

# AXA 1Q13 conference call transcript

*May 7<sup>th</sup>, 2013*

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This document is the transcript of the 1Q 2013 activity indicators presentation held on 7 May 2013. The podcast of this presentation is available on <http://www.axa.com/lib/en/library/podcasts/14340.aspx>. In the event of any inconsistency between the transcript and the podcast, the podcast will prevail. In addition, the following transcript is unedited, and statements and figures therein are accordingly in all cases subject to those set forth in AXA's most recently published quarterly or annual results.

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**Mr. Mattieu ROUOT, Head of Investor Relations, AXA**

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Good morning to all of you and welcome to our conference call on our 1Q13 activity indicators. Gérald HARLIN, our Group CFO will go through the main messages including the press release that we have issued yesterday night at 6:30PM, Paris time and which you can find on the website. This will be followed by a Q&A session. Gérald, the floor is yours.

**Mr. Gérald HARLIN, Group CFO, AXA**

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Thank you Mathieu, and good morning everybody. Before moving to the Q&A, let me give you a quick recap of the main figures for the first quarter.

Overall, I would say that the trading conditions were quite good and I'm very happy with what we've achieved. Growing the top line in a profitable way, and continuing to be very selective in the business we are writing, in line with our Ambition AXA strategy.

On the Life side first, the APE went up 9% to Euro1.8 billion with a margin increasing from 29% to 32%. This is achieved through a strong increase in Unit-Linked by 25% and Protection & Health by 7%, while traditional General Account Savings was down 16%. The increase in margin is not only coming from the change in business mix, but also from the impact of our efficiency program.

Note that the Unit-Linked sales continue to be strong in France, notably in Individual Savings where the share of Unit-Linked is 23%, above the market average which is at 13%. Also in the US, Unit-Linked sales increased essentially with non-Accumulator products increasing by 51%.

Still, on the Life side, net inflows amounted to €3.5bn, strongly up by €1.4bn to €3.5bn, driven by the increase flows in Protection & Health which moved up €0.8bn to €3.6bn net inflows of Protection & Health. Doubling flows in Unit-Linked to €1.4bn and continuing net outflows in General Account Savings at -€1.6bn.

Net flows in France were positive at €0.7bn for the period in fact, with a bit more than +€500m in Protection, and a positive net inflows at €340m in Unit-Linked.

On the P&C business, revenues were up 2% to €10.2bn with a continued good pricing momentum of 2.7% on average. It is worth

noting that thanks to resumed growth in the UK, the overall Direct business was up 10% in the quarter.

On Asset Management, revenues were up 8%, increasing at both AXA IM and AllianceBernstein. Net flows amounted to a bit more than €8bn for the quarter, confirming the momentum that we experienced at the end of 2012. You will have seen that AllianceBernstein posted very good figures with positive flows for the second quarter in a row.

Overall, a very good Q1 and I am now happy to answer your questions.

## **Questions & Answers**

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### **Operator**

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Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad.

We have a first question from Farooq Hanif from Citi. Please go ahead.

### **Mr. Farooq HANIF, Citi**

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I have two questions, please.

- 1) On variable annuities, US Life insurers in their reports so far have given some encouraging trend including a lower net amount at risk, better earnings, decent margins. I was wondering what comment you could give about the profitability of your VA business in Q1, just in line with that.
- 2) Your Life net inflows are very strong compared to the full-year numbers last year. I was just wondering if there was any sort of seasonality we should take into account when forecasting net inflows in Life for the rest of the year.

Thank you.

### **Mr. Gérald HARLIN, Group CFO, AXA**

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First of all about the US: what I can tell you is that when we take the traditional Accumulator sales, we are down. But on non-Accumulator sales, first of all, the total Unit-Linked business is at +23% in the US, of which Retirement Cornerstone is at +108%. Other Unit-Linked of which SCS, you remember that SCS is a structured product, is at +60%. That means that, as a whole, the non-Accumulator sales in Unit-Linked are +30% which is quite good. Because as you know, Retirement Cornerstone as well as SCS have a very strong profitability. Traditional

Accumulator sales went down, we were at Euro 36 million APE last year in Q1, we are now at Euro 18 million, a sharp drop. And you know that the Accumulator sales, although they have been repriced, nevertheless bring some volatility in the earnings as you know. It's pretty in line with our Ambition AXA plan to grow traditional Unit-Linked like SCS, structured products, and to grow Retirement Cornerstone as well. That's pretty in line.

The second question was about net inflows. Your question is: is there any kind of seasonality? Of course, as usual. You have some kind of seasonality starting first with Switzerland because most of the business in Protection & Health, in Group Protection in Switzerland is done in Q1. That's what explains most of the seasonality. That's the most important point on seasonality. We could also say that we have a very strong start in the UK in Unit-Linked business. Just to give you a figure, in the UK, we are at Euro 848 million positive net inflows when last year at the same period, we had Euro 40 million. A strong increase, but nevertheless, we can expect some kind of slowdown in the UK for the rest of the year. Still, a very good start with positive net inflows in Protection & Health and in Unit-Linked, even excluding the seasonality I just mentioned.

**Mr. Farooq HANIF, Citi**

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Could I just follow-up on the variable annuities? Will you be willing to make any comment about lapse experience, reserving and hedging losses for Q1?

**Mr. Gérald HARLIN, Group CFO, AXA**

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I would say that it's pretty in line with our own expectations. That means that the volatility is slightly better than expected as you can imagine because the realized volatility in Q1 has been quite benign, roughly 12 to 13%. And the policyholder's experience is pretty aligned. You remember that we increased our reserve in the last quarter: we are fine and I don't expect in the present environment any kind of worsening in the policyholder's behaviour.

**Mr. Farooq HANIF, Citi**

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Thank you. That's very kind.

**Operator**

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The next question is from Nick HOLMES from Société Générale. Please go ahead.

**Mr. Nick HOLMES, Société Générale**

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Hi. I had a couple of questions.

- 1) Could you give us a bit more colour on how the JV with ICBC in China is going? You said Protection & Health was doing very well there, and I wondered if you could quantify that.
- 2) Over in Turkey, I see that you've increased your tariff quite a lot. My question is: how confident are you that this will be adequate after the big reserve hit that you did take in Turkish motor last year?

Thank you.

**Mr. Gérald HARLIN, Group CFO, AXA**

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Let's start with your first question about ICBC AXA which is doing well. You know that we started this JV quite recently, since we started in mid-July 2012. As you know, we are focusing a lot on Protection & Health and on Unit-Linked as well, and it's going well. It's relatively small today. The APE is €16m for Q1, but it was €6m in 1Q12. So, we are expecting a gradual improvement of all these figures, but it's starting well.

**Mr. Nick HOLMES, Société Générale**

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Sorry, can I ask a follow-up question on that? The opportunity with ICBC is quite significant potentially. Would you be able to give us any further guidance on the acceleration that you would expect over the next couple of years?

**Mr. Gérald HARLIN, Group CFO, AXA**

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Another way to explain it is to tell you that maybe you should remember that we said we intended to invest €500m in this JV. We have 27.5% of this JV, so it highlights our ambition on that side. And remember that what is quite virtuous is that it's a win-win situation. We didn't buy or invest upfront in this JV, but we will invest progressively. For the time being, it's going smoothly, meaning that we are selling the right products.

**Mr. Nick HOLMES, Société Générale**

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Ok. Thank you.

**Mr. Gérald HARLIN, Group CFO, AXA**

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About Turkey which was your second question: yes, indeed, we increased our prices by 50%. What I can tell you is that up to now, we did not lose clients. That means that we are in line. We consider that it should be sufficient. As far as I know today, there is no need for any strengthening of our reserves. We consider that what we did last year, as you remember, we took a hit of €117m net in our accounts, combined with the +50% top line pricing increase this year, should be fine.

**Mr. Nick HOLMES, Société Générale**

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A very quick follow-up: on what would you say was the single biggest change in your pricing? What was the mistake made with Turkish Motor last year that you have rectified?

**Mr. Gérald HARLIN, Group CFO, AXA**

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That's quite simple. It was the problem of the third party liability with the legal risk. That means that like in the UK, it's a kind of legal inflation where a significant number of clients decided to sue us for bodily injuries. That's it, and that's something which is in our pricing now.

**Mr. Nick HOLMES, Société Générale**

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Ok. That's great. Thank you very much.

**Operator**

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The next question is from David ANDRICH from Morgan Stanley. Please go ahead.

**Mr. David ANDRICH, Morgan Stanley**

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Hi. Good morning.

- 1) I was just wondering if you could give a little bit of guidance on what the claims inflation is like in terms of the P&C business versus the premium increases that you guys have been able to put through, and just a bit of colour around whether you see an improvement in the combined ratio.
- 2) On the inflows in AllianceBernstein. It looks like they're a little bit lower versus Q4, and I was just wondering if this is a seasonal impact or this is a better run rate going forward.

**Mr. Gérald HARLIN, Group CFO, AXA**

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On the P&C side, I remind you that we don't publish any combined ratio for Q1 and we don't publish any earnings. Anyway, what I can tell you is that as far as I know, there is no specific worry on the claims inflation front. That means that nothing specific is to mention on that side.

As far as AllianceBernstein is concerned, net inflows in Q1 were \$2.6bn vs. \$5bn in 4Q12, and that's mostly coming from the Retail side. Retail is at \$0.2bn versus \$5.3bn in Q4. But on the Institutional side which is quite important because as you know we suffered the most from the outflows from the Institutional side, we are at +\$3.3bn versus \$2.9bn in 4Q12, which means +9% quarter-on-quarter. That makes us quite confident.

**Mr. David ANDRICH, Morgan Stanley**

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Great. Thank you very much.

**Operator**

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The next question is from Gordon AITKEN from RBC. Please go ahead.

**Mr. Gordon AITKEN, RBC**

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Three quick questions on Protection, please.

- 1) As a commoditized product, the growth has certainly been greater than we had expected, and also the margins are higher. So first question is, in the first quarter, what is driving the growth? And I see the comments about distribution, but I wonder if there's anything else responsible here, for example, marketing or any product differentiation.
- 2) Could you just spell out why the margin increased by 5 percentage points?
- 3) I can see how you continue to see good growth in emerging markets. I'm just wondering, in the mature markets, what's the strategy to continue the growth?

**Mr. Gérald HARLIN, Group CFO, AXA**

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Let's start with Protection. Your question is: what is driving the growth? I would say that what is driving the growth is the traditional markets where we have Health business. It's mostly on pure Protection and Protection with Savings components. Let's say that in Q1, we had the General Account Protection & Health which is at +7%. Pure Protection

is +5% and Protection with Savings components is +13%. This is partly explained also, as I said, answering your previous questions about Switzerland because in Switzerland, most of our business, two thirds of our group business is done in the first quarter.

On your second question about the margin, I would say that what is driving the margin is: First, volume because volumes are increasing; Business mix, gradually, we are moving towards Protection & Health and Unit-Linked; and third, volume explaining the fact that Unit costs are going down. So, we have this kind of positive move which means that in the end, NBV margin is going up. If I take the growth, the global NBV margin, which moves from Euro 487 million to Euro 574 million, we could say that the main drivers are: volume (+ Euro 28 million), we have the business mix (+ Euro 51 million) and also other elements. But roughly speaking, it's the business mix and the volume effect on unit cost.

The mature market which was the third part of your question: what do we do? First of all, you can notice that in the mature market, let's start with France which is the example of a mature market, we are still improving our business mix. You noticed and I said in my preliminary comment that in Life, we increased our share at Unit-Linked to 23% from 13%. I can tell you that we launched the structure products in March and that in March, we were even higher than 23%. So, in these countries, Ambition AXA is applied and on a consistent basis moving towards more Protection and Unit-Linked. It's exactly the same with Belgium. You remember that one year ago, due to the interest rate specific situation in Belgium, the Govies (the OLOs) were at pretty high levels, so it pushed our clients to move to the traditional General Account Savings products. Now, we have significantly increased our Unit-Linked business.

That's for Life. And when looking at Individual NBV margin by countries, you can see that NBV margin is growing not only in emerging countries, but also in mature countries, because on average, take the mature countries, our NBV margin moved from 27% to 30% (+3 points). That's quite clear on the Life side. On the P&C side, I would say yes, for sure, on the mature markets, we are at +1%, helped by these price increases which are quite nice. But at the same time, keep in mind that in Direct, we are at +10%. And most of the business in Direct is done in mature countries. So, as a whole, the growth due to the economic situation is quite modest in P&C on the traditional business, but we are significantly helped by Direct.

**Mr. Gordon AITKEN, RBC**

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Thank you.

**Operator**

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The next question is from François BOISSIN from Exane BNP Paribas. Please go ahead.

**Mr. François BOISSIN, Exane BNP Paribas**

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Good morning, everybody. Three questions, please.

- 1) On General Account Savings. Your new business margin moved from 2% last year to 10% this year. Can you give a bit of colour around why the margin is increasing? It sounds a bit surprising given the low interest rate environment.
- 2) Maybe more focused on the French business, can you give the actual net flows that you had in General Account Savings and what you see in terms of competition on traditional products in Q1?
- 3) In terms of P&C, what can you say about pricing trends for your main market in Q2 so far and what you see for the rest of the year for France, Germany, Belgium, Italy and Spain?

Thank you.

**Mr. Gérald HARLIN, Group CFO, AXA**

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Let's start with the General Account Savings. What we could say is that the NBV margin is helped by the cost savings as I said previously, and also due to the fact that in Belgium for example and in the US, but mostly in Belgium, we improved our NBV margin. Our NBV margin in General Account in Belgium was pretty low. But now that in all countries we sell with lower our guarantees and we have almost no more guaranteed interest rate, this makes that the price of options & guarantees is quite low. It's the combination of low guarantees and improved profitability and costs.

Your second question is about net flows in France. As I said, +Euro 650 million corresponding to net inflows in Q1 in France, and in Protection & Health, it's Euro 530 million positive; Unit-Linked: +Euro 340 million and on General Account Savings: - Euro 210 million. So, as I said, it's a mature country, and that's not very far from my previous answer. It highlights what we do and what we intend to do going forward in all our groups in all mature countries, focusing on the most profitable lines. We have also an outflow in the euro funds, but you know, when you have such large capital gains, it's not a problem at all to switch from General Account to Unit-Linked. On the contrary. It's a win-win situation where it's in the interest of the policyholders and also in the interest of the profitability of our business.

**Mr. François BOISSIN, Exane BNP Paribas**

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Yes, sure. Can I just follow up on the point you mentioned about your structured product that you launched in March? What type of product is this? Are you guaranteeing capital at the end of eight years, or do you guarantee a fraction of capital? How does that work?

**Mr. Gérald HARLIN, Group CFO, AXA**

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The way it works is that it's just like zero-coupon. You have the zero-coupon and you have options, which means that you have upsides. You are familiar with the French market, but I could say that it won't be very different from the potential future "Euro Croissance". That means that you have a zero-coupon and options on top of this.

**Mr. François BOISSIN, Exane BNP Paribas**

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Ok. Fair enough. Is competition launching similar products?

**Mr. Gérald HARLIN, Group CFO, AXA**

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Yes. They are launching similar products, but keep in mind that we have our networks, I mean salaried agents as well as "A2P" who are specialised agents, or our traditional agents who are quite keen in launching such type of products. And at the same time, we have incentives as we've mentioned many times, which makes it quite successful.

**Mr. François BOISSIN, Exane BNP Paribas**

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And finally, on P&C pricing?

**Mr. Gérald HARLIN, Group CFO, AXA**

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Maybe we can refer to the appendix of your document. On page 12/14, you can see that on average, we are at 2.7%. A general comment: I would say that we can expect that the pricing trend should slightly go down going forward, but we started, you remember that, Personal lines in Q1 were at 2.9% when we were at 3% last year. Answering this question, last year or a couple of months ago, I told that we would be lower. So, we can expect it to go lower, but no doubt that it will weigh on the 2013 figures.

**Mr. François BOISSIN, Exane BNP Paribas**

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Any particular market where you see downward pressure currently?

**Mr. Gérald HARLIN, CFO, AXA**

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I believe so. Look at Germany at 5.7%, Belgium at 6.6%. These are the two main countries where we can expect the pricing trends which went up quite significantly to move down.

**Mr. François BOISSIN, Exane BNP Paribas**

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Ok. Thank you very much indeed.

**Operator**

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The next question is from Marc THIELE from Mediobanca. Please go ahead.

**Mr. Marc THIELE, Mediobanca**

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Good morning. Two questions if I may.

- 1) On the Solvency ratios. Can you provide us with more colour in terms of the various components and how they've moved during the quarter? Presumably we've seen retained earnings boosting the available financial resources while at the same time inflows increased the requirement?
- 2) On the Direct channel and you mentioned in the UK there has been a 10% increase year on year and I think I remember you've been pretty early in terms of adjusting your pricing last year. But I was wondering how you feel about the profitability of that business at this stage when we see your peers such as Direct Line releasing 14 percentage points of reserves only to get to a 98% combined ratio level? And it would be also interesting if you could make a comment about the Direct business in Italy, if you have noticed a significant pick-up following the regulatory changes that we've seen last year?

**Mr. Gérald HARLIN, Group CFO, AXA**

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On the solvency ratio, you know that we are at 210%, so there is nothing specific to mention, it's quite in line with the expectations. And what you said is quite right, so nothing specific.

On the Direct side, I repeat that we don't calculate and publish any combined ratio, but anyway, I believe that we caught up in the UK for

the Direct side. We are comfortable this year. That's what I can tell you. At the time, we are increasing our top line, we are comfortable with the profitability of this business, and nothing specific to mention. That means that we are growing this business in a profitable way.

On Italy, I don't have any specific comments. What I can tell you is that on the Direct business, Italy is quite small. A nice increase because we went up from Euro 24 million gross revenues to Euro 33 million. So, as a whole, as I said, our Direct business moves up from €512m to €569m (+10%), and Italy is growing at 36%. So, we are doing well. But it's relatively small because it should represent something like 6% of the top line in our Direct business.

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**Mr. Marc THIELE, Medio Banca**

Thank you.

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**Operator**

The next question is from Peter ELIOT from Berenberg. Please go ahead.

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**Mr. Peter ELIOT, Berenberg**

Thanks very much.

- 1) I wanted firstly just to quickly follow up on your answer to Nick's question earlier where you said that you hadn't lost clients in Turkey following putting up rates in Motor by over 50%. I was just wondering if you could comment a bit further on that and whether that's because other people are putting up rates by similar amounts, whether it's too early to say or whether there's another cause? Perhaps you could just comment on the market dynamics there?
- 2) And then secondly I also wanted to ask about P&C in Germany. Given the strong rate increases, I notice that the implication for your numbers is probably that you've lost a little bit of market share there and I was just wondering if you could perhaps comment on your strategy there?

Thank you.

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**Mr. Gérald HARLIN, Group CFO, AXA**

On Turkey, I told you that we didn't lose any clients. In fact, to be extremely precise, we lost 3,000 policies which is extremely low. That means that concretely, our competitors did the same. You remember we discussed this at the end of 2012 when commenting the figures at

the end of 2012. In fact, we didn't lose clients because when you are increasing your tariffs by 50%, assuming that the competition wouldn't increase its own tariffs, we would have lost a much bigger number of clients. It's a general move on the market, so nothing worrying. And again, I don't have any fear on that side.

Your second question was about the net inflows in Germany and the figures. Yes, we increased our prices quite significantly in Germany. Yes, we slightly lost market share but there will be some adjustment and we needed to increase our tariffs. That's why when I said +5.7% was quite high, you can expect for the rest of the year to have Germany with a price increase at a lower level. That's mostly it, but we can expect that these adjustments will help us regain some market share.

### **Mr. Peter ELIOT, Berenberg**

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Thank you.

### **Operator**

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We have a question from Andrew CREAN from Autonomous. Please go ahead.

### **Mr. Andrew CREAN, Autonomous**

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Hi there. Two questions actually.

- 1) Firstly, given the extended bout of QE in Japan, could you talk in detail as to how that might affect your negative reserve book out there?
- 2) And secondly, in the first quarter you sold one business and bought one business. As you look forward at your M&A, do you expect acquisitions to come entirely from disposals or do you think you'll be putting organic resources to work as well?

### **Mr. Gérald HARLIN, Group CFO, AXA**

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About QE in Japan, as you know, that's a good question. In fact, in Japan, we have three different types of businesses, to make it simple. We have an old book of business, we have the traditional Protection & Health business which is extremely profitable and which explains the good figures in terms of top line, and we have the VA business which is also profitable but where we prefer to sell because it's not sold in our proprietary network, it's sold through outside and through the bank insurance partners. And what we want to do going forward is more and more to sell this product with Protection which increases our profitability.

As far as the old book of business which is the most important one and which could suffer the most from the low interest rate environment, we are hedged. That means that we have a duration gap between assets and liabilities – we are speaking from a very long business, more than 10 years – and we have a duration gap of roughly 2 years. That means that even if the QE that has been announced by Mr. Abe led to a decrease of the interest rate – in fact it didn't move that much because today, the JGB 10 years is at 60 bps – nevertheless, I can't expect to have some negative impacts on the liabilities. In case we had for accounting reasons to adjust our liabilities, then no problem because we have a lot of capital gains on the asset side, and without any mismatch, we don't have any mismatch on the accounting side.

Your second question was about the businesses and the M&A. Indeed, we sold AXA PE, we closed the inforce closed book of business with MONY for a bit more than \$1bn in the US, and we recently announced the acquisition of 50% of Tian Ping. The net of all these operations is positive. Why? Because in terms of cash flows, we expect that the disposal of AXA PE will mean +€200m of cash flows, as we announced, the disposal of the closed book of MONY means €650m – in fact \$850m – upstreamed to the holding company. So, that's +€850m. And the acquisition of Tian Ping is €480m. So, the net amount is positive. Your question was: do you intend to invest more? Nothing specific to mention beyond these operations. That means that we have nothing specific that I could mention, and anyway, we have an objective which is to be at 25% of debt in 2015. We may reach this level before 2015.

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**Mr. Andrew CREAN, Autonomous**

The question was really whether in future M&A you would limit your acquisition budget to what you realized from disposals of businesses or whether that would not be a limit on you?

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**Mr. Gérald HARLIN, Group CFO, AXA**

Let's be clear. In the present environment as we said many times, we won't raise equity. And on top of disposals like the one we discussed, we also have the capacity coming from our internal net cash flows. You know the figures, you remember that in November last year when we updated our Ambition AXA plan, we said that roughly speaking, we would have a bit less than Euro 1 billion available for organic and external growth. That's it.

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**Mr. Andrew CREAN, Autonomous**

Thank you.

### **Operator**

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We have a question from Blair STEWART from Merrill Lynch. Please go ahead.

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

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Hi, thank you very much and good morning. Apologies, I missed the beginning of the call Gerald so if these questions have been asked I apologize. But I've got two questions.

- 1) On the Life side, you mentioned a couple of large Group wins, one in France and one in the UK, and I just wonder if you could quantify those? And then on the UK specifically, what was driving the Group wins in the UK? Was it related to RDR, maybe a spill over from the end of the year or was it related to auto enrolment business coming in Q1?
- 2) On Japan. A 10-point increase in your margin – and I think if you look at the margin in 2012, it was about 81% so a 7-point increase against that – so just wonder what's going on there? I know volumes are slightly better, but is there any change in assumptions driving that margin pick-up?

Thank you.

### **Mr. Gérald HARLIN, Group CFO, AXA**

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On the Life side, I mentioned that France had +14% APE, mostly explained, and maybe you heard the figures that I quoted for the net inflows, mostly Protection and Unit-Linked. It's the same for APE.

On the UK, we had an increase on a comparable basis of 46%. And the 46% was mainly explained by Unit-Linked savings on the Corporate TIP business. That's due to the large schemes that are received at the beginning of the year, and we could expect that these large schemes which are received mostly at the beginning of the year won't replicate in the future. But anyway, we have a good dynamic in the UK on the Unit-Linked side.

Your next question was about Japan. In Japan, we have mostly a mix which is still improving. When taking the NBV margin for example in Japan, it is quite high because it's moving from 78% to 88%, and it's mainly explained by the business mix. That means that we are moving to products which are more profitable. That means that the business mix, higher sales on Protection & Health and lower sales of Accumulator products. That's what I explained before. It's something

which is in line with our strategy. We also have a decrease in Unit costs. These are the three main elements that I could highlight.

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

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Thanks Gerald, but can I come back on the first question. Perhaps I didn't ask it properly. But I was wondering what the impact of the Group schemes was in the quarter, both in France and in the UK, given that that's lumpy business? And on the UK specifically, what was the driver of the large inflow in Q1? Was it related to the RDR business? I guess specifically what I'm getting at is was that commission-paying business or was it free of commission?

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**Mr. Gérald HARLIN, Group CFO, AXA**

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Let me start with the UK. In the UK, it's not due to the RDR. It's corporate business. So, that's not directly linked to the RDR. And in France, yes, we had some Group retirement with large contracts which increased quite nicely, but you know, to take the APE of France, APE increased as I said by 14% which is +€47m of which we have group retirement which explains Euro 23 million. So, we had some large Unit-Linked retirement contracts, but at the same time, we have the traditional other products which are also growing nicely.

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

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And how much was the Group influence in the UK, if you're able to give the euro millions number in France? Are you able to give that for the UK Gerald?

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**Mr. Gérald HARLIN, Group CFO, AXA**

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Yes, with pleasure. In the UK, we have + Euro 70 million on APE, of which the Corporate TIP business is + Euro 75 million. That means that most of the increase is due to this corporate type business.

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

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And just finally Gerald, just remind me, do you pay a commission on corporate business in the UK or did you at the end of last year?

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**Mr. Gérald HARLIN, Group CFO, AXA**

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I should come back to you on this question. We will call you back.

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

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Thank you.

**Operator**

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The next question is from Andy BROADFIELD from Barclays. Please go ahead.

**Mr. Andy BROADFIELD, Barclays**

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Hi there, two questions please. One just on the Solvency and one on your Direct business strategy.

On solvency, can you just elaborate on the gap that the US equivalence makes now for your solvency ratio? I think in the past it's been around 40 percentage points. Has that changed much in the quarter with the macro moves?

**Mr. Gérald HARLIN, Group CFO, AXA**

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No.

**Mr. Andy BROADFIELD, Barclays**

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Thank you, that was quick. And also on the Solvency ratio, when you calculate you talked a little bit about the improvement in your new business value as a result of cost saves as well as other factors. But on the cost saves, do you include any future cost saves in your VIF assumptions, VIF calculations, at all and do you include dividends and have you included the impact of any of the acquisitions announced this quarter?

**Mr. Gérald HARLIN, Group CFO, AXA**

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Starting with your first question about equivalence, it's roughly the same. The uplift from without and with equivalence didn't change much. We still have an RBC ratio in the US roughly above 500% which is nothing specific, and nothing changed on that side.

Your second question was...

**Mr. Andy BROADFIELD, Barclays**

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Sorry, the inclusion... you've mentioned about the cost saves in your cost savings.

**Mr. Gérald HARLIN, Group CFO, AXA**

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Ok. On the cost savings, yes, the cost savings improved slightly the NBV margin. But we don't include in the way we calculate the NBV any anticipated future savings. That's the point which is quite clear. That's the way we calculate it in line with our EV principles.

**Mr. Andy BROADFIELD, Barclays**

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Great. And did you include dividends or the impact of either the acquisition or sale in the quarter in your... and do you accrue for dividends?

**Mr. Mattieu ROUOT, Group Head of Investor Relations, AXA**

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The dividend is not removed yet. You see the impact in June and the impact of all the transactions that we've announced; it will impact the solvency ratio when it is closed, actually.

**Mr. Andy BROADFIELD, Barclays**

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Ok. Excellent. And sorry, just on the Direct business, I just wonder, just at a high level, the margins on Direct, it's only in the UK seem to be a little lower probably than much of the rest of your P&C business. A), is that a correct assumption and B), just strategically do you allow for lower financial performance in the meantime for strategic reasons for the Direct business?

**Mr. Gérald HARLIN, Group CFO, AXA**

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Sorry, I didn't catch the last part of your question concerning the low financial conditions.

**Mr. Andy BROADFIELD, Barclays**

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So the financial targets or requirements on Direct business, are they the same as for every other business or do you allow for some margins because of strategic reasons?

**Mr. Gérald HARLIN, Group CFO, AXA**

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They are exactly the same because when you calculate your economic capital ratio, you know it's the same as the other business. So, that means that you remember that we discussed this previously in our Ambition AXA update, and we plan to improve our combined ratio on the Direct business as well. And I remind you that although we plan a 10% growth roughly in Direct business, when discussing the target which is 96% combined ratio at the end of 2015, it includes our Direct business. So, we don't have any specific treatment for our Direct business.

**Mr. Andy BROADFIELD, Barclays**

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That's great. Thank you very much.

**Operator**

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We have no other questions. Ladies and gentlemen, I remind you that if you wish to ask a question, you need to press 01 on your telephone keypad.

We have no other questions.

**Mr. Gérald HARLIN, CFO, AXA**

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Ok. So, in the absence of other questions, I would like to wish you a nice day, and we thank you all very much.  
Good bye!

**Operator**

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