercial lines as you can see in the press release. Of course, over the first 9 months, we have been benefitting from quite good conditions in terms of price increases. For the time being, on average, we are at 3.1(%) average tariff increase for the whole P&C business. And 3.3(%) average) on the commercial line. So, normally speaking, we should progressively decline, but I would say that the global outlook for the P&C business remains pretty good.
Mr. Nick HOLMES, Société Générale

Commercial lines, they are the ones that perhaps have been strengthening more than personal. Do you see that trend continuing versus personal?

Mr. Gérald HARLIN, CFO, AXA

I believe I could say that versus Personal, we should have a stronger momentum on the commercial lines versus the individual lines. But let’s see. That’s my feeling for the time being. You know that a significant part (of our commercial lines business) is with SME. So, normally speaking, we should benefit from higher future price increases in this segment.

Your second question was about the JV with ICBC which is going pretty well. In China, we are, in the first 9 months, at +135%, but what is very important is to tell you that the NBV margin with ICBC is at 21%. This is due to the strong focus on Protection & Health. So, what does it mean? It means that the message here is that the ICBC JV is going well. Is it in line with our expectations? You remember what I told you one year ago, we started this JV in July 2012. At the time, I said that our intention was to focus on Protection & Health, on high profitability business in a market which was not so much focused on high profitability business. So, it’s going well.

Mr. Nick HOLMES, Société Générale

Ok. Thank you very much.

Operator

We have a next question from François BOISSIN from Exane. Sir, please go ahead.

Mr. François BOISSIN, Exane

Good morning. Two questions, please. The first one is on the NBV margin: 33% is a good level. It’s significantly above the targeted level for 2015 which was about 28%. I just wanted to have your view on the direction of this margin. Is this sustainable? And what could change the game here?

Second question is: in P&C, could you give a bit more colour on the pricing trend that you’re seeing on your main markets - France, the UK, Germany and Belgium?

Thank you.

Mr. Gérald HARLIN, CFO, AXA
Ok. Your first question about the NBV margin: yes, we have a strong NBV margin which is above the 28%. I could say that this means that our plan is working well. That means that our plan which consists in moving to have a strong focus on more profitable business is working well. You can notice as well that even if you could consider that APE in the third quarter was slightly weak in some countries, indeed, you can notice that the profitability is extremely strong. That means that no doubt that we are focusing much more on profitability than on the top line. And that's great. I don't expect that that NBV margin will go down. We have no plan to decrease our NBV margin. The whole company is focused on increasing Protection & Health. Compared to some of our peers, we walk the talk. That's what we announced and the figures are here. We can confirm that it's working. Don't expect any changes on that side. Don't expect that we plan to move back to 28%. We have a strong NBV margin and we will go on focusing on the most profitable business lines. Look at my answers to the previous question: either in the US, in Asia, it's the same in Japan, and so on. That's quite clear.

On the second question that was about the pricing trends: we still consider that we have some potential for positive trends in France, in Germany. In the UK, as you know the market is much more competitive and that's the reason why the third quarter in the UK was a bit weaker compared to the previous one. That's what I can tell you. We should still benefit from some price increases as I said before, especially in the commercial lines but also, to a lesser extent, on the individual lines.

Mr. François BOISSIN, Exane

Ok. Maybe just a follow-up question on the UK: do you have a different strategy in direct and in your traditional business? What differences do you see in both businesses?

Mr. Gérald HARLIN, CFO, AXA

No, I would say that as you know we manage our individual business in motor in the UK exclusively in a direct way because we have a strong track record on that side. Of course, it's more volatile because we are extremely reactive, but it's also a way to benefit from market conditions. So, as you know, as a whole, we are quite strong in direct business. Our direct business across the board is roughly (Euro) 2.2 billion per year, meaning that we are present in 9 countries. We have a strong track record in many countries, in the UK especially. That means that in the UK, we consider that under the present conditions, doing P&C business in direct is the only viable solution to be profitable.

Mr. François BOISSIN, Exane

Ok. Thank you very much.
Operator

We have a next question from Federico SALERNO from MainFirst Bank. Sir, please go ahead.

Mr. Federico SALERNO, MainFirst Bank

Good morning. Just on Life new business margins: considering you’re still using, if I’m correct, the year-end 2012 assumptions, is it reasonable to expect another improvement to year end calculation at the end of the fourth quarter?

Mr. Gérald HARLIN, CFO, AXA

Let’s be clear. It’s a bit early to tell you. I don’t expect any negative impact. Before telling you that we will have a positive impact, we will see, it’s a bit early. It will depend on various conditions. I don’t believe that we could have a negative impact.

Mr. Federico SALERNO, MainFirst Bank

Ok. Thank you.

Operator

We have a next question from Atanasio PANTARROTAS from Kepler Cheuvreux. Sir, please go ahead.

Mr. Atanasio PANTARROTAS, Kepler Cheuvreux

Good morning everybody. Thank you for taking my questions. I have two questions. First of all on US variable annuity business: we saw that in the second quarter there was a negative factor in hedging below the adjusted earnings due to the rise in interest rates. I would like to have some more colour - what could happen if interest rates in the US were to go up further? What could be the impact on hedging on this portfolio below the adjusted earnings line?

Second question: you mentioned that there is a quite good trend in pricing in P&C, especially in some markets like Germany and France. However, we saw that there was a bit of a decline in German premiums in the third quarter: -1%. I wondered if you had some problems to sustain your price increase in Germany compared to the market, and if you could give us some indications about the German P&C business, if there is some increase in competition, especially in motor lines.

Thank you.

Mr. Gérald HARLIN, CFO, AXA
Your first question was about the adjusted earnings. You are right, we had a negative impact coming from the net income due to the fact that we didn’t benefit from hedge accounting on all the hedging, especially on swaps. So, yes, in case of a strong increase of the rates, we would have an impact. But keep in mind that under today’s conditions, we are roughly at the same level of interest rate as we were at the end of H2, at the end of June. And I don’t expect a significant impact. When you have swaps, for example, in order to increase your duration, these swaps are free-standing derivatives, but if you sell these swaps and if you buy bonds, for example, to increase your durations, you no longer have these types of impacts. So, what I can tell you is that in terms of magnitude, in terms of the size of the underlying derivatives, it’s more a decrease than an increase. So, yes, there might be a consequence. Second rates are not very far from where they were. So, I don’t expect a strong drag in earnings even if we have rates going back close to 3%.

Mr. Atanasio PANTARROTAS, Kepler Cheuvreux

Ok.

Mr. Gérald HARLIN, CFO, AXA

Your second question was about the German P&C business. We have pruning on Motor. That means that it was voluntary. We voluntarily had an on-going pruning process in Motor which means that as a whole, if I’m right, we had revenue of -2.2% in Germany. And most of it is explained by the pruning in Motor.

Mr. Atanasio PANTARROTAS, Kepler Cheuvreux

Ok. Thank you very much.

Operator

We have a next question from Ralph HEBGEN from KBW. Sir, please go ahead.

Mr. Ralph HEBGEN, KBW

Hello, good morning. I’ve got two questions. One is on the new business margin overall. Would you be able to just break down the movement into what was driven by interest rates or markets in general, and what was driven by mix effects?

And the second question is specifically on Japan where we saw APE volume coming down sharply by something like 40% and new business margins going up strongly. Would you be able to explain the dynamic in Japan a little bit more in detail?

Thank you very much.
Yes. As far as the NBV margin is concerned, as I’ve explained before (there was a question about this), you know the NBV margin is based on market conditions at the end of the previous year. That means that there is no impact from interest rates. As you know, when interest rates are going up in an environment where the volatility is relatively benign, we should have a slightly positive effect.

On the NBV margin, I would say: let’s go to your question about Japan. In Japan, indeed, you are right, we were in the first half, at -3 (% APE growth) and in the 9 month period, we are at -11 (% APE growth). How can we explain this difference? It’s absolutely voluntary. That means that what we decided to do – and you are absolutely right in terms of NBV margin, in line with what I explained before. We have an NBV margin which was at 75% for the first 9 month of 2012. 92% in the first half (of 2013), 96% in the first 9 months (of 2013). So, at the same time, it’s just like pruning in P&C. And where is this coming from? It’s coming from the Unit-Linked business. As you know, we had an accumulator product, and we have -47% (APE growth) on this product. Why? Because we decided to improve the condition, and to change the product features. That explains why we have lower GMIB sales. To be honest with you, it could be possible for us to increase significantly the top line, selling accumulator business. But we don’t want to do it under non profitable conditions. It’s exactly the same for the second product which is a Protection product with savings components, which is LTTP. And this product is with protection features, but we decided to lower the surrender cash value versus the premium paid. Just like pruning, in order to improve our profitability.

So, basically, we can summarise this by saying that in Japan, the positive impact on your business margin was driven by mix effects, and would you also say that that was therefore the predominant factor driving the increase in the new business margin generally at the group level?

That’s absolutely right. Yes.

Thank you very much.

Operator
We have a next question from Blair STEWART from Bank of America Merrill Lynch. Sir, please go ahead.

**Mr. Blair STEWART, Bank of America Merrill Lynch**

Thanks. Good morning Gérald. Two questions: you talked about the reasons for the outflows in Asset Management. Given that a few of those reasons have been more or less resolved, have you seen any bounce back in that in the early part of the fourth quarter?

And secondly: we’ve talked a lot about new business margins. I just wonder if the mix of business effects in Life is having any impact on your pay back periods.

Thank you.

**Mr. Gérald HARLIN, CFO, AXA**

On the first question: I’m not sure that I understood your question. Could you repeat it, please?

**Mr. Blair STEWART, Bank of America Merrill Lynch**

You talked about some of the macro reasons why you had outflows in the Asset Management business in Q3, mainly related to QE tapering and uncertainty of debt ceiling et cetera in the US. Quite of those issues seem to have been resolved and I wondered if the business has seen any impact in the early part of Q4. It’s possibly too early to say, but I just wonder if some of that money has come back.

And the second question was on the payback periods in the Life business.

**Mr. Gérald HARLIN, CFO, AXA**

On your first question, I would say that it’s too early to give you any answers on this side. Of course, we hope. I would say that the situation is a bit different with AB and with AXA IM. AXA IM is much more diversified. We have some elements which we can consider, as I said, especially in Asia, with our JV in Korea, as one-off. I can expect that things should improve and we are quite confident at AXA IM, and we have quite a nice pipeline of future business.

At AB, I would say that we are dealing with institutional (clients) in Asia, so it’s too early to give you any view on this.

You question on payback period, unfortunately I cannot answer your question because I didn’t do the math. As you know and to be honest with you, it’s necessary to make all the EV exercises and we didn’t do them. But anyway, I don’t expect that the payback period will be
extremely different from what it was before. But it’s always for us a matter of scrutiny, and at the same time, it’s an element that I’m looking at. But I don’t have any figures yet. I should have them soon.

Mr. Blair STEWART, Bank of America Merrill Lynch

Ok Gérald. Thank you very much.

Operator

We have a next question from Claudia GASPARI from Barclays. Madam, please go ahead.

Ms. Claudia GASPARI, Barclays

Good morning everyone. Two questions for me. The first one on the Life flows. If I look at Q3 in isolation, consensus was way ahead of the net inflow number. I guess we all clearly missed something. But I was just wondering from your perspective if there is something unexpected happening in Q3 or something in particular you would point to for this relative weakness, and in particular with a view to your target of flows of 2% of average reserves because I’m struggling to get there on my numbers. And on a country level also, I was noticing Q3 was quite weak in the UK. So, I was wondering if you could comment on that.

And the second question, not strictly relating to the results: I was wondering whether you could give us an update on the buy-out on policyholder guarantees that you’ve launched on the GMIB book in the US.

Mr. Gérald HARLIN, CFO, AXA

Ok. So, starting with your first question: the Life net inflows amounted, for the first 9 months, to (Euro) 4.1 billion. And it was (Euro) 3 billion one year ago for the first 9 months of 2012, and we were at (Euro) 3.9 (billion) for H1 (2013). So, your question is a legitimate one. It is: how do you explain that you didn’t increase more in the first 9 months? First of all, we should say: let’s have a look at the breakdown between mature and high growth. In mature, we are moving from (Euro) 2.9 (billion) to (Euro) 2.6 (billion), so, (Euro) -0.3 (billion), and I’ve just explained why. And in high growth countries, we move up from (Euro) 1 (billion) to (Euro) 1.5 (billion), so a good sign. And most of the elements explaining the move in the mature (markets) is coming from the seasonality effect. First in the UK, and that was part of your question: we had two large contracts in the first quarter of (Euro) 0.8 billion. In Japan, we have been more or less stable because we had strong new business but also we had higher surrenders from the accumulator product. In Switzerland, we posted (Euro) 2.3 billion positive cash flow in the first half versus (Euro) 2 billion for the first 9 month, and this is coming from the strong seasonality effect in Switzerland due to the
Group Life which we subscribed in Q1. And that’s mostly it. What I can tell you is that we are extremely satisfied, for example that in Hong Kong we are moving from (Euro) 0.6 (billion) to (Euro) 1 billion.

Ms. Claudia GASPARI, Barclays

Ok.

Mr. Gérald HARLIN, CFO, AXA

On the second question which is the buyout, I could say that it started three weeks ago. It will last until the end of January. It’s pretty (much) in line. That means that for the time being, it’s too early to draw any conclusions, but I don’t have any negative feedback. It’s in line with our expectations. It’s too early to give you some clear conclusions on that side.

Ms. Claudia GASPARI, Barclays

Ok. Would you say it’s in line with the pilot you did some time ago?

Mr. Gérald HARLIN, CFO, AXA

Yes. If you remember, the pilot went well. The end results from the pilot were 13% take up. So, for the time being, I don’t see why we shouldn’t be within the 10% range. But honestly it’s too early.

Ms. Claudia GASPARI, Barclays

Brilliant. Thanks.

Operator

We have no other questions for the moment. Ladies and gentlemen, if you wish to ask a question, please dial 01 on your telephone keypad. We have another question from Blair STEWART from Bank of America Merrill Lynch. Sir, please go ahead.

Mr. Blair STEWART, Bank of America Merrill Lynch

Hi. Thanks. Just a quick one, Gérald. What was the revenue impact of losing the Private Equity business and the Asset Management segment? Are you able to quantify that?

Mr. Gérald HARLIN, CFO, AXA

What I can tell you is that the Private Equity business contribution to earnings was roughly (Euro) 50 million per year. It was (Euro) 25 million for the first half.
Mr. Blair STEWART, Bank of America Merrill Lynch

Ok. (Euro) 25 million for the first half, (Euro) 50 (million) for the full year.

Mr. Gérald HARLIN, CFO, AXA

Yes, roughly.

Mr. Blair STEWART, Bank of America Merrill Lynch

Ok, thank you.

Operator

We have no other questions for the moment. Ladies and gentlemen, if you wish to ask a question, please dial 01 on your telephone keypad.

We have no more questions, sir.

Mr. Gérald HARLIN, CFO, AXA

Ok, so I would just like to thank you for this session. Anyway as I told you, our next meeting is on December 4th with the Investor day dedicated to our P&C business. Thank you to all of you. Have a good day and a good weekend.

Operator

Ladies and gentlemen, this concludes the conference call. Thank you all for your participation. You may now disconnect.