

**AXA Group
Investment & ALM**

Improving insurers' investment environment

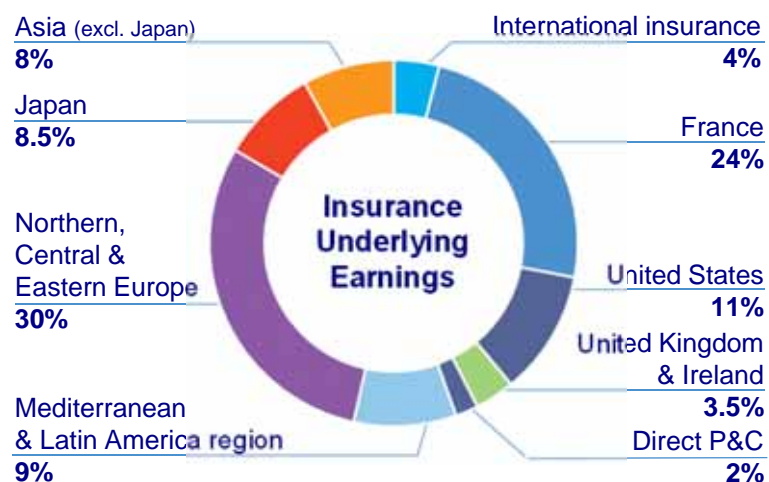
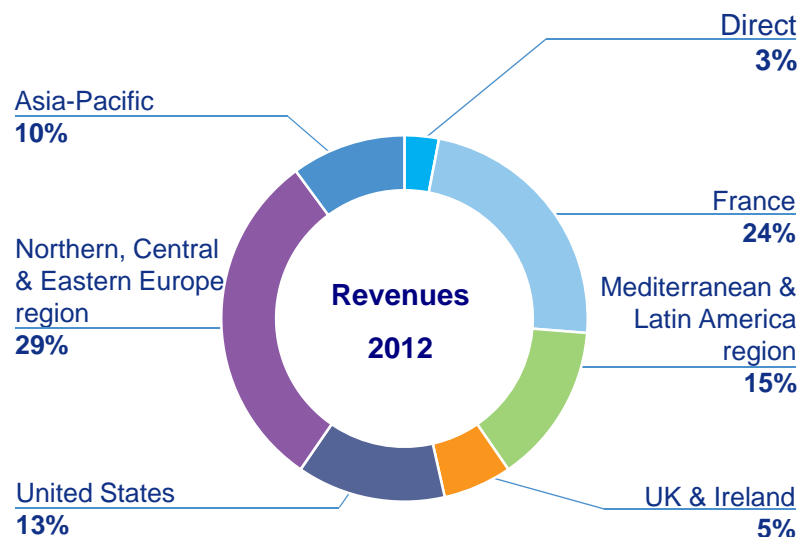
Insurance Europe

Malta, June 12th, 2014

Laurent Clamagirand, Group CIO

AXA today: a diversified Group

Geographical diversification



Business diversification



AXA at a glance

91.2 Euro billion revenues
1,113 Euro billion assets under management
4.7 Euro billion underlying earnings
52.9 Euro billion shareholders' equity
102 million customers
56 countries
1st insurance brand worldwide

As of 31/12/2013

redefining / standards



Property & Casualty

Scope overview

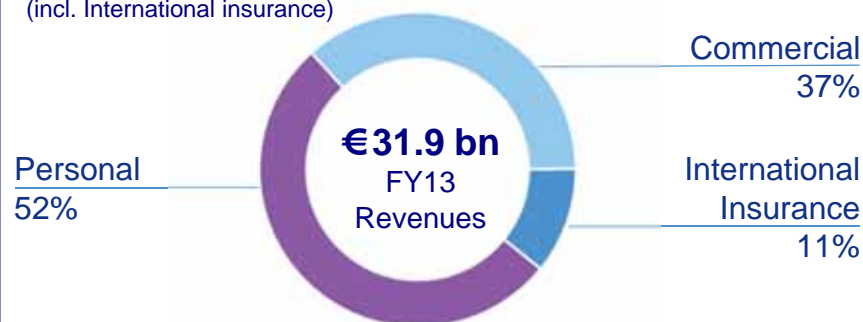
2nd P&C insurer in Europe
1st international insurer in Asia*
3rd Direct insurer in Europe

18 Euro billion compensation paid in 2013 for the benefit of **40** million customers

8.5 million motor claims paid in 2013

A balanced business mix

FY13 revenues
by activity
(incl. International insurance)



A diversified distribution

FY13 revenues by channel
(excl. International insurance)



Life & Savings

Scope overview

1st L&S insurer in Europe

25 Euro billion increase in the value of our customers' Life Insurance invested assets

12 Euro billion benefits paid to Protection & Health customers

6 Euro billion new business in 2013

A balanced business mix

APE by activity in 2013



A diversified Distribution

APE by channel in 2013



Asset Management

Scope overview

Complementary business models

AXA Group

~10th largest asset manager worldwide



Product offer

- A multi-expert model structured by asset class
- An expertise in fixed income, equities and quantitative management
- A distinctive presence in alternative investments (structured finance, private equity, real estate, funds of hedge funds)

- Structured by “Investment Style”
- Focus on growth and value equities, blend strategies, fixed income
- New developments in alternative investments
- Institutional research services

Distribution

- Separate distribution platforms for Third parties & AXA Insurance Companies

Integrated distribution platforms

Footprint

Mainly Europe

Mainly US and Asia

Assets under Management

Euro 539 billion as at 31/12/2013

Euro 354 billion as at 31/12/2013



AXA Group's Investment teams organization

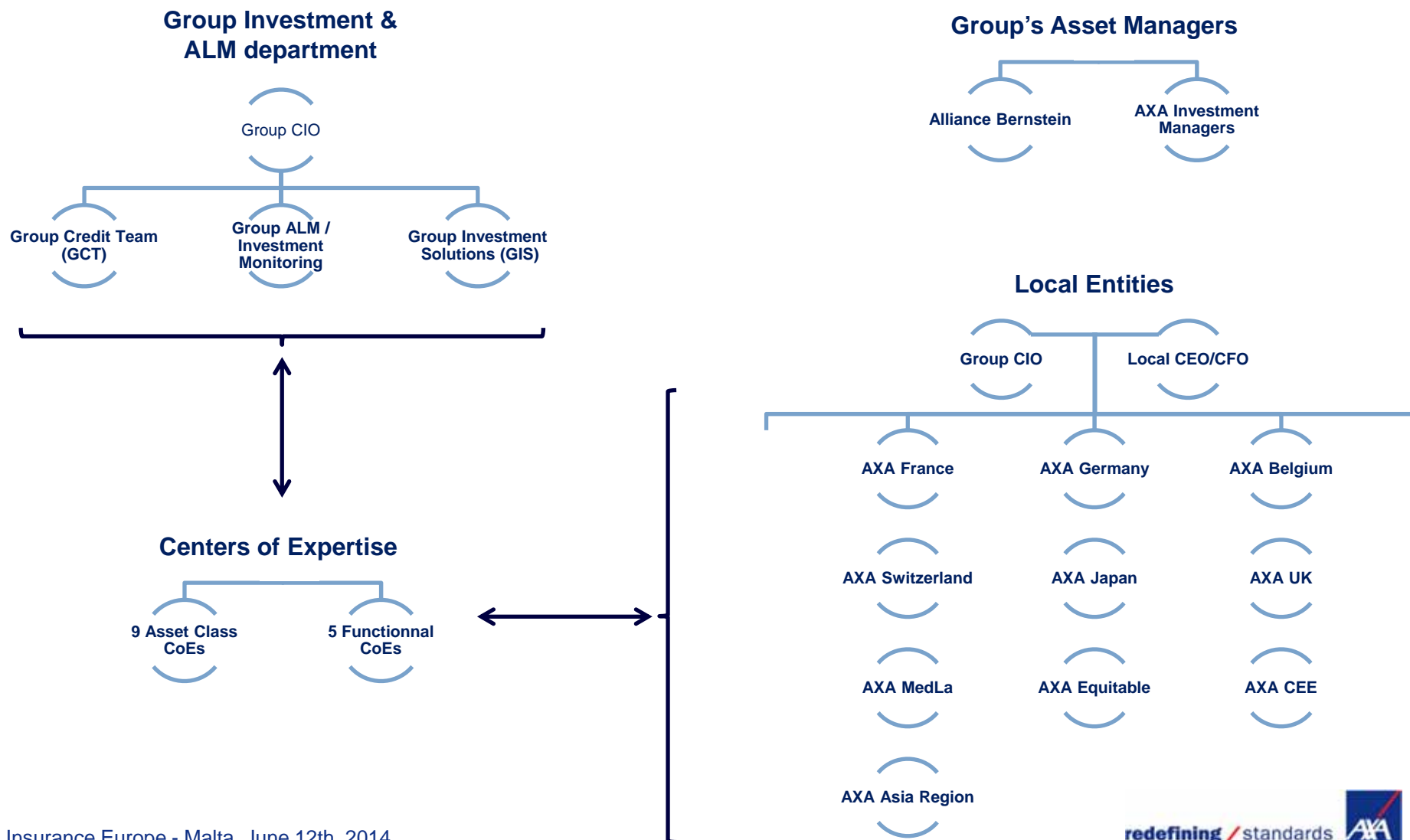
Overview

- At the Group level, AXA's investment team is composed of around 250 professionals
- A centralization of the organization along with the implementation of specialized, cross-entities Centers of expertise has been implemented
- The current set-up, chaired by the Group CIO, allows an improved reactivity and a better sharing of the knowledge
- In order to coordinate local and global Investment processes, decisions within the investment community are taken by the Group Investment Committee

This committee defines investment strategies, steers tactical asset allocation, evaluates new investment opportunities and monitors the Group's investment performance.

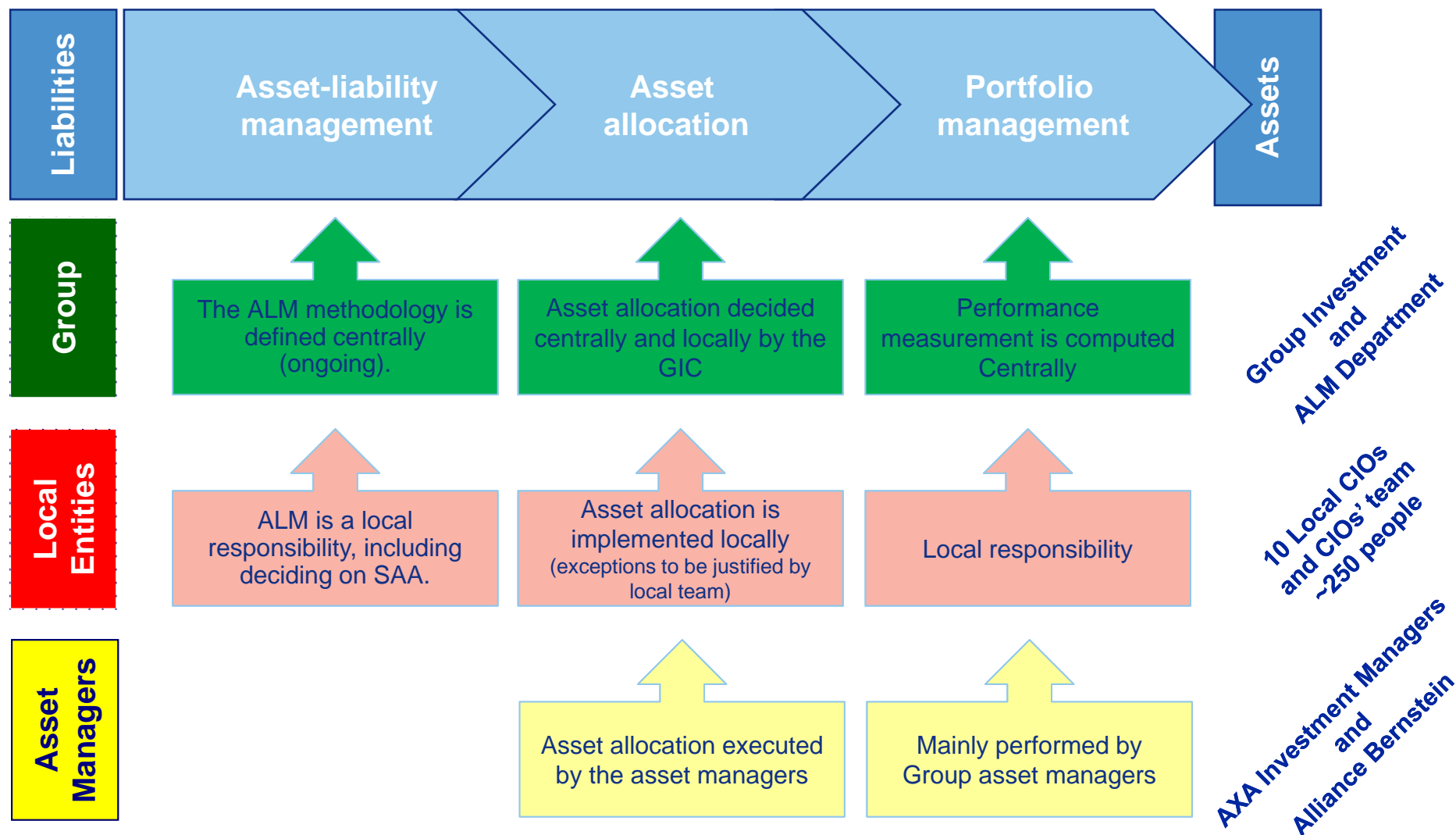
AXA Group's Investment teams organisation

GIA simplified organisation chart



AXA Group's Investment stream

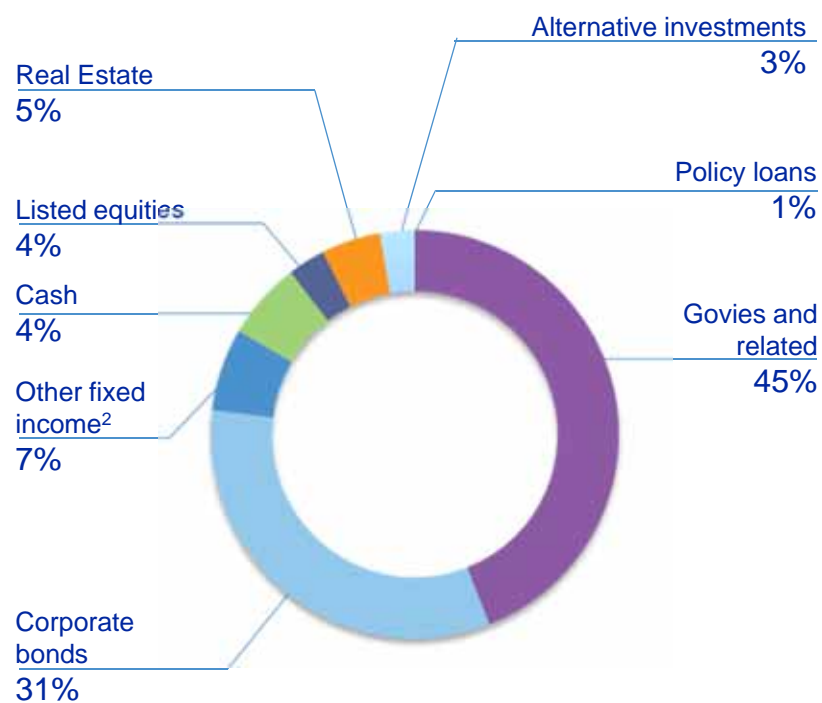
The investment value chain



Asset Management

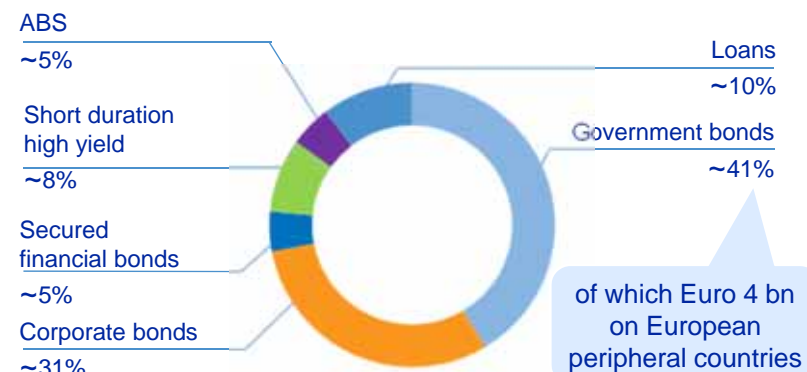
Investment policy in Fixed income for Life & Savings and P&C entities

Investment portfolio overview



FY13 Total insurance invested assets³: Euro 470 bn

2013 investment policy on Fixed income



FY13 reinvestment rate on Fixed income assets for Life & Savings and Property & Casualty entities

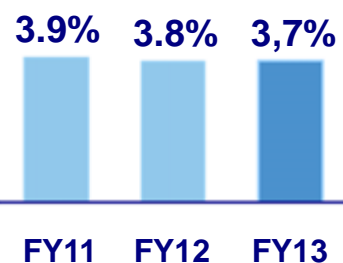
	FY13
Eurozone	3.2%
US	3.3%
Japan	2.2%
Switzerland	1.9%
Total	2.9%
Amount reinvested	Euro 55 billion

Asset & Liability Management

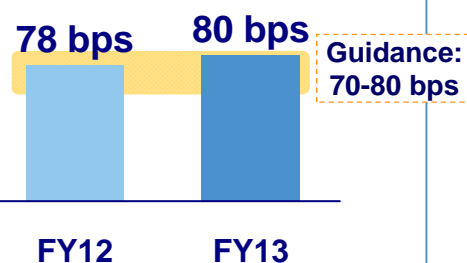
Interest rate management in General Account

Life & Savings

L&S asset yield



L&S net investment margin



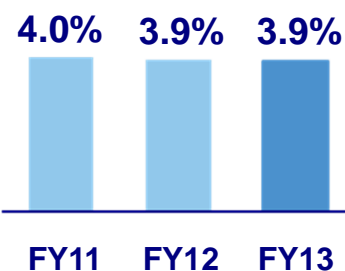
Duration gap

Asset duration as at June 30, 2013

Life & Savings	7.3 years
Property & Casualty	5.0 years

Property & Casualty

P&C asset yield



Duration gap close to 1 year

Interest rates increase expected to reduce duration gap

AXA asset yield definition:

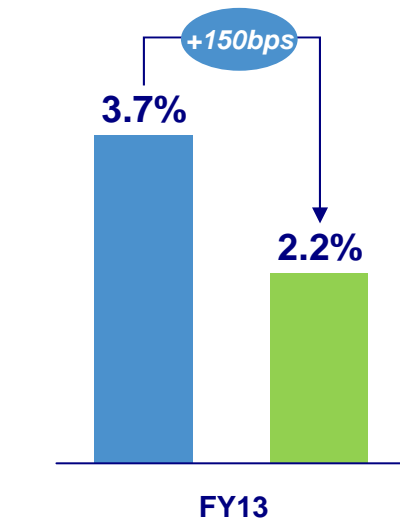
Net underlying investment income on General Account assets
Average General Account asset base at amortized cost

Asset & Liability Management

Life & Savings investment spreads

Inforce business

Spread above
guaranteed rates



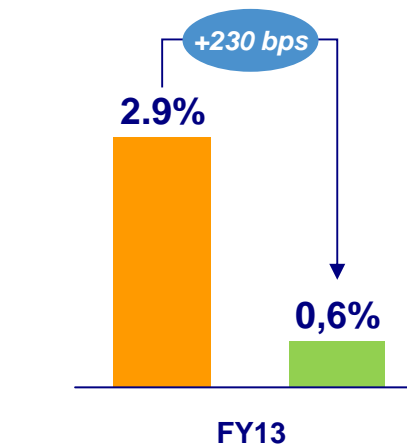
■ Yield on total L&S asset base
■ L&S average guaranteed rate

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

Average reserves of Euro 338 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**

AXA Group and Solvency 2

Multiline & Multinational

AXA is a major actor of the Insurance sector in Europe and beyond

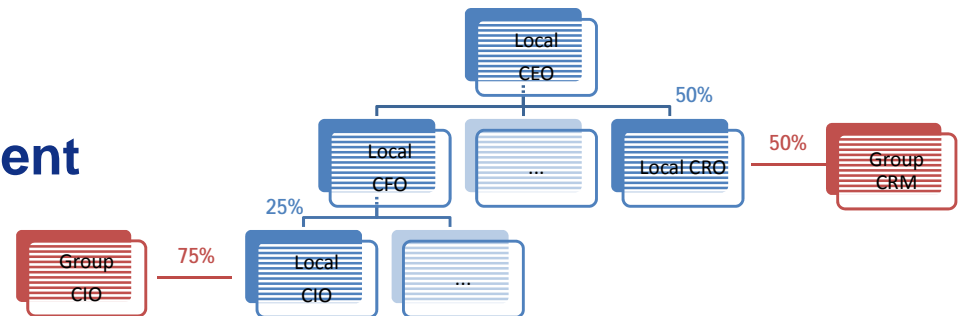
- **As a multi-line insurer, AXA has to manage different business lines presenting different characteristics**
 - P&C / Commercial and Retail
 - L&S
 - Asset Management
 - **9 Eurozone countries + other countries**
Which creates multiple accountancy constraints:
 - More than 30 local GAAP
 - IFRS
 - Financial Statements
 - **In addition, AXA's global position, has been deemed G-GSiFi Insurer**
 - Further constraints on our balance-sheet (still unknown)
-
- **Solvency II brings some complexity (coverage ratio)...**
 - **... but allows an alignment of constraints (Eurozone & Equivalence)**

AXA Group and Solvency 2

Governance update

- Need to create a matrix organization: local/group
- AXA is fine-tuning its reshaping to fully incorporate S2 constraints in its organization
- Internal model management
- Lobbying

- Matrix organization of Investment and Risk Departments:



- More generally, all our processes are currently thought around Solvency 2 philosophy:
 - Use Test
 - Investment decision
 - Performance Measurement
 - KPIs
 - Analyst Communication
 - Rating agencies

- S2: An in-depth organizational change

AXA Group and Solvency 2

Performance

Performance measurement has always been at the heart of AXA's activity, S2 is now adding a layer of complexity to this exercise.

Asset Management: A deep transformation

- **Sources of performance have to be aligned with S2 framework:**

- Interest rate, Carry, Spread, Equity...

- **Split by Stakeholders**

- Strategic Asset Allocation, Tactical AA, Alpha

In front of complex and variable liabilities

- **L&S**

- Liabilities subject to policy holders' behavior
→ Performance measurement is subject to EEV sensitivity (complex), itself subject to changes of the AFR model induced by S2 regulation.

- **P&C**

- A simpler liability profile which requires nevertheless an important computation power

In a Multi-line business

- Lack of alignment between L&S and P&C due to taxes and policy holder absorption effects → Group consolidation not possible

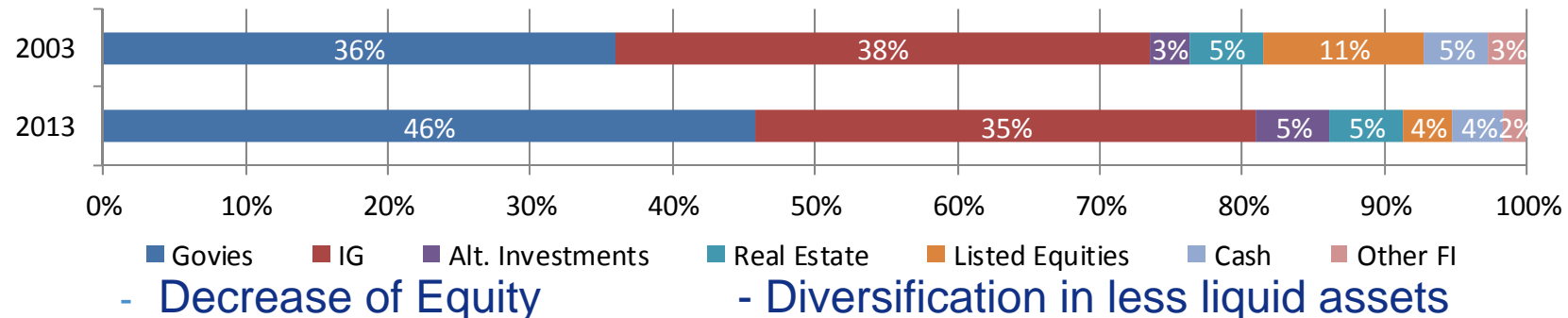
➤ **S2: A new vision of performance measurement**

AXA Group and Solvency 2

Impact on Assets

The combine effect of S1 and S2 have had a crucial impact crucial on the Group's balance-sheet

■ Balance-sheet evolution:



■ If the main lines of S2 regulation are now defined, its structure still can be deeply impacted by some unknowns

- Internal model
- S2 coverage ratio management (ie risk-appetite)
- More technical topics: Volatility adjuster, boundaries of contract
- Capital charges and subsequent consequences for certain asset classes such as Infrastructure, Securitization... for standard model

➤ S2: Adaptation to new metrics needed

AXA Group and Solvency 2

Prospectives and Conclusions

- **AXA has been one of the leaders in integrating S2 in its organization and in its investment management**
- **Last details of the regulation still need to be fine-tuned and will not only influence the investment policy of the Insurance sector but also its societal impact**
- **Local vs Global Solvency 2 management: Challenging double layer management & governance needed**
- **Alignment of the Accountancy vs Solvency 2 phase 2 is still work in progress**
- **Lift of Solvency 1 constraints is still uncertain**