AXA 1H18 results

Transcript

August 2, 2018

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The results of our US segment are presented herein on the basis of IFRS and are not, and should not be relied upon as representing, the US GAAP results of AXA Equitable Holdings, Inc. (including AllianceBernstein), which, as a US public company, reports in US GAAP in accordance with the rules of the US Securities and Exchange Commission ("SEC"). For further information on AEH's financial results and other public reports please consult the SEC website at www.sec.gov.

1H18 RESULTS PRESENTATION

Andrew Wallace-Barnett, Head of Investor Relations, AXA

Well, Good afternoon, everyone. Welcome to AXA's 2018 half year results. A very warm, literally, welcome to those in the room. Welcome to those on the telephone. Welcome to those on the webcast. And again, a very warm to those here in London.

We will have a Q&A session at the end of the presentation, and we will be happy to take questions from those on phone or on the webcast. Please follow the instructions you have been given. We will, as usual, give preference to questions coming from those of you who are here in the room.

On the stage we are joined by our CEO Thomas Buberl, our Deputy CEO and CFO Gérald Harlin. Also in the room, we have our CEO for France Jacques de Peretti, our CEO for AXA in Europe Antimo Perretta, our Group Chief Risk Officer Alban de Mailly Nesle, and our CFO for the UK and Ireland Bertrand Poupart-Lafarge. So welcome to you all. And it is now my pleasure to hand over to Thomas.

Thomas Buberl, Group CEO, AXA

Thank you very much, Andrew, and good afternoon to all of you, I am very happy to see you for the half year earnings presentation.

If I summarize and then go into detail in five points. The six months earnings are classified as a very strong delivery. In a way there is very strong operational earnings both on the top line and on the bottom line, that we have continued to shift our business mix through the in-force transformation, that is the US IPO and the XL integration are well underway. And all of this is based on a strong balance sheet with additional cash flexibility, having a clear vision for the future, which is based on a focus on partnerships and innovation.

If I take these five messages and go more into detail, the very strong earnings growth is characterized by an underlying earnings growth of +9%, by an adjusted earnings growth also of 9% at constant FX, and by an underlying earnings per share growth of 6%, and adjusted earnings per share growth of 6% as well despite significant headwinds from foreign exchange.

When we look at who and how have the different geographies contributed, since we have changed the organization, we have also changed the reporting to geographies, we see that the simplified organization is bearing fruit, in a way that all different geographies have contributed to that success. And in particular France and Europe have shown a very, very strong performance. And it also shows that mature markets do not mean no growth. Mature markets mean that you have a strong position and that you can also achieve a strong growth, both in top line and underlying earnings.

If we want to highlight a little bit what characterizes the good performance of the countries, we clearly see that in France we see a very strong growth dynamic. France has, in general, a good business climate but given our very strong position, given our very innovative character, and given our strong leadership under Jacques de Peretti and his team, we have achieved a very strong growth based on a very, very important position.

Similar in Europe, which is composed of a few different markets with strong positions. If I had to highlight one example, it is clearly the transformation of the Swiss second pillar business. Also under the leadership of Antimo Perretta, the new model has been established of a simpler organization, of more empowerment of the local CEOs and we see the fruits of this, and in particular in Europe the partnership with ING will have the strongest impact.

If I look at Asia, we were in the focus of streamlining the regional office. We have recruited a very strong leader with Gordon Watson. Gordon is now really in the midst of it. He is changing the business dynamic, is recruiting his team, and I will have very high hopes after the launch – successful launch of new products certainly in Hong Kong and in Japan, that the performance will also increase going forward.

On the US we see here a mixed picture where there is a negative number on the earnings growth. This is due to the fact that we have obviously through the IPO reduced our ownership stake. If you were to compensate for that, we would be flat. If you were to compensate the one-time effects from last year, we were at a much higher underlying earnings growth, Gérald will come to the detail of that. Clearly on the US the big highlight is the successful IPO and is also if you look the performance of the US business both when it comes to the earnings and the business development, but also when it comes to the share performance. We launched the IPO at $20 and the share price has certainly been between $20 and $22.

If you look at the International and Transversal segment. Again, many countries in the International segment, we have started to streamline the footprint. We have started to really implement the private equity method of managing these countries certainly there. And when you look at the Transversal businesses, most importantly AXA Investment Managers, we have also launched a new initiative there, which is a new organization getting to savings that are there to invest in the growth of that business. On the International side, we have been working on the major markets, particularly Mexico and Turkey where we see very good progress.

If you look at our preferred segments, the preferred segments are Health, Protection, and the Commercial line business. Why have we taken those segments as preferred segments? Because, A, there is less volatility than other segments, there is a higher growth, and there is in particular also a higher profitability. We have shifted our organic growth ambitions towards those segments. And when you look at the fruits that we have today, 7% growth in the Health revenues. We are very strong as AXA in six Health markets that have significantly contributed to those 7%; very strong growth in the APE in Protection, 10%; and 2% growth on the P&C Commercial line revenues. All of this has happened at the same time when the profitability has increased. You see that the combined ratios in all of these segments have improved over the period.

The major move that we announced this year or the two major moves, which is very much at the core of how do we transform our profile from being a company that is mainly Life & Savings dominated, that is mainly exposed to financial risks, towards a company that is more P&C dominated and mainly exposed to technical margins. We announced on the one hand the acquisition of XL and on the other hand the IPO and the subsequent sell-down of the US business of AXA Equitable. Where are we today?

On the XL side, we can clearly say that the integration is progressing well. What was important for us in the integration was a couple of things. One is to make sure that we take key decisions very early. You have seen that we have at the time of the announcement already announced the leader. We have already announced the N minus 1 (N-1, direct reporting line), and we are in the process also of announcing the next levels quite soon. We have also been very clear on what is the new brand of the new company and see that the synergy targets are well on track.

A second big and important piece for us was how can we bring the volatility of that business in a larger context of AXA to a level that is acceptable for us. And also there, we have reduced significantly the potential CAT impacts by 40% if you compare it to the same time last year. So in total, the integration is well underway, we are in the process of really getting everything done, and we are hoping to close that transaction in the second half of this year, we are on good track.

On the other hand, as it is a swap between XL and AXA Equitable, you have seen that on May 10th, we achieved that great milestone and key milestone to IPO the US business in New York. We achieved with the placements of the first tranche and the mandatory exchangeable, the necessary $4 billion of proceeds in order to secure the financing of the XL Group, and obviously we are going to sell down our US participation in the US business over time which will give us a potential upside, because we do believe that that business is not fully valued today, and it gives us, with the subsequent sell-downs,a source of additional cash flexibility.

When we look at the balance sheet and the financial flexibility, we see that with 233% of Solvency II coverage, we are at the very high end of our range that we have indicated and that it is up 28 percentage points from the full year 2017. As we always said, this is a temporary high because with the acquisition of XL we will go back more to a level between 190% and 200%.

What is also important is that at the time of the announcement of XL we had two negative credit watches from Fitch and from S&P, both have lifted those negative credit watches after the successful IPO of AXA Equitable.

When we look at the further significant cash flexibility, it comes clearly, as I said earlier from the future sell downs of AXA Equitable Holdings, it does come from the strong cash generation of our existing business, but it also comes from a couple of transformational moves that we have announced. The one is the one I mentioned earlier when I spoke about Switzerland, which is the transformation of the Swiss Group Life business, which will lead to a significant capital upstream. And the second one is the one that we announced yesterday evening, which is the potential disposal of AXA Life Europe. Both of those, the Swiss business transformation and the AXA Life Europe, will get us to a capital relief of roughly Euro 3 billion.

What is important when we spoke at the 5th of March was our priorities. We clearly said getting the IPO off the ground, integrating successfully XL are the two business priorities, which are well underway. The first priority now is to use the additional cash flexibility to reduce our leverage, and we also clearly said that we want to reduce our leverage to a minimum of 28% gearing.

When we look at the business profile, I mentioned earlier those strategic moves of acquiring XL and of IPO-ing the US business will lead us to a very different profile. We will change from a Life & Savings dominated company to a P&C, Health, and Protection dominated company, which will also have a reflection on how we are going to think about our capital management. And our history shows that we have a very good track record in our dividend payment that we have paid Euro 15 billion of dividends over the last six years. And certainly, with the change of our risk profile we also intend to review our capital management policy in light of this profile change.

When we look at the innovation side, we are working on two major topics. One is the question how can we build a base in services around the insurance coverage. I would like to highlight one element which is the successful acquisition of Maestro Health in the US. It is a company that focuses and helps large companies in the US to reduce their health expenses and to better manage them and this is a very successful business looking forward. The other great area is digital partnerships. We do believe that through our investments on the IT side but also the way we have modelized our products, we have been able to strike three important partnerships with Uber, with BlaBlaCar, with ING. Always in the logic how can we make offer a fully digital journey, how can we link ourselves simply in the customer journey of our partner, and how can we also make sure that we offer very new solutions. If you go and look at Uber, the big question is how can we help to create a protection for those drivers that work as individuals but still belong into the Uber ecosystem. Today, there is no solution. On the BlaBlaCar side, the question was how can we make sure that the BlaBlaCar drivers behave appropriately and that there is, I would say, a social contract between the passenger and the driver. And when you see the first results they are very, very encouraging and very different from what you would normally expect from a fleet type of business.

When we look at the first half year, a lot has happened. A lot of transformational moves have happened. These moves all contribute to the strategy and the plan Ambition 2020, Focus and Transform, we launched in 2016. It also fully plays into the strategic directions we announced last November, which was the question how can we focus on fewer countries, how can we reduce the complexity of the model, how can we shift our portfolio towards the preferred segments, both by organic growth but also by inorganic moves and by that, shift the balance more towards the technical margin, how can we simplify the organization. This has been done. Today we are working in a very different world of a simplified organization with much more empowered CEOs and you have two of them sitting here today, that have taken the responsibility, that have taken the empowerment, and have turned this into very successful and good operational business results. And we have started to scale the innovation ecosystem. You have seen the examples of Maestro Health. I didn't mention telemedicine, which is growing very nicely. The partnerships on the digital side are very important pillar for us. There are still quite a few other partnerships out there, where we want to go after and make sure that we can build on this position that we have achieved so far.

When you look at Ambition 2020 and the targets we have communicated, we can clearly say that we are fully in line with Ambition 2020. 6% underlying earnings per share growth is at the higher end of the range of 3% to 7%. On the free cash flow, we are not yet at the end of 2018 but today I have no reason not to believe that we will also achieve our targets. When you look at the adjusted return on equity, we are actually above the range of 12% to 14% but the half year is normally slightly anyway above this range. And when you look at Solvency II, we are also slightly above the range of 170% to 230%. As I mentioned earlier, this is a temporary phenomenon, we will come back into a range between 190% to 200% once the XL deal is closed.

With that, I would like to thank you for your attention and hand over to Gérald.

Gérald Harlin, Deputy CEO and Group CFO, AXA

Thank you, Thomas. Good afternoon.

So as explained by Thomas, our underlying earnings are up 9%. You can see on the right-hand side that across the board, all the entities, all the regions have a positive contribution to earnings with one exception which is the United States. And following the IPO, as you know, the Group share dropped, we are at 71.9% and at 100% we would have been at zero and taking into account, again as explained by Thomas, excluding the 2017 one-offs we would have been at +30%. You might have a question on the 26% positive on Central Holdings. This is due to the fact that we do not have any more to pay in France the 3% tax on dividends.

Moving to the countries and starting with France, we have first, the top line growth is strong, +8% on revenues. And you can see that with the strong growth in our preferred segments, Health, Protection, Commercial lines. This translates into underlying earnings up 9%, mostly explained by two factors. The first one is a technical margin with despite natural events which were quite high this year for the first six months in France at 1.5 points. Nevertheless, as you can see on the top right, P&C combined ratio is down 0.6%. At the same time, we have Unit-Linked fees which are up because we have a higher average asset base.

Let's move to Europe. As far as Europe is concerned, we have 3% revenues with 3% P&C Commercial lines, 4% Health, 11% Protection APE. I would like to notice the fact that thanks to the recovery of BMPS, our revenues are up 22% – revenues are up 21% but here I mention APE. APE for Italy is up 22%. This translates into underlying earnings up 10%. And I could say that across the board, all countries benefit from lower P&C combined ratio, improved Health combined ratio, as you can see, minus 0.6 point, minus 1.2 points respectively.

Let's move to Asia. In Asia we have +3% in revenues, with +3% in Japan, +8% in Hong Kong, thanks to new products as explained by Thomas. We can notice that NBV in China is going up by 12% which is good. As a whole, underlying earnings are up 4%, explained by higher technical margin in Japan, higher Unit-Linked management fees in Hong Kong, and higher profit in China.

Moving to the United States. In the United States we have underlying earnings decreasing by 8%. As I explained, excluding the reduced ownership and excluding the one-offs we would have been at +30%, mostly explained by higher Unit-Linked management fees and by higher earnings from AB. As far as AB is concerned, I just would like to focus on the fact that we have management fees going up +1.3 basis points, which is good because we moved from – to private and to retail. We had outflows in institutional but positive inflows in private and retail, which is good. In the end, we have for AB a cost-to-income ratio which is going down by 4.9 points, and revenues, +11%. So a good performance of AB and you notice that since the beginning of the year the stock price of AB significantly improved.

Let's move to International. Revenues are up 3%, it is mostly in Health and in P&C Commercial lines. You can mention the top-line growth of Mexico and Turkey, +12%, +11%. Underlying earnings +2%, and with increased profit coming from Russia, Turkey, Gulf, Mexico. But we have less favorable – last year, we had significant prior year reserve developments in Singapore, that is not the case this year.

Let's move to AXA IM. And AXA IM net inflows are strong, Euro 13 billion. We have Euro 4 billion of third party. And its underlying earnings are +10%, explained by higher management fees, higher performance fees as well, and higher earnings from Asian JVs. You remember that we announced, AXA IM announced new strategic priorities which will end up with some significant savings up to Euro 100 million by 2020. That will be reinvested in our business, in alternatives, in digital. I remind you that we want to develop this business at its core and we want to develop it for two reasons. First, because it is a way to provide interesting assets for management for the insurance companies and it is a way to develop third party business.

Let's move to underlying earnings. So I won't comment , it is the same slide. But moving to adjusted earnings, adjusted earnings are up 9% and you can see that net realized capital gains slightly increased compared to last year at Euro 330 million versus Euro 307 million.

Let's move to net income. As far as net income is concerned, it is minus 11%. I would say mostly explained by three elements. The first one is the exceptional and discontinued operations, its linked to GL 2020 (Swiss Group Life transformation), you know that we had a VBI and intangibles that we had to impair and it is Euro 347 million in Switzerland. And the second reason is this minus Euro 346 million that you can see in the top that – it is split between some economic hedge, you know that unfortunately we have a lot of derivatives which are not eligible to hedge accounting which explain minus Euro 236 million. It is a mismatch between assets and liabilities. And we have the change in fair values of some assets which are mark-to-market. And again, notably with the spread widening we have a loss of Euro 110 million.

Moving to the line of business. Quite interesting to see that the +9% of underlying earnings translates, and of course for the Life business we have to adjust for reduced US ownership. I do not restate at all the past and the one-off of 2017. Nevertheless, we would be at +2% in Life, +4% in Property & Casualty, Health, +17% with – I remind you that it is a preferred segment and we are nicely growing on the top line and our costs and our combined ratio is improving, which means that in the end it is +17%. And in Asset Management it is the same, that is the – what we can call operational leverage which end up with +30% in underlying earnings.

Let's move to the traditional slide on the combined ratio. Current year combined ratio is slightly up from 96.6% to 97.1%, but as you can see and I mentioned France that there are some other countries like Germany as well, where we have Nat Cat and natural events, which means that instead of 0.1% only last year in the first half, we are at 0.6%. You can notice that the prior year reserve developments are increasing from minus 0.8% to minus 2.1%, which means that in the end we have an improvement in our combined ratio of 0.7 points from 95.7% to 95%.

I would like to mention the fact that we have a slide in the Appendix that our reserve ratio is at a very high level, so it is +4 points versus last year, which confirms that we are quite conservative. And I can tell you that we can expect to be close to 2% for the whole year in terms of prior year reserve release.

Let's move to I would say, let's focus on natural events, pro forma costs combining XL plus AXA. So the average expected Nat Cat is roughly Euro 1 billion after tax, two-thirds for AXA, one-third for XL. And we could experience some positive or negative deviation, but here the objective today is to focus on the negative deviations. Pay attention, these lines are deviations above the normal expected level, the Euro 1 billion after tax that I mentioned to you. The first line, which is in light blue, which is a dotted line corresponds to the pure combination of AXA and XL at the end of 2017. And the dark blue line is AXA plus XL mutualized by June 2018. And you can see that it is a significant decrease because we have a decrease in the potential deviation of 40%, meaning that in 1 in 10 years, we can expect to be at Euro 0.6 billion, in 1 in 50 years, at Euro 0.8 billion. This is due to the combination of two initiatives. The first one is the underwriting actions and incremental reinsurance protection that was bought by XL. Second is the tailor-made aggregate protection that is been purchased by AXA and XL. So, in the end, we have, again, a decrease of 40% of these extreme events. And second, as you can note, the dark curve is much flatter. That means that we are starting at Euro 0.6 billion in 1 in 10 years and ending at Euro 0.8 billion in 1 in 50 years, which was not the case before because we had a positive curve in the past. So it is an important point. You remember that on March 5 when we presented you this acquisition we said that we would take some initiatives in order to reduce this volatility, this has been done.

Let's move to the balance sheet now and the investment portfolio. Total assets under management excluding Unit-Linked are still close to Euro 600 billion. Nothing new on that side. Yield on assets you can see that the yield is extremely resilient because in Life we are moving from 3.1% to 3.2%. In P&C, we are stable at 3.3%. The reinvestment yield, we reinvested in the first half Euro 32 billion and the reinvestment yield moved, it is at 2.4% compared with 2.1% last year. This translates into quite resilient investment margins. Life & Savings investment margin went down by 2 basis points only from 71 basis points to 69 basis points, above the 2018 to 2020 target range that we shared with you two years ago, when we presented in June 2016 our plan. We planned to be between 55 basis points and 65 basis points and indeed we are above this level. This is possible, again, as you can see on the left because we have very low average guaranteed rates, and that these rates being quite low we can afford and we can pay quite attractive interest rate to our policy holders but we do not have any constraints coming from the guaranteed rates. On the P&C yield we are quite stable. We are slightly down at minus 11 basis points, in line with the yield dilution guidance.

Moving now to the debt. So last year we had a 25% debt gearing. At the end of the first half, at the end of June 2018, we are at 29%, explained by the Euro 3.2 billion debt raised at AXA Equitable Holdings and Euro +2 billion debt raised at AXA SA. You remember that we issued for the financing of XL Euro 2 billion of subordinated debt. We can expect at the end of 2018 to be at 32%, mostly explained by the XL acquisition and the fact that XL has some debts. And we give target range for 2020 between 25% and 28% irrespective of our level of future AXA Equitable Holdings sell down.

Shareholders' equity, so shareholders' equity went down from Euro 69.6 billion to Euro 66 billion. I would just like to highlight all the other items are quite common. But impact from US IPO minus Euro 2.1 billion, and Forex and other Euro +0.8 billion, because since the beginning of the year the euro slightly weakened. You will notice that adjusted ROE is at a very strong level of 15.6%, far above the 12% to 14% guidance.

Solvency II now. So we have a Solvency II ratio which is at 233%. You have all the roll-forwards explained and the operating return of +10 points, dividend minus 5 points. Then you have the IPO, which is a disposal of almost 35%, it is +10 points. And we have the sub debt plus other elements. In the end 233% and the guidance for full year 2018 as explained by Thomas is between 190% and 200%. Now, I will hand it over to Thomas for the conclusion.

Thomas Buberl, Group CEO, AXA

Thank you, Gérald. So to conclude, a very strong delivery in the first six months, very strong operational performance across all geographies, across the all business lines, and in particular continuing the shift of the business mix towards Health, and Protection, and the Commercial line P&C. Progress on the change of the risk profile through the successful IPO of our US business and through the XL integration that is well underway. All of this based on a very strong balance sheet that has additional cash flexibility, if you think about the further sell down of AXA Equitable and the two transactions, Switzerland and AXA Life Europe. With a very clear vision for the future when it comes to innovation and partnership, with clear proof points on the innovation side but also on the partnership side. Thank you very much. And we have come now to your questions.

Q&A SESSION

Thomas Buberl | Group CEO, AXA Let's start here, and we will have enough time to go through all the questions.

Peter Eliot | Kepler Cheuvreux Thank you very much. Peter Eliot from Kepler Cheuvreux. I guess to start off with you, you talked a bit about the synergies with XL and being well on track. We feel like there was de-risking, but with the deal not yet being closed, could you just elaborate a little bit on what you have to undertake on the synergy side? Or maybe what groundwork? Or whether you can add a little, a few comments about what you meant by the synergies that, are already underway?

Secondly, just on the debt gearing, I guess things are looking a little bit better in terms of the debt that you were expecting to have and other factors since you announced the XL acquisition. So I am just wondering why the 32% has not sort of improved a little bit. And looking forward, looking at your ability to deleverage, I guess, over the next couple of years, I think you have got about Euro 0.7 billion of debt that you could call over the next couple of years before you then get sort of bigger amounts. Does that mean that we should think of the target as being a bit back-end loaded? Or is there more you can do to accelerate that?

And sorry, if I can add a third question, very quickly. I guess XL did have some adverse reserve developments when it announced its results. I do not know if you are able to comment on any – your thoughts on that or whether if there is anything that concerns you there. Thank you.

Thomas Buberl | Group CEO, AXA Eliot, thank you for your three questions. I suggest that I will elaborate on the first one on the synergies. Gérard will elaborate on the debt gearing, and Alban, who is the Chief Risk Officer, will elaborate on the reserves.

So, when you look at the synergies, there were different types of synergies. There was obviously – or there is obviously cost synergies. We have announced a target of Euro 200 million. Those cost synergies are essentially the question of if the deal closes successfully, which we assume now, that we do not need all the head office infrastructure anymore that XL in the cost structure any more that XL has a headquarter company and so on. There are synergies around the headquarter when it comes to the underwriting headquarter of AXA Corporate Solutions that we do not need anymore. And obviously, you have some countries where you have significant overlap, the countries with the highest overlap being France and Germany. So those synergy targets have clearly been affirmed.

The second kind of synergy are revenue synergies. So, when you think about what does the combination of XL and AXA bring, it brings a very large specialty expertise that we at AXA has not had. And AXA has been and is very strong in the SME segment, and by having access to the specialty expertise, we will be able to sell more specialty businesses into the SME portfolio. And certainly, when I look at the two European representatives, Antimo and Jacques, they are in active discussions with the XL people how can we do this as quickly as possible.

We have further revenue synergies which go towards the question of accompanying International customers, certainly towards the US and internationally. And by combining, AXA as a whole, we will have a US presence which we didn't have beforehand to that extent, and we will be able also to have businesses accompanying them together. And this is clearly another initiative which we are pushing very hard.

And then, I mentioned earlier as a third pillar that moving into Health and Protection and moving into Commercial lines is also looking at the combined piece of it, because when you think about a company, a company has got two types of risks. It has got – the company risks, so Nat Cat business interruption, cyber, but it also has got the risk of the health of the employees. And since we are very strong in the Health business in particular, also in the Group Health business, we want to obviously combine our forces with the distribution footprint and the Health expertise that we have certainly when it comes to France and other countries to really serve our customers on a much larger basis. So those are clearly revenue synergies.

The third synergy piece is very much about the reinsurance synergies. So by combining our reinsurance purchases and by also buying on a much more diversified portfolio that AXA and XL will bring together, we will be able to buy reinsurance at very different conditions.

And then you had a fourth synergy which was very much around the capital synergies. So, when you bring the two balance sheets together, you have a very different and much more – a much higher diversification. Since today AXA is very exposed and very focused on European wind storm only, because we have nothing in the US or hardly anything. Tomorrow, with the US exposure, with the Bermuda exposure, we have a very different diversification, which also leads to the capital synergies of Euro 2 billion less capital required in 2020, once we can apply the internal model also onto the XL business. Since the Bermudian Solvency rules are very close to the Solvency II rules we do believe that there is a very high likelihood that this is going to happen.

So, the synergies, and sorry for being a little bit long, but I think it is important to outline it again. They are very well identified, are in the process of being affirmed, and also in the process of starting the realization plans so that once the closing comes, we can move ahead very quickly. Debt gearing, Gérald?

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes, Peter. You remember that between the announcement of the XL acquisition in March and now, we had two news and two in-force portfolio initiatives, which are GL 2020 and the announcement from yesterday which is AXA Life Europe. Keep in mind the fact that if I take first GL 2020, the capital relief will take place in 2019. So that means that it will take place in 2019 and it will be upstream later in 2019 and in 2020 to the holding company, it is Euro 2.1 billion. So, second is AXA Life Europe. And AXA Life Europe, it will depend on the closing date. And the closing date most probably will take place in the beginning of next year. So that is – these two elements are quite sizable because we are dealing with Euro 3.3 billion. So, it goes absolutely in line with the fact that we said we will deleverage. So we walk the talk. But it will be a bit later for cash reasons. And that is the reason why we are still at 32% at the end of the present year.

Peter Eliot | Kepler Cheuvreux Initially you were talking about Euro 3 billion of debt to be raised, and that but now it is Euro 2 billion. …

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes. But anyway, we have Euro 3 billion. The difference in the end will be – there are plus and minuses. But we have – I would say that we have Euro 2 billion and we have also some additional local debts, which means that in the end the difference will not be substantial, that we will stay at around at 32%. We will update you, but that we will stay at 32%. We will update you as well most probably at the IR Day.

Thomas Buberl | Group CEO, AXA Alban on reserves, maybe you come here so people see you in the webcast.

Alban de Mailly Nesle | Group CRO and Responsible of the Group insurance office, AXA So good afternoon. On the prior year development of XL, so you are right during the first half they were less positive than last year. They were even slightly negative on the insurance side. So, we had a close look on the origin of those developments. In fact, it comes from a very limited number of property claims, large claims that were incurred at the end of 2017. So late in the year, shortly before the closing, and they were, as they were large, difficult to evaluate. And so they were reviewed by XL in Q2. Q2 review – XL reviews its results twice a year, notably in Q2, and at that time they were able to better evaluate those losses and to increase the charge for that. So, given that it is very limited amount of claims and given that it is on property and therefore shorter lines, we have now a full certainty and a very good understanding of those losses. And so it is not indicative at all of a given trend.

Peter Eliot | Kepler Cheuvreux Thank you very much.

Thomas Buberl | Group CEO, AXA Let's go to Nick.

Nick Holmes | Société Générale Nick Holmes of SocGen. A couple of questions. The first is you say you want to review your capital management policy in light of becoming more P&C. I wondered if you could elaborate a little bit more about that.

And the second question is on Asia, which seems to be the only bit of the Group that is going through a fairly dull patch perhaps, at the moment, do not know if you agree with that. I wondered if you could tell us more about what your plans are and how to really get growth going in Asia. Thank you.

Thomas Buberl | Group CEO, AXA Good. Thanks for your two questions. On the first one, the intention to review the capital management policy, I could tell you a lot but not today. Because as I said to you in the presentation, we are in the process of working through all of this, our core priorities, really getting the IPO off the ground, integrating XL, and having the closing of XL. And we intend to review the capital management policy with the aim of once we know exactly what it means, to update you and give you a clear view on what we want to do. So you have to, unfortunately, wait a little bit for this.

Nick Holmes | Société Générale Can I just ask very quickly, is a full disposal of AEH conditional upon launching your new capital policy, or is it just XL?

Thomas Buberl | Group CEO, AXA No. The new capital – look, the new capital management policy will be in light of the moves that we have announced and in light of the full completion of the moves, and you have to most likely differentiate in that view a period where we are still in transition and a period where we are beyond the transition. We will probably most likely look at it that way.

On Asia. Asia is certainly – I have mentioned earlier, we have changed our leader in Asia. We have been able to recruit the number two of AIA, Gordon Watson, who has been very successful at AIA. When you look today at our Asian footprint, you see that we have a very strong position in many countries, but the position is very much focused on bank deals and bank joint venture partnerships. And if you go country by country, we have started to relaunch the dynamic, but the Asian markets are quite competitive.

So if you go into Japan and Hong Kong, where we are by ourselves without joint venture partners, as Gérald mentioned earlier, we have launched both in Japan and Hong Kong new products. Those products are already showing a significant improvement in the growth. We want to continue this journey, and in particular the next step will be to also revamp our Health propositions, both in Japan and in Hong Kong. And in particular in Hong Kong, we will come out quite soon with a very innovative product called FirstCare, where there is a very high integration between this product and also some Hong Kong hospitals. So, this is Hong Kong and Japan.

Second large piece is Southeast Asia where what I said earlier is applying. We have in these markets a lot of joint venture partner in form of banks. If you go into Thailand, we have a relationship and joint venture partnership with Krung Thai. If you go into Indonesia, with Mandiri. If you go into Philippines, with Metrobank. Philippines works very well, so this is a very well-oiled machine, a very well-functioning joint venture. We want to continue to let it prosper. When we look into Thailand and into Indonesia, both of our joint venture partners have, in the past, suffered from non-performing loans. They have both gone through a deep restructuring of their own portfolio, and we see that growth is coming back. However, after a long time of a bancassurance partnership, the penetration of the bank will come to a saturation, and therefore we started in all of these countries to build significant agency sales forces. So, in Thailand, we have a very large agency sales force within the joint venture. The same is true for Mandiri. And Gordon Watson's mission is to really make this agency sales force to grow. Also, apply the learnings that we had in Europe on the more hybrid approaches between direct and the agent and really use that as a growth engine.

Third piece is China, where we have, in total, three joint ventures. One is on the Asset Management side with Shanghai Pudong Development Bank, which works well. So we also want to let that prosper. The second one is AXA Tianping, which is one of the largest foreign insurer in the direct and hybrid P&C retail business. The Motor market in China has significantly been challenged, that we are in the process of shifting our business model more towards Non-Motor P&C, more towards short-term Health, and this journey will take some time. And you have seen that the third joint venture with ICBC on the Life side – Gérald was commenting on it – went also through a significant transformation of changing the product mix in the bancassurance channel away from single premium to more regular premium. This is also seen in the numbers that the new business margin has significantly come up. And in the same logic, as I explained about Thailand and Indonesia, we will also strengthen the sales force or the agency force that we have together with ICBC in order to shift to more growth. When you look at ICBC today, I do believe that the saturation of that model is at very beginning because we are touching today 2% of the customer base of ICBC, and with the renewed management of this joint venture, both through the Chairman and the new female CEO, we have very high hopes that this is now changing in terms of a growth dynamic.

And then we have got our last piece, which is the P&C strategy. Again, with joining AXA and XL, our presence in Asia when it comes to P&C will change significantly and we will also develop Asia as one of the growth regions for P&C in the joint company.

Nick Holmes | Société Générale Just very quick follow-up on that. Is commercial P&C in Asia and places like China, is that envisaged as part of the program?

Thomas Buberl | Group CEO, AXA That was my last comment on combining XL and AXA.

Nick Holmes | Société Générale So, it is…

Thomas Buberl | Group CEO, AXA It is clearly. But you have to be very selective. Because, again, it is no wonder that we have to be very selective when it comes to the underwriting. Again, Gordon Watson is currently working with his team exactly on how to build this strategy and when the moment is there, we would very gladly update you on what exactly is the strategy, but it will be along these lines.

Nick Holmes | Société Générale Thanks very much.

Thomas Buberl | Group CEO, AXA James?

James Shuck | Citi Group Thank you. It is James Shuck from Citi. I had two questions on gearing and one on kind of cash liquidity.

On the gearing side of things, I mean you present your gearing target on an IFRS basis including goodwill. When I look at your Solvency II gearing and the capacity you have left in the Tier 2 and Tier 3 as a percent of the SCR on a pro forma basis including XL, you are pretty much out that 50% limit. So, you do not seem to have any flexibility on that. So, when I think about the composition of your debt between senior and subordinated debt, how do you envisage changing that mix? Because I think as part of Ambition 2020, you were changing the mix which had a drag of about 10 points on your Solvency ratio by 2020. So, what's expected Solvency drag as you optimize that mix and give yourself better flexibility under a Solvency II metric?

Second question is around the US goodwill situation. Because, again, your IFRS metrics for the gearing includes goodwill. I would have expected some sort of US goodwill write down with these numbers, but that has not come. So, presumably, the auditors are letting you getting away with it, sort of writing that level down when you reduce your ownership below 50%. So, could you just clarify what the kind of status is there? And whether your target level incorporates a full US goodwill write down please?

And final question, I mean, obviously, you have been – I mean, with the Life sale of the VA block is very positive and it helps your cash position. You raised about Euro 1 billion less than you had initially talked about. You have not been very transparent about what is the level of pooled central cash liquidity or where that actually is versus any of your target ranges. So, I'd really like to understand the extent to which you have drawn down on that central resource and to the extent to which you need to replenish it, please?

Thomas Buberl | Group CEO, AXA Gérald, three questions for you.

Gérald Harlin | Deputy CEO and Group CFO, AXA Yeah. First, about the capacity to issue more debt and more Tier 1, Tier 2 debt, yes, we have this flexibility. I think that if we would like, we could do between Euro 2 billion and Euro 3 billion. But it is not at all our intention. It is not at all our intention because, clearly, our intention is to deleverage. And it goes for me to – and it goes to the other questions that you are raising about the US goodwill. I could say that, that the IPO took place in May. You will all agree that the liquidity of the stock is not – doesn't reflect the real value. I mentioned to you the fact that AB was trading close to USD 30 per share, so no need to add the – I am sure that you made the math, and it will mean that the Life part is valued below 5 times the earnings. So, all of this, and I will not go into more detail, but all of this goes in the same direction. That means that – that is why we did not impair the goodwill. For the future, so I cannot comment in any detail on what might or might not happen and when. We will see. Nevertheless, I encourage you to go through the calculation and you have the – you have all the calculation of the debt gearings that is on page 43 of the financial supplement. And you will see on that page, that the denominator amount to Euro 75 billion. So, you can make all your maths, you can assume whatever you want about the impairment of the goodwill, but you will see that in the end, the impact is not so huge. That is what I can tell you.

About the – I would say, the central liquidity and because it was your last question, so, as you know, we will use – and that is what I told you on the 5th of March – we used a large part of our excess cash capacity, I said, and it was Euro 3.5 billion. So, it is clear when I tell you that it is our intention to deleverage, that means that we expect to gradually reconstitute this excess cash buffer. And I can tell you as well that whatever you take between the 25% and the 28%, this cash buffer will be reconstituted at the end in 2020.

Farooq Hanif | Credit Suisse Thank you very much. If you are reducing level of Cat risk and volatility of risk, that has a cost. So, I think in XL or in the reinsurance business, there is been kind of a 1- to 2-point, possibly more, increase in loss ratio due to that. Can you comment on the group on what you see as the cost of putting this additional Protection on and whether it is kind of in the numbers are ready?

Second question is going back to capital management. You are probably not going to answer this question but, obviously, the 25% to 28% is not including or is not dependent entirely on AEH being sold down. So, the scenario where, presumably, you have extra cash that is not included in that number – so, are you kind of – is M&A off the consideration in the capital management policy? And finally, just a quick one on the tax one-off with US I mean, presumably, the provision – I think it is Euro 400 million to Euro 500 million – will that – can that be released at the end of the year? I mean, what's the timing on that? Thank you.

Thomas Buberl | Group CEO, AXA So, three questions. I suggest on the reinsurance cost, Alban will comment; I will comment on the M&A question, and Gérald will comment on the tax one-off question.

Alban de Mailly Nesle | Group CRO and Responsible of the Group insurance office, AXA Hello. So, on the reduction of the risk profile on Cat, what was done by XL, as you pointed out, it is a mix of underwriting decisions and additional reinsurance. But what I do not fully agree with you is on the underwriting decisions, because they moved to less volatile business. That, as such, has a slightly higher combined ratio because it is less volatile and therefore that is the balance but with more premiums. And therefore, in absolute numbers, there is little difference, if any, compared to what they had last year. So, the cost, to some extent, would not appear in XL numbers because it is compensated by a different kind of business with higher premiums. And as far as we are concerned, the cost of the combined Protection that we bought a few months ago is *de minimis* in our accounts. It is really marginal.

Thomas Buberl | Group CEO, AXA Good. On the second question, I will repeat what I said to Nick earlier. We intend to review our capital management policy, but we have not intended to talk about it today. Once we have reviewed it, we will talk about it.

Your M&A question I think is naturally answered by the priorities that we have and the first priority for us is to deleverage. So, M&A for me would happen at the margin. The focus is deleveraging.

Andrew? Or do you…Sorry, there was the second question. I am sorry. You are right. Third question on the tax one-off.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. So, you have to wait for the tax one-offs. Meaning on the tax one-offs so, we had in the US last year, we had Euro 200 million of positive tax one-off and it was zero this year. You are right, we have roughly Euro 450 million of tax provision. You know that the way it works in the US, so we have some audits and it is difficult to plan any – what would be the timing. So, I remember that I got this question one year ago and I said that, on average, you could maybe expect to have Euro 100 million, but it is not regular. So, nevertheless, I am quite happy to say that we have been posting 9% underlying growth without relying on this tax one-off, which was a question one year ago.

Thomas Buberl | Group CEO, AXA Andrew, I think it was your question one year ago. But you have another question today.

Andrew Crean | Autonomous Andrew Crean from Autonomous. Not about the tax.

Thomas Buberl | Group CEO, AXA There is no reason to ask about the tax.

Andrew Crean | Autonomous A couple of things. It is a bit of a struggle on the gearing side. Could you say – I mean, you are gearing out to 32% when you got XL. Could you tell us roughly, pro forma, if you were to flog out the whole AXA Equitable, what would it come down to on that? Or, put another way, how much, in monetary terms, how much debt do you want to get off your balance sheet by 2020 in your deleveraging?

And then, a second question related to the synergies with XL. Could you talk a little bit about revenue dis-synergies? I mean, clearly when businesses get together, there are partners of XL who do not want to be insured by a competitor like AXA. So, what were your – what was your thinking around dis-synergies?

Thomas Buberl | Group CEO, AXA Okay. Very good. I think, Gérald, you should answer the first question on the gearing and I will go to the negative synergies on the revenue side.

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes. So, roughly speaking, it is more or less. Andrew, it is more or less – and we can go into a bit more detail, but it is more or less proportional. So, that means we moved from 25% at the end of last year to 29% today and corresponding to an increase of Euro 5 billion debt. That Euro 3.2 billion, which has been raised by AXA Equitable Holding, okay? And Euro 2 billion debt raised by AXA S.A. That is the Euro 2 billion that we issued in March.When moving from 29% to 32%. Then you have the debt of XL and roughly speaking, it should be slightly above Euro 3 billion. And for the decline, it is proportional as well.

Andrew Crean | Autonomous Does the equity also decline as you get – I mean, once you get rid of AXA Equitable well, it is not just the amount of debt, it is the amount of shareholders' equity.

Gérald Harlin | Deputy CEO and Group CFO, AXA It is mostly debt plus the normal move of equity. So – and you can make your own calculations, so – but it is mostly coming from the numerator. Okay?

Thomas Buberl | Group CEO, AXA On the negative revenue synergies, so you have potentially two negative revenue synergies. And we obviously knew that this could be a topic and therefore on the 5th of March, we have already announced that we do expect negative revenue synergies.

First of all, what have we done to avoid negative revenue synergies? Because the first question that a customer is asking, okay, if AXA and XL is combined, are you keeping your risk appetite on a combined basis, or are you reducing? And then, we have clearly said no. For the renewal for 1st of January, we are keeping the combined risk appetite, so there is no – there isn't an issue for a customer to look for a new insurer at the front end. At the back end, if we believe that there was too much risk exposure, we have worked it out, as Alban and Gérald have discussed it beforehand.

Second thing is when you look at the customers' perspective, there are clearly some customers – but I could use one hand, so far, to name them – that have said, look, we do not want so much to be given to one insurer on the primary insurance line. And today, there is exactly two customers that have mentioned that. And then, on the reinsurance side, you are absolutely right. After the closing, we would partially reinsure some of our competitors. We would also technically reinsure AXA. And so, obviously, the AXA contracts that XL has is gone. And again, there, when I look at the number of insurers that have expressed their willingness not to renew their reinsurance coverage, one hand is sufficient, and I could even hack a few fingers off. Johnny?

Johnny Vo | Goldman Sach Yeah, just – it is Johnny Vo from Goldman Sachs. Just a couple of questions. Just in relation to the disposal of the Life business in Europe, clearly, there are many, many bidders in the market for closed blocks today across Europe, in particular, across Germany. We have seen one of your competitors selling a block there as well, or potentially selling a block. Is there potential for you to realize more value or cash from selling blocks of business across Europe that is potentially closed business, and therefore release more money? That is the first question. And just a second question in relation to the reserve release of prior-year development. The reserving ratio, I know it is a shorthand measure, but it seems to have ticked up. Is there any read-through for 2019 or further with regard to PYD? Thank you.

Thomas Buberl | Group CEO, AXA Let's share the questions. So, I will share the first questions with my two European colleagues, Antimo and Jacques; and Gérald will answer the second question.

So – and maybe I will start with a general comment. What is important is that when we talk about AXA Life Europe and the disposal, we must not mix it up with a general disinterest in the Life business. What we have said is that Life businesses that are not strategic for us anymore, Life businesses where we have no end-customer contact, those are the businesses, and also Life business – sorry – that are very, very exposed to financial markets, those are the businesses that we are reviewing. That doesn't mean that we do not believe in the Life business in Europe, and beforehand, I have spoken about the great numbers in France, it is a clear indication that we want to develop the Life business. So, when we look at this, it is very much what is non-strategic, what is not performing enough, and where is there better use of the money? And I would ask Jacques and Antimo – Jacques, that you can talk about the Life business in France and what you are planning; and Antimo, then afterwards maybe comment on the second pillar in Switzerland and also what you plan in the other countries. Jacques?

Jacques de Peretti | Chairman and CEO of AXA France Thank you, Thomas. So, Life business in France is doing well. It is a light consuming capital. It is growing fast at 12%, and it is – let's say it has a very good ROE. And we know we are ahead of the market in term of UL rate with 42%, compared with an average UL rate of 30%. So, we have no intention to get rid of this business, we want to develop it in a profitable manner, and we have – thanks to our range of products, thanks to the close links with AXA IM, thanks to the good training of our people and our property network; we intend to develop this business in a very profitable manner in the coming years.

Thomas Buberl | Group CEO, AXA Thank you, Jacques. And maybe let's hear Antimo for the rest of Europe, outside of France exactly.

Antimo Perretta | CEO of AXA in Europe So, what Thomas said, we believe on the Life business, and we invest also to develop new products for our customers.

What we have done, we have shift some business, like Thomas said, in Switzerland with the Group Life business from a full-scaled insurance to a separate account business. So – and we see the reaction in the market was very low. So, the customer are – stay with us. They understood that we have a negative interest rates, we have low interest rates, and high requirement of Solvency, especially in Switzerland with Swiss Solvency Test, that it was the right moment to do it. And you will remember, we communicated that to the market that we will start with the foundation with a really good cover. The cover will be around 111%. So, a good position for the customers and a very good position for AXA because we will reduce our exposure in capital in general account and we will release Euro 2 billion, around Euro 2 billion for the next three years in capital upstreaming.

In the rest of Europe, I would say, in Italy, we have a strong partnership with MPS. We are selling a capital light product and unit linked and we see that the market is very interested in these two types of product, and we will continue to push that and also in other companies – in other countries like Spain.

And in Germany, it is a little bit special market. We have some good products, but the situation is a little bit different, and we have also with two – with the portfolio of ProbAV where we really sell this, we will see that if – what Thomas said – if the position is not very high, we will look to find solution in the market. But if we have a strong position, we will change the business, what we have done in Switzerland. Overall, that is what we are doing outside of France in Europe. Thank you.

Thomas Buberl | Group CEO, AXA Thank you, Antimo. And Gérald, the second question of Johnny?

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes, Johnny, I could say that – and you could go to page B33 in the Appendix, because you will have here the – all the reserving ratio, which is net technical reserve divided by net earned premium. And you will see, as I said in the presentations, that we are 207%, whereas we were at 203%

at the end of June 2017, 195% at the end of 2017. So, we are in a comfortable position. That is the reason why I said that I can expect that the trend of the first half will prolong for the full year. For the future, yes, it makes me quite optimistic, but let us – give us some time just to refine our figures and we anticipate to update you on the IR Day on what we could expect in term of release for the next years. But we are optimistic, that is what I could say.

Thomas Buberl | Group CEO, AXA Ralph? Oh, sorry. There was no question. Okay. Ralph, yeah.

Ralph Hebgen | KWB Thanks. Ralph Hebgen from KBW. Just one question again on capital management, I am afraid. Just perhaps, specifically, at what point do you think will you be able to share your views on this with us? A qualitative comment will suffice. I mean, do you have to – is this a formal review which has a named date? Or do you need to see an integration of XL happening and see how that plays down before your thinking is sufficiently developed to share your views on capital management with us?

Secondly, in the context of that, to the extent that you can say something today, can you remind us of your relative preference between dividend payments and share buybacks?

And the final question – I dare to ask it, although, I can expect the answer to be no – is do you have a level of Equitable Holdings' share price levels at which you would be comfortable selling it? Or a minimum level which you see – which you need to see attained before a sale in your view will become economically viable? Thank you.

Thomas Buberl | Group CEO, AXA So, I think all three questions are very difficult to answer today, not because I wouldn't know what the answer is, but we are here today to discuss the half year results. I understand that it is important for you to understand, when does the answer come, and we put all our efforts into the fact that the answer will come on the Investor Day, which is November 28. And exactly at that time, we will tell you – give you an answer to your question. As I said earlier, we need to differentiate two phases. One is the phase where we are still in transition. So, once the XL deal has closed, we have certainty on that deal, and we are then in the transition of selling down the AXA Equitable stake, and then there is a period of after a full exit, and what that will look like. And our intention is, as I said, to review it now and to come with a conclusion to you because we also – when you look at the risk profile of the group, the risk profile, as I said earlier, has to – will change from Life & Savings domination to P&C Health and Protection domination. And, as you know very well, the cash nature of the earnings of a Life business is a very different one to a P&C business in a way that Life earnings produce much lower levels of cash in the short-term than a P&C, and a Health business will be doing. But the best time is – that the two of us are keeping your questions in mind for the 28th of November. Further questions? Farooq? Second round.

Farooq Hanif | Credit Suisse Apologies. Farooq Hanif from CS. Slightly boring question. The 10 points that you got on Solvency II from selling AEH was larger than I expected. Is there something special going on there? Or is that proportional?

Thomas Buberl | Group CEO, AXA Alban, do you want to answer that question?

Alban de Mailly Nesle | Group CRO and Responsible of the Group insurance office, AXA I am not sure there is anything going on but maybe what was not absolutely obvious was the fact that the mandatory exchangeable bond that we issued had a favorable treatment that protects us on the downside of AXA Equitable. That is probably the answer to your question.

Farooq Hanif | Credit Suisse How many points?

Alban de Mailly Nesle | Group CRO and Responsible of the Group insurance office, AXA That is around 2 points, I think?

Farooq Hanif | Credit Suisse 2 points?

Alban de Mailly Nesle | Group CRO and Responsible of the Group insurance office, AXA Yes.

Thomas Buberl | Group CEO, AXA Further questions in the room? Doesn't seem to be the case. Any questions on the webcast? No. Okay. I am going back to the room, any further questions?

Niccolo dalla Palma | Exane BNP Paribas Niccolo from Exane BNP Paribas. A question on the organization of the Group, which you moved to a country focus last year. Now, in that context, can you talk maybe a bit about the governance of the AXA XL because it is – XL will not be a country, but it is – it has a significant European presence as well. So, how do you think, is that a transition? How does AXA XL have to work with Antimo to get things aligned, given that you moved to a country focus and there seems to be a bit of a complication in that sense?

Thomas Buberl | Group CEO, AXA Yes and no. But we will let Antimo answer the question because he's been working with Greg Hendrick on exactly that question and they have found, I think, a very attractive result.

Antimo Perretta | CEO of AXA in Europe So, we are still working on that. But, actually, it is not a complication because we know what we want to achieve together, it is to be a partner of our customers, to have the right answer and product for our customers. And to do that, we have a clear view about the segmentation of the different markets. There are some markets like Germany, Switzerland, Belgium, and France that are very mature and big market for us but also for XL. And there are other markets like Spain, like Italy, where we have a different situation. So, what we have found in some countries, like Italy, they have worked for the past also for many years with XL, so it is no new. They will continue to work with XL. And in other countries, we have to make sure what type of business we do together and what type of business we will do – will be done in AXA and in XL new company. So, there are some speciality that we see that XL is much more advanced in cyber risk that we will use this product, we will be a sales channel for XL. And the other side, we see in other products like workers' compensation that we are already strong, and we could be a partner for the customers of XL. So, it is still working but we see that we have a lot of potential that we can, together, work better in the market to make sure that can – we have the right solution and answer for our customers.

Thomas Buberl | Group CEO, AXA Very good.

Peter Eliot | Kepler Cheuvreux Thanks a lot for that. Peter Eliot from Kepler Cheuvreux again. Maybe just to ask a few questions on the numbers since this is a H1 release. First of all, I mean, you discussed in the presentation about a 0.6 percentage point Nat Cat impact. But then you talked about a 1.1 percentage point delta from last year in the Activity Report. Just wondering if you could just give us a little bit more insight into how you think the Nat Cat experience compared to a normal year and understand – so we can just understand, yeah, that impact.

Secondly, one area where you beat my numbers was France Life & Savings where acquisition expenses fell by Euro 64 million versus last year. Wondering if you'd just say what happened there.

And thirdly, I was surprised that the interest rate sensitivity of the Solvency ratio went up, actually, from 6 percentage points to 9 percentage points or a 50-basis-point decrease. Wondering, again, if you could just explain why that was.

Thomas Buberl | Group CEO, AXA That is good, Peter. Let's do Nat Cat by Gérald, reduction of the acquisition expenses in Life by Jacques, and the question around the sensitivity on the Solvency II by Alban.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. So, as far as the Nat Cat are concerned, so we have a Nat Cat of, for half year 2017, we had Nat Cat of Euro 22 million and natural event of Euro 100 million; and for 2018, we have Nat Cat at Euro 96 million and natural events at Euro 322 million. So, that gives you an idea of these elements. So, because we are highlighting in the slide in Nat Cat, but we have to take into account the natural events as well.

Peter Eliot | Kepler Cheuvreux Sorry, so that compared to last year, do you have any view of what it is on the long-term average or what you might expect normally?

Gérald Harlin | Deputy CEO and Group CFO, AXA I would say that should be as far as the Nat Cat are concerned, last year we were at 0.7 point for the natural catastrophes. I could say that it is just below 1 point, something-something, around this or between 0.5 point and 1 point.

Thomas Buberl | Group CEO, AXA Okay. Jacques on the acquisition expenses in Life in France.

Jacques de Peretti | Chairman and CEO of AXA France Concerning the acquisition expenses in France, we have had some impact concerning the deferred acquisition cost and that is why you see this change on the figures.

Thomas Buberl | Group CEO, AXA Alban on the sensitivity on the Solvency.

Alban de Mailly Nesle | Group CRO and Responsible of the Group insurance office, AXA Yes. It simply comes from the fact that we are – our shareholding in AXA Equitable has dropped because of the IPO and, therefore, that has an influence in the sensitivity coming from the interest rates.

Thomas Buberl | Group CEO, AXA Does that answer your questions, Peter?

Peter Eliot | Kepler Cheuvreux Yes. So, can the US work the other way?

Thomas Buberl | Group CEO, AXA Correct.

Alban de Mailly Nesle | Group CRO and Responsible of the Group insurance office, AXA Yeah. Exactly. Yeah.

Thomas Buberl | Group CEO, AXA Yeah. Any further questions in the room? Any questions on the webcast, so far? Last chance for question in the room.

Good. We are all satisfied. Then I would like to thank you very much for being here for asking your questions and wish you a good holiday for those who have not had it yet. Thank you.