

UK Strategic Update

24 November 2009

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redefining / standards



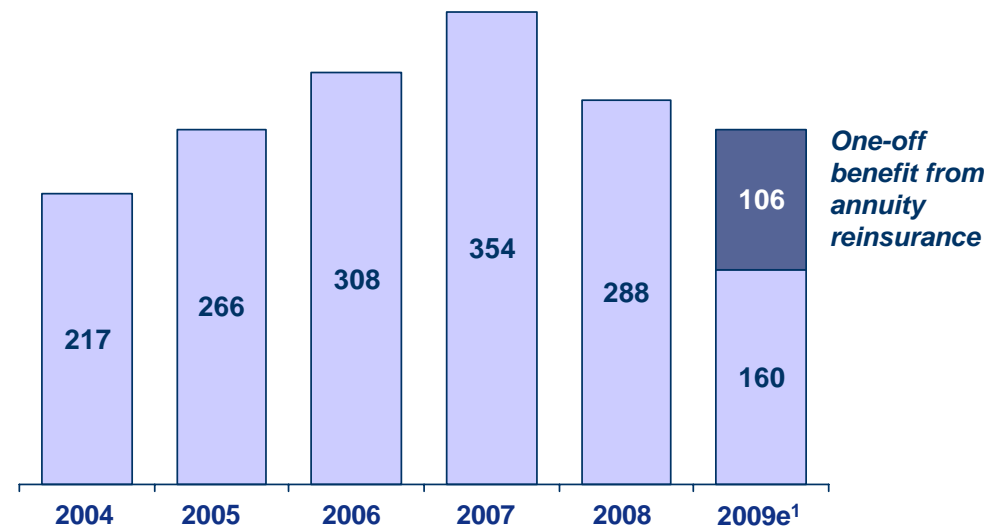
Today's agenda

- UK market environment
- Delivery of AXA UK Strategic Agenda
 - Building an entrepreneurial and customer-centric culture
 - Delivering an efficient operating model
 - Optimising distribution
 - Enriching customer proposition
- Conclusion

The UK market environment remains challenging

- Insurance sector and AXA were not immune to the adverse market environment
- AXA UK's financial performance has clearly been significantly impacted by economic environment
- Therefore the ambitions outlined in 2007 are no longer realistic

AXA UK underlying earnings 2004-09e, £m



(1) Latest internal forecast

Trading update

Life	<u>2009e¹</u>	<u>2008</u>	<u>2007</u>
■ NBI	£964m	£1,027m	£1,093m
■ NBV	£82m	£100m	£96m
■ NBV margin	8.5%	9.7%	8.8%
Non-Life			
■ GWP	£3,509m	£3,545m	£3,488m
■ COR	100.5%	99.5%	101.7%

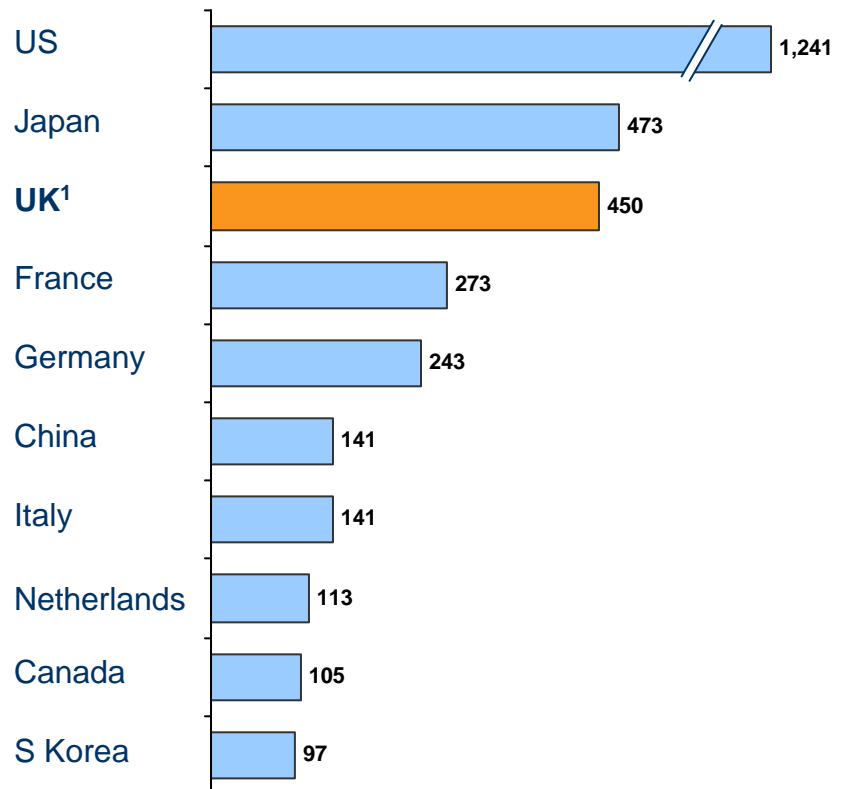
The UK market is large and continues to offer significant opportunities for AXA

- **3rd largest global insurance market with no clear market leader**

- **Life market has major structural opportunities**
 - £27bn savings gap
 - Shift to individual responsibility: 87% defined benefit schemes closed to new entrants
 - At retirement opportunity: over 50s own 75% personal wealth
 - £2.3tr protection gap

- **Non-Life market profitable across the cycle**
 - £42bn NWP, c£3bn cross-cycle profit pool
 - Market growth: 3.7% NWP 20yr CAGR
 - Countercyclical: only 3 yrs in 20 of negative year-on-year NWP growth

Global Rank: Life and Non-Life Premiums, 2008, US\$bn



Source: Swiss Re, Sigma No.3, 2009, ABI, Association of Consulting Actuaries, AXA research

(1) Data excludes reinsurance, but includes non-reinsurance London Insurance Market volumes

AXA UK's long-term strategic objectives remain intact despite a changing market environment

Market Drivers

- Fragmented distribution market
- Economic power increasingly with those closer to the customer
- Changing customer preferences including rapid adoption of internet
- New business models emerging
- Taxation changes (Capital Gains tax, Income tax)
- Regulatory change (Retail Distribution Review, Personal Accounts, Solvency II)



AXA UK Strategic Agenda

1

Building an entrepreneurial and customer-centric culture

2

Delivering an efficient operating model

3

Optimising distribution

4

Enriching customer propositions

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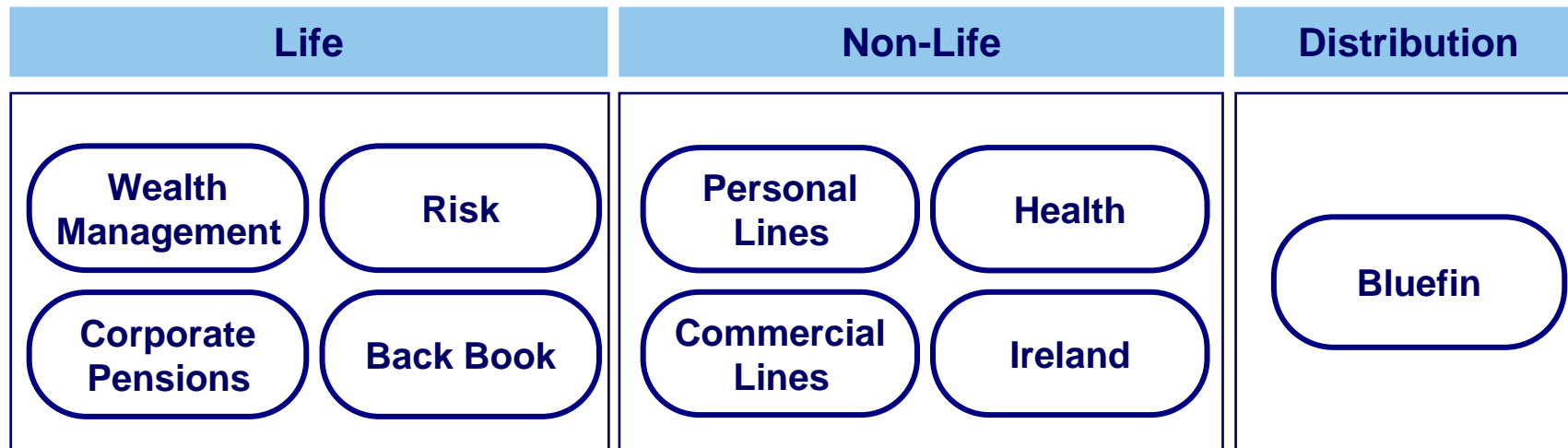
Our SBU model has been at the core of our progress achieved since the plan was established

Culture

Efficiency

Distribution

Propositions



The SBU structure allows us to target priority market segments

We have enhanced the senior management team

Culture

Efficiency

Distribution

Propositions

We have attracted and retained talent in AXA UK through acquisition and the development of the SBU structure

Mike Kellard	CEO, AXA Wealth	<i>CEO Winterthur UK</i>
Steve Hardy	Managing Director, AXA Insurance Direct	<i>CEO and founder of Swiftcover.com, previously at RBS Insurance and Churchill</i>
Stuart Reid	CEO, Bluefin Insurance Group	<i>CEO of Stuart Alexander</i>
Tony Peppard	Managing Director, SIMS	<i>CEO and co-founder of SIMS. Formerly Managing Director Claims Services Group, and previously at Churchill</i>
Ian Robinson	Group Finance and Risk Director	<i>Chief Operating Officer at HSBC Insurance</i>
Richard Philbin	Chief Investment Officer, Architas	<i>Head of Fund of Funds at F&C Investments</i>
Mark Versey	Chief Investment Officer, AXA UK	<i>Executive Director, Insurance strategy group Morgan Stanley</i>
Paul Meehan	Customer Experience Director, AXA Insurance	<i>CEO of Smart & Cook</i>
Colin Williams	Distribution and Marketing Director, AXA Corporate Benefits	<i>Executive Director of DC Pensions at Fidelity</i>

The SBU model has driven improvements in brand awareness, customer satisfaction and employee engagement

Culture

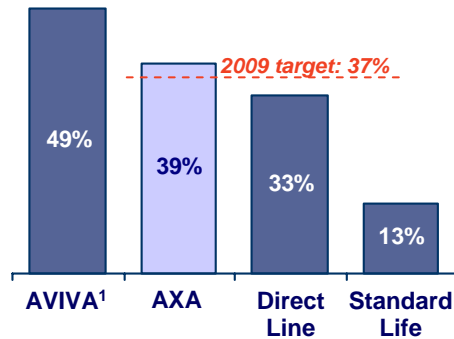
Efficiency

Distribution

Propositions

Brand strength

Top 3 of mind brand awareness¹

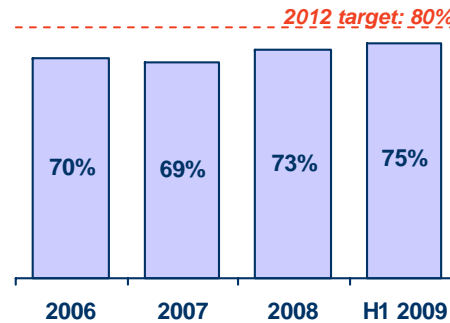


AXA UK brands



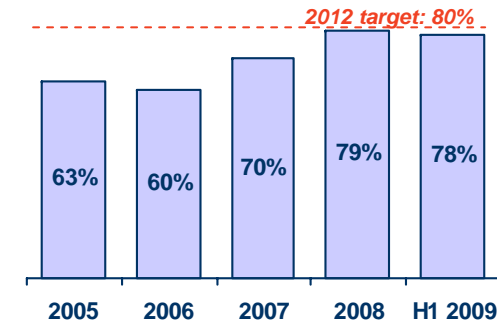
Customer satisfaction

Customer satisfaction scores



Employee engagement

Employee satisfaction scores



- **AXA Winterthur Wealth Management: Outstanding achievement award and 5* service awards**
(Financial Adviser Service Awards 2009)
'eee' e-Excellence rating for Pension Tool
(Money Marketing E-Commerce Awards 2009)
- **Protection: 7 awards including Best Service Provider**
(Life Search Awards in 2009)
- **Insurance: Voted # 1 in Brokerability Survey 2009**

- **Ranked 15th in the 2009 Sunday Times Top Large Companies to work for**
(Ranked 19th in 2008)

(1) 2009 year to August. Survey responses consolidate group brands, e.g. AVIVA includes Norwich Union

AXA UK Strategic Agenda

1 Building an entrepreneurial and customer centric-culture

2 Delivering an efficient operating model

3 Optimising distribution

4 Enriching customer propositions

Improving capital efficiency has been an area of specific focus over the past two years

- Culture
- Efficiency**
- Distribution
- Propositions

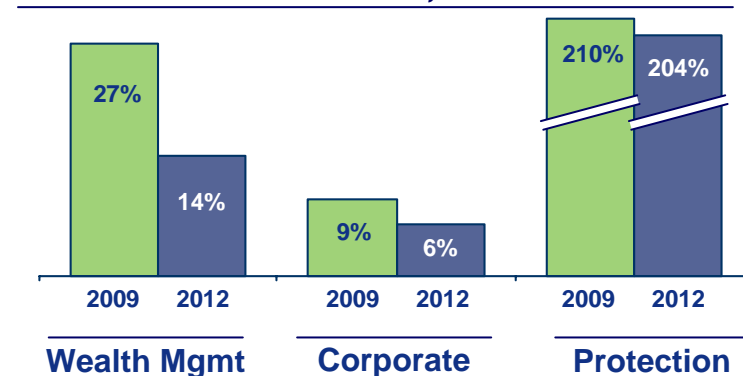
Optimising AXA UK balance sheet

- £2.5bn Annuity reinsurance from SLAS to Annuity Company and longevity hedge
- Actions to reduce equity risks and lock in rally gains
 - Equity risk reduction in all 3 With Profits funds
 - Lower shareholder capital support requirements
- Potential to generate up to £1bn capital release from Life business to 2012

Reducing new business strain in Life

- Shift to Platforms and exiting initial commissions
- Reduced new business acquisition strain
- Back-book cashflows required to fund new business growth

Life new business acquisition strain, 2009 and 2012, % NBI



These actions should allow us to make significant capital releases to AXA Group over the next 2-3 years

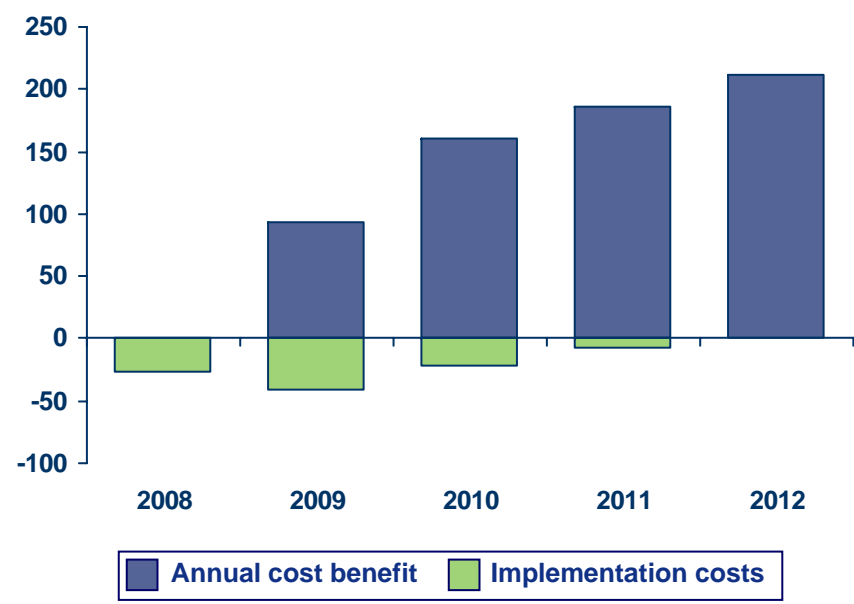
We have taken steps to improve cost efficiency by more than £200m per annum by 2012

- Culture
- Efficiency**
- Distribution
- Propositions

- Outsourcing Life backbook administration to Capita
- IT simplification, decommissioning of legacy systems
- Increased process automation
- Wealth Management, Elevate and Architas integration
- Targeted cost reduction programmes across all businesses

Impact of efficiency initiatives on AXA UK cost base, £m

Annual net cost benefit:	2008	2009	2010	2011	2012
	-£26m	£52m	£140m	£178m	£211m
% 2008 cost base:	-2%	+4%	+11%	+15%	+17%



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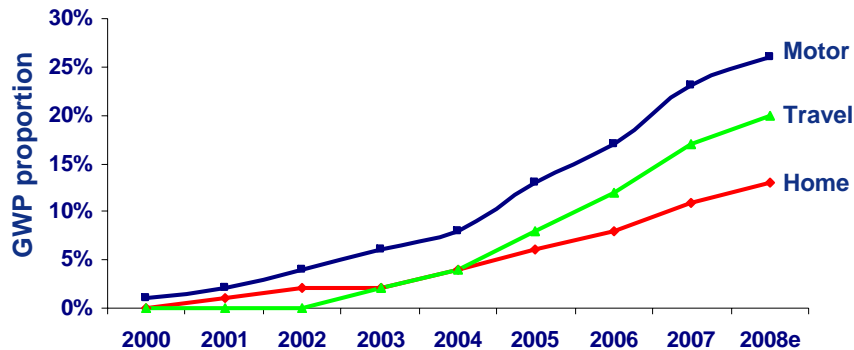
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AXA Direct is creating a significant new personal lines insurance distribution capability

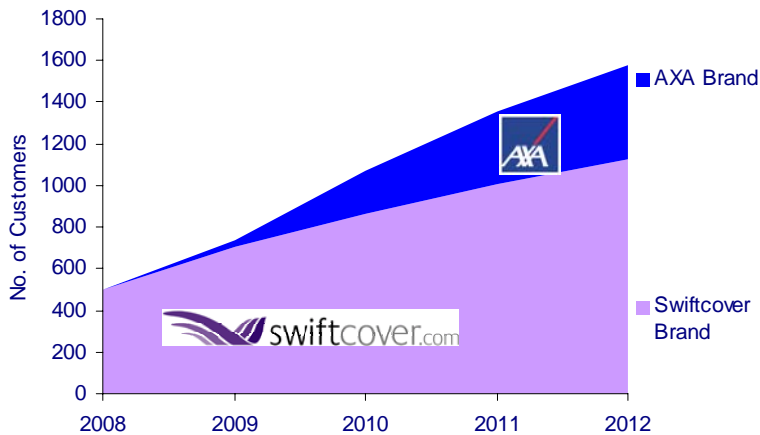
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- Distribution**
- Propositions

Personal insurance market – online platform usage



Source: Nielsen Media Research 2008

Swiftcover & AXA Direct policy numbers – motor only



Source: AXA UK data.

(1) Excluding exceptional claim

- Direct and online are key channels for personal lines insurance
- Swiftcover is the basis for development of AXA Direct SBU and multi-brand strategy
 - Common platform for multiple propositions: multi-brand with scale efficiency
 - Swiftcover and AXA brands to target different markets
 - AXA Motor launch Q4 2009
- AXA Motor advertising campaign launches 2010
- 2012 target: more than 1.5m motor policies
- Swiftcover COR materially improves as business builds scale
 - 2009 H1 current-year COR: 108%¹
 - 2010 target of 102%: realistic given the pricing initiatives already in place

Bluefin is a unique asset that gives AXA exposure to distribution margins

- Culture
- Efficiency
- Distribution**
- Propositions

Bluefin

Bluefin Insurance

- Corporate insurance brokerage market is large, stable and profitable
- Bluefin Insurance is the UK's second largest SME insurance broker controlling £750m GWP, with annual revenues of c£120m
- Focus on SME and Mid-Corporate segments, key customer segments for AXA Insurance

Bluefin Advisory Services

- Integrated Corporate Consulting and Private Clients advice business
 - Top 5 Employee Benefit Consultant with revenues c£50m
 - Leading Private Clients business c£0.5bn of client FuM
- Synergies with Elevate and Architas
- Bluefin is well positioned having exited unprofitable mass-market IFA segment

We have built strong partnerships with leading organisations

- Culture
- Efficiency
- Distribution**
- Propositions

- UK partnerships team established to optimise Group relationships with our key partners
- Key partnership deals won and retained across the group due to strength of brand and offer
- Review of unprofitable partnerships
 - Exit from Managing General Agent, Primary
 - Renegotiated Lloyds travel insurance partnership

	Partnership revenue	Trend
Life	6% of 2009 NBI c.15% of 2009 variable NBV	Increasing
Insurance	16% of 2009 GWP	Portfolio rebalanced to focus on profitable relationships
Health	10% of 2009 GWP	Stable`



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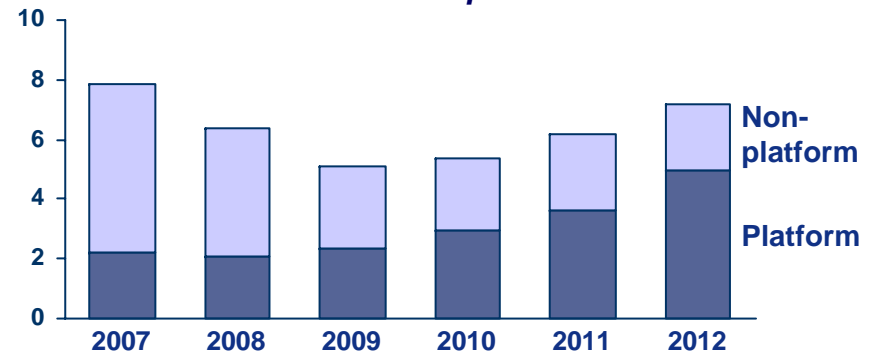
AXA's wrap platform, Elevate, is demonstrating early success

- Culture
- Efficiency
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- Propositions**

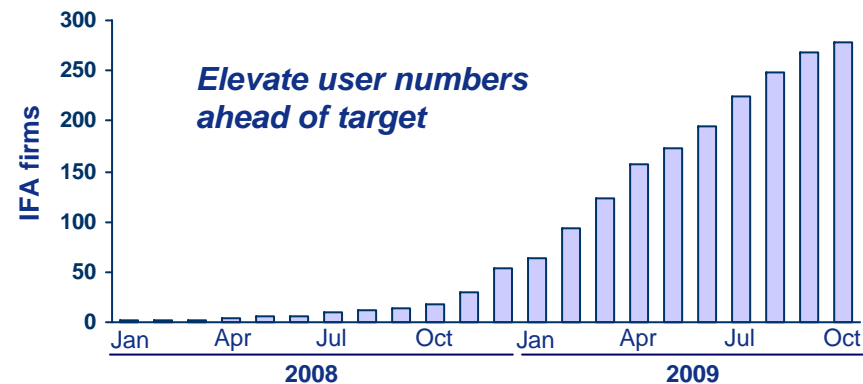
- Elevate is a full-service wrap platform that gives advisers online access to a wide range of investments and planning tools
- Differentiated proposition built on cutting edge technology platform delivering superior customer service
 - Awarded top 'eee' rating and 'Best New Wrap' by Finance & Technology Research Centre / Money Marketing
- Target of £9bn AuM by 2012 achieved through leveraging AXA's existing strengths
- Multi-channel opportunities to drive growth including Direct, Affinity and Corporate
- Break-even targeted for mid-2012

Platform market development

IFA Wealth Management market (APE £bn) excl. annuities and non-platform mutual funds



IFA firms signed to Elevate



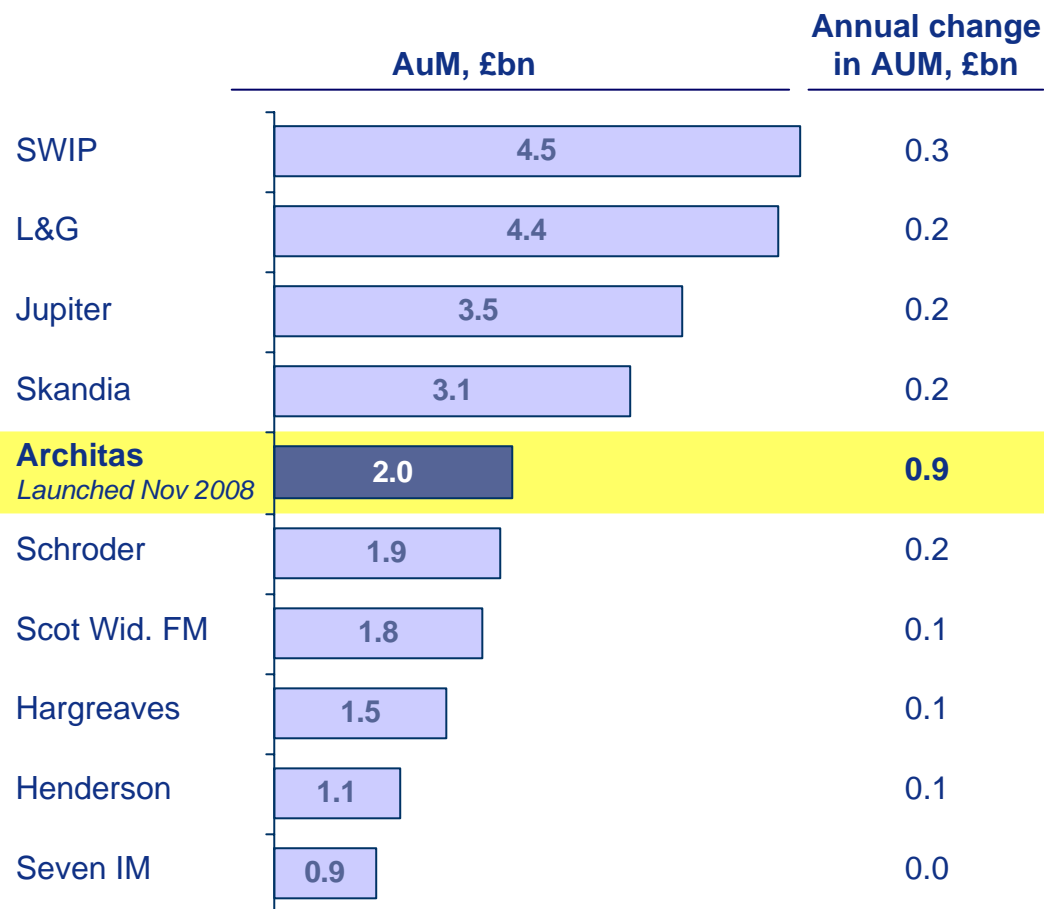
Architas, AXA's multi-manager, enhances AXA's investment propositions in the UK and Europe

- Culture
- Efficiency
- Distribution
- Propositions**

Top 10 UK multi-manager groups, August 2009

Objectives

- Construct multi-manager funds to support AXA Wealth investment proposition
- Designs guided architecture solutions to support AXA Life propositions
- Procures improved terms from fund managers



Source: Lipper Feri, as at end August 2009 – unfettered multi-manager funds

International markets offer new opportunities for AXA PPP healthcare

Culture

Efficiency

Distribution

Propositions

International Health builds on PPP's existing strengths...

- UK Private Medical Insurance market: £3.6bn APE¹
- AXA PPP is UK's 2nd largest private health insurer
 - GWP £1.1bn with c6% growth p.a.
 - COR 95-97%
 - Strengths in underwriting, product design, customer service and medical procurement
- International health exposes AXA to a market opportunity at least twice as large as the UK², with stronger short-term growth
- Builds on PPP's existing expatriate business

...and leverages AXA's global reach

- Partnering with AXA entities in emerging markets to develop new healthcare propositions
 - Example: partnership with AXA Asia
 - Single proposition covering Singapore, Malaysia, Indonesia, Thailand, Hong Kong and Shanghai
 - AXA UK provides product / service expertise and share of reinsurance
- Rapid market entry through use of existing local market AXA licenses
- Global corporate market opportunity to provide bundled Life and Health propositions

(1) 2008 GWP Source Laing & Buisson

(2) International PMI market is comprised of both expatriates and high net worth individuals in specific non UK markets

Conclusion

- Despite a challenging economic environment our strategy is stable
- We have made good progress in delivering our strategy and improving efficiency
- Our businesses are well positioned for future growth
- Delivering our strategy will deliver enhanced dividends for AXA Group

2012 targets

- Non-Life RoCE >15%
- Life RoEV >12%
- Earnings from £266m in 2009 to £325m in 2012
- Reduce capital engaged in Life operations by £1bn
- >40% Personal Lines GWP via Direct
- £9bn FuM on Elevate
- Customer satisfaction and employee engagement >80%