AXA 1H16 results

Transcript

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This document is the transcript of the 1H16 results release held on August 3, 2016. The podcast of this presentation is available on https://www.axa.com/en/investor/earnings-presentation.

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Andrew Wallace-Barnett, Head of Investor Relations, AXA

Good afternoon, everybody. Good afternoon everybody here in the room. Good afternoon to all of the people joining by webcast and by telephone. We're really happy to have you here on this summery August 3rd. And we're delighted to be able to present to you our half year results for 2016. I'm joined by Thomas Buberl and Gerald Harlin today, and if you would like to ask questions by telephone or on the webcast, then please don't hesitate, follow the instructions you've been given, but priority will be given to questions from people in the room. And I, with much pleasure, would like to hand over to Thomas to make the introduction.

Thomas Buberl, Incoming Group CEO, AXA

Thank you very much, Andrew. Good afternoon. We are very pleased to be here and present the half year results to you. In summary, the results that we will be presenting to you are very resilient earnings given a market environment that is difficult and characterized by quite a few headwinds. The second message I would like to get across is that if you look at the balance sheet, you'll see that despite those headwinds, the balance sheet remains very strong with a very strong Solvency II ratio.

The third message I would like to pass is that we have a clear focus on profitable business. We want to remain this focus even though the market is difficult, and you will see very clear drivers of this profitable growth, be it in P&C, be it in capital light, or in the Health business.

If you look at the overall results on the underlying earnings, you can see stable underlying earnings of €3.1 billion.

This, again, in an environment that is difficult and that's also where you see the difference. Life & Savings is up by 4% to €1.9 billion, so a very good development given the interest rates development. Property & Casualty is down by 6% to €1.2 billion, the main reason being that natural events have been significantly higher this half year than they were compared to last year. Those natural events are clearly floods but also terror attacks, if you remember, the Brussels terror attack which has cost us €24 million.

If you look at the adjusted earnings, you'll see a drop of 2% to €3.4 billion, the main driver being that we have realized lower net capital gains. And on the net income, a very positive message, + 4% to €3.2 billion.

If we go into the balance sheet and the Solvency ratio, you see that despite the difficulty of the environment, the Solvency II ratio is at 197%, very strong, slightly down from the 200% last year, but that's clearly explainable due to lower interest rate and due to higher volatility in the markets, but well in our target range. And if you see the sensitivities of the balance sheet, be it on interest rates or on equity markets or on corporate spreads, it's a very solid balance sheet. And we really would like to maintain this resilience on the balance sheet going forward to have a stable business but also to have a clear follow-up on the dividend policy that we have put in place.

If we look at the businesses, I would like to give three highlights. The first one is on the Life & Savings business. Despite the difficult environment, we have been able to keep a very attractive new business profitability at 37%. It is not obvious in such a market, and we have continued to move the business mix in a favorable position.

The second point I would like to make is on Property & Casualty. We are showing a good growth, 3.7%; 4% on the private business, 3% on the commercial business, a very good development. And certainly this is one area where we want to put a focus to do more. We have particularly seen in the UK that on the commercial side this has been a success, and we want to copy these success recipes and secrets into other markets.

On the Asset Management side, again a very positive result on flows despite the difficult market conditions. €19 billion net inflows in the first half, there of €9 billion in the second quarter. It's a good result. And if you look, where it comes from, it shows that AXA is well diversified and benefits from the global footprint, because the majority of these new assets do come from the joint ventures in Asia.

If we make a specific zoom on Health, because Health was one of the priorities that we have clearly put out as a growth opportunity at the Investor Day, it's the first time that we are splitting it out, because in the past, Health has been either in Life or in P&C unless it was separate, like in the UK or in Germany. What we see there is that we have very strong geographical footprint; six strong footholds, one of them being in the UK here; a very clear strategy of growth in five markets, one being the Gulf and then four Asian markets, China, Thailand really upcoming markets. We see that the revenue growth has been attractive, 3%, and at the same time we have managed to have a good combined ratio at 95.5%, a business that we clearly want to continue growing in.

If we then look at the resilience also from an investment perspective, we are very fortunate that the investment margin has been very high at 74 basis points. This is the higher end of the guidance that we have given at the Investor Day for 2016 and 2017. We are also very proud to see that the investment yield on the portfolio, and we take the example of P&C, is at 3.5% and that our reinvestments, given the very difficult environment, is still at 2%, and we have not changed our risk appetite. So we are well in line with the guidance that we have given to you at the Investor Day on the 21st of June.

Going forward, this makes us very confident that we will deliver the plan and that we want to put all our efforts on delivering this plan. And one of your questions could be, are you still in the plan you have given us because markets have changed? The reason why we did the plan the way we did it was exactly that. We wanted to differentiate what is in our hands and what is not in our hands.

In our hands is clearly the question, what can we do on growth? What can we do on cost savings? What can we do on margin improvement? What can we do on capital? And what can we do on M&A? Here, we have given you a very clear guideline with the measures that we have, we are fully committed to this, to deliver those 8% out of what is in our hands.

On the other hand, we have the effects that are not in our hands, which are clearly in the interest rate markets, the equity markets, the FX markets. Here, it's clear that the interest rate markets have the biggest impact on us and we have given a clear guidance that depending on which scenario we are in, we are between -1% or -5%. After Brexit, so the world has changed, but we have anticipated this change in the world already in this scenario, even though we didn't want to. But we are still well in line within those boundaries, which makes us very confident that we will deliver those 3% to 7% over the plan period and we will do everything that you can judge us by the 31st of December, 2020, whether we have fulfilled these targets or not, for us it's clear, we will fulfill them.

Thank you very much, and I would like to pass on now to Gérald Harlin.

Gérald Harlin, Group CFO, AXA

Thank you. Good afternoon. So let's move to Group earnings. Underlying earnings are flat. Life & Savings, +4%, P&C is down 6% and it's due to higher Nat Cat and lower investment income. Asset Management, minus 3% due to lower average assets under management. International Insurance, -32%. We had some significant positive reserve development last year at AXA Corporate Solutions and that explains the -32%. Holdings, +14% due to lower interest rates. We are benefiting from lower interest rates on our debt and lower expenses.

Adjusted earnings now, and starting with the net realized capital gains and losses. Lower than last year, €301 million versus €382 million, explained by the same level of realized capital gains, €479 million, but higher net impairments. We had an impairment level of €194 million in the first half, of which €154 million in equities. So it's mostly equities. Keep in mind that the equity markets in Europe were roughly 12% down.

At the same time, adjusted ROE, we were at 14.6% versus 16% last year, so we are above the 12% to 14% range that we fixed ourselves and that we shared with you at the end of June when we presented our plan. The decline is mostly due to higher average shareholders' equity.

As far as net income is concerned, it's a bit more complicated. Let's start with the middle line with the exceptional, €626 million corresponding to the €1 billion gain on the two U.S. buildings that we sold. We had a €0.4 billion loss on the disposal of the UK Life business and with a positive €0.1 billion on the disposal of Portugal. So as a whole, it's €0.6 billion positive in the net income.

This is offset by minus €647 million with three different items. As you know, it's pure accounting, but we had first minus €357 million corresponding to the freestanding derivatives and all the swaps that are in front of our long-term debt. On the forex, we had minus €160 million corresponding to the currency swap in front of our Tier 1 debt, but also on the currency swap in our investment portfolio. All of these are mark-to-market, whereas the underlying assets are in OCI. That explains the volatility. And last, minus €130 million corresponding to the mark-to-market of funds, mostly equity funds.

Again, I insist on the fact that it's pure market effects. It doesn't mean that it's realized, and it could reverse extremely quickly. So as a whole, net income is + 4%.

Let's move to the new business sales, and starting first with the total. So new business APE's down - 2% and new business margin is stable at 37%. Let's move to mature markets. So, mature markets are down 5% due to the decrease in the Unit-Linked sales. New business margin is up from 35% to 37% confirming the fact that although our sales in Unit-Link were down, we are focusing, as we'll see later, on the most profitable products.

On high-growth markets, + 11% on the top-line. I should highlight the fact that it's explained by + 28% in Southeast Asia and China. May I remind you that China is growing quite fast, because last year it represented 2% of our APE while in the first half of 2016, it's 6% of the APE. In China, as you know, we sold high volumes of single premium for the Chinese New Year, during the two first two months of the year. Since then, we are selling regular premium. As I told you during the Q1 conference call, we had a negative NBV coming from China at that time, so it's positive now. It's positive due to the accretion of regular premium with the higher profitability. Nevertheless, the strength of China and the size of the Chinese business makes that it dilutes NBV, as you can see here. But nevertheless, it remains at a high level.

And the last point I wanted to share with you is that the regulation should help us because the regulator in China wants to curb and to decrease the single-premium business. So, all should go in the right direction. So that's it for the Life & Savings new business sales.

More detail by line of business, first starting with Protection & Health. So Protection & Health is totally in line with the strategy that we announced when we presented our plan, + 6% growth in APE. I could say across all countries, 54% NBV margin, + €3.8 billion of net inflows. So, positive.

On G/A Savings, we have a growth of 22% with a 16% NBV margin on average, but we are growing our G/A capital light. May I remind you that the G/A capital light products corresponds to products that create more AFR than the capital they consume. A few examples: some savings products with term guarantees only, some products with market value adjustors, all these kind of products which are capital-light because under Solvency II, the level of capital required is quite small.

So, + 26% on this category of products, with a +16% change, which is quite strong, confirming the fact that although we had a poor start to the year on the Unit-Linked business, we sold a significant amount of capital-light G/A products. And you can see that although we have a - €0.4 billion G/A savings net inflows; as far as capital light are concerned, it's + €2.3 billion, confirming that on the capital-heavy products, we have a strong decrease in net flows.

Unit-Linked, I mentioned it to you already, - 18% growth in APE, mostly coming from three countries: - 59% in AXA-MPS for two reasons; the poor equity market and the financial strength of the bank, and in Hong Kong as well, because you remember that we had very high sales in Q1 last year, following the regulatory change, and in France: - 14% due to the global environment and the poor environment of the equity markets.

Net flows positive €0.8 billion and even if we would exclude the €0.7 billion from the GMxB buyout that took place at the beginning of the year, we would be at plus €1.5 billion net flows. That's mostly it.

Moving to underlying earnings by product. Total Life & Savings post-tax underlying earnings increased by +4%. On the pre-tax basis, we are at -4%, but we should say that this -4% have two exceptional negative elements, which are shadowed. Starting first with Protection & Health, as you may remember that in the first half of 2015, we had an exceptional positive reserve development in France of €0.1 billion. Second is on the Unit-Linked side: as we had lower management fees in the first half due to the significant decline of the market in the mid of the first half and it recovered since. At today's level, management fees would have been €0.1 billion higher.

So, excluding these two elements and excluding also the higher positive tax one-off which also makes €0.1 billion, we would be at + 4% as well. So that means where from the outside we could consider that the - 4% of Life before tax could represent a drag on our normal course of business, it's not at all the case, because eliminating these three one-offs, we are at + 4% pre-tax and post-tax.

Moving to the P&C business, we have a growth of + 4%, with + 4% on the personal lines and + 3% on the commercial lines. I propose you to give you more detail, and as you can see here, you are familiar with this slide. First, I would like to say that H1 confirms the good absorption capacity of the market of price increases. Starting first with personal lines, you can see here that we have + 6% price evolution and revenue growth are at + 4%. UK and Ireland, as you can see, we have a price evolution of + 6% and revenue growth of + 6.5%, corresponding to a good cycle and improved cycle in the motor business.

In MedLA, + 19.5% of price evolution and + 6.2% in term of revenue growth mainly due to Turkey. As you remember, we had problem in Turkey. Since then we had significant negative reserves development last year and since then we increased our prices in MTPL by 160%, which is quite strong, and this translates of course in the revenue growth. We have of course also some increases in other countries.

In Direct, you will notice + 6% in price evolution and + 6.8% on revenue growth as a whole. For personal, + 6% on price evolution, + 4% revenue growth. On commercial lines, it's almost the same story, + 3.5% price evolution, + 2.6% in the revenue growth. There is one negative figure on the first line corresponding to the construction business in France. We pruned the construction business and we finalized this exercise mid of the year. That's why we are at - 2%, but nothing worrying at that side and we can consider that we recovered.

Regarding the trends, we could say that there is a hardening in countries like UK and Spain and there are some price softening in countries like Belgium, Italy and Germany.

So, let's move to the profitability by business line. So, in mature markets, + 2% with revenues growing by 2%. You can notice that current year combined ratio is going up from 96% to 97.3% mostly explained by Nat Cat that I mentioned before. So we can consider that natural catastrophes plus the terrorist attack correspond to a bit more than €100 million. That's the terrorist attack in Belgium. That was a cost of €24 million for the first half. And as a whole, that explains the increase of 1.3 points of the current year combined ratio. In high growth countries, we have the top line at + 11% with + 14% in Mexico, + 38% in Turkey and also in Asia, like in Malaysia, so + 11% on the top line.

We mentioned the + 13% on an economic basis because we have some JVs and it's not captured through the revenues but it's important to notice that on an economic basis we are growing by 13% and not 11%. As far as current year combined ratio is concerned, we move from 99.9% to 102.3%, explained by Turkey because the price increases were spread over the first half, which means that we didn't get the whole benefit that we will have in the second half, and we have also some increase in acquisition costs.

In Direct, + 6% revenues and more or less a stable current year combined ratio. As a whole, + 4% on the top line and + 1.3% on the current year combined ratio.

Going into more detail on the underlying earnings, so underlying earnings are down by 6% mainly due to two reasons; the first one is the combined ratio that's more or less what I explained to you, which is the Nat Cat. You can see in dark blue that the Nat Cat moved up from 0.1% to 0.8%. Current year, the prior reserve developments moved from 1.8% to 2.1% and all-year combined ratio moved up from 95.1% to 96%. Investment income at the same time: annualized investment yields were at 3.5% versus 3.7%, so pretty much in line with the guidance that we gave you.

Asset Management now. Net flows of €17 billion for AXA IM, + €2 billion for AB. Average AUM have been hit in both case by the market evolution, - 5% as far as AXA IM is concerned with a drop in equity market plus the exit of Friends Life. As far as AB is concerned, it's more a positive market effect on fixed income, but a negative in equity, and this translates into revenues, - 7% for AXA IM and - 8% for AB.

On the underlying earnings, - 3% for Asset Management, with AXA IM, + 3% and AB, - 9%, in line with the - 8% on revenues. We had some performance fees in AXA IM explaining this positive underlying earnings growth.

Let's move to ALM. The assets under management went up from €552 billion to €598 billion. No big change, except that the mark-to-market is going up due to the decline in interest rates. You can notice that the fixed income assets duration slightly increased. We are now at 8.3 years on Life and 5.4 years in P&C and yield decrease absolutely in line with the expected dilution coming from investments in lower interest rates at 3.4% in Life and 3.5% in non-Life.

Moving now on the asset allocation and the asset, starting first with the govies. We could say that for govies as well as for corporate bonds, we have no change on both categories. What is important to mention is the fact that we have an average rating of government and related bonds which is maintained at AA and for corporate bonds, it's maintained at A.

Let's focus on the H1 investments. We have been investing at an average rate of 2%, in line with our previous exchanges, so we benefited from quite attractive returns on some illiquid but high-quality assets like ABS and CLOs like corporate real estate loans. And we expect to invest in the second part of the year due to the decline in interest rate, let's say between 1.6% and 1.7%.

Let's move to investment margin. As you can see here, in the middle, we have a resilient investment margin, which moved down from 78 basis points to 74 basis points, well within the guidance that we gave you at the end of June for the strategic plan presentation. The resilience of our investment margin is explained by the spread of the guaranteed rate which remains quite strong. And it's 140 basis points, which confirms the flexibility that we have. That means that policyholders are contributing to the drop of interest rates.

On new business, it didn't change since last time, so we have only a very low average level of guaranteed rate on new business at 0.4%.

Moving to shareholders' equity. Shareholders' equity is up from €68.5 billion to €74.1 billion. You can see on the right, the main elements, starting first with the change in net unrealized capital gains coming from the drop of interest rate, €6.8 billion, net income for the period, €3.2 billion, and the dividends, minus €2.7 billion, is the dividend of €1.1 that we paid in May.

Let's move to the debt and to the ratings. Our debt went up from €17 billion to €18.6 billion, and at the same time our debt ratio went up from 26% to 28%. This is completely explained by the €2 billion debt that we issued in H1 in order to refinance some maturities that will be at the second part of the year and also at the beginning of next year. So it didn't change I would say the strength of our balance sheet and the fact that we have a low debt ratio.

As far as rating is concerned at Moody's as well as Fitch, we had a confirmation that we were the equivalent of AA stable, we are still A+ with a positive outlook with S&P. As far as Solvency II ratio is concerned, as explained by Thomas before, we are moving from 205% at the end of last year to 197%, which is a strong level. You can see on the right, the key sensitivities, and you have the roll-forward between the end of 2015 and the end of June 2016, operating return, +8 points, dividend, -5 points, market impact, excluding forex, of - 16 points, and we have all the other elements, + points, of which subordinated debt of €1.5 billion that we issued in March.

I hand over to Thomas now.

Thomas Buberl, incoming CEO, AXA

Thank you very much, Gérald. I would like to come to the conclusion and would like to go back to our Ambition 2020 again. On June 21, we have presented to you the new Ambition 2020. We are fully ”en route”, as the French would say. We are in the implementation. Ambition 2020 is about two things; one, focus. How do we make sure that in an environment of low interest rates, of volatile capital markets, how can we really catch up and compensate for the negative effects? We have looked at three levers. One is selective growth. We want to accelerate growth on the commercial P&C. We want to accelerate growth on the Health business, and we want to accelerate on the capital light Life business.

Second piece is around efficiency and margins. We have clearly stated that we want to launch another efficiency program of €2.1 billion. We are in the implementation of it and we will also focus on improving the margins particularly where we still have gaps versus the competition. And thirdly, we are clearly in a new environment of Solvency II. Capital and cash are playing a different role with different mechanics. We also want to further work on the optimization of capital and cash in this environment. This is about focus.

At the same time, we see in the market that our customers are changing. Expectations are changing in terms of the way we interact with them, the way the relationship is going with the customer. We want to actively transform AXA to this new reality. Transforming means that we need to look for a new customer experience. A new customer experience particularly means that we blend the direct access and the physical access more together, so the customer is experiencing one AXA and not different AXAs. We have started with this successfully in Spain and we'll roll it out from there.

The second piece is around how do we bring the relationship with the customer to a different level? How do we become from a payer to a partner? A partner meaning that we not only focus on paying the invoice when a claim has happened, but that we also look how can we prevent the invoice by engaging differently with the customer on reducing the risk and are really working together of being a better risk profile. All of this means that we also need to move ourselves. We need to adapt to our capabilities. We need to invest in our workforce to really be ready for tomorrow.

Therefore, we have also launched, as one of the very few companies, a program to really transform the workforce to really adapt our capabilities and invest into ourselves and the people. This is linked to very clear guidance on key KPIs. The one is the 3% to 7% increase in underlying earnings per share over the period which I mentioned earlier. The second one is clearly to deliver cash flows between €28 billion and €32 billion over that period. The third one is to have an adjusted return on equity between 12% and 14% and the last one is around the Solvency II ratio. We want to stay in the corridor between 170% and 230%. You've seen today that we are well in this corridor.

What are the strengths and what makes us confident that we will really achieve this plan? If you look at our balance sheet and look at AXA, it's a very, very resilient balance sheet. The big challenges of the financial crisis are behind us.

We have a weather-proof balance sheet and we have a very diversified portfolio. No other insurer has such a global footprint with these positions, which leads us to the fact that we are confident to really develop these cash flows necessary to provide an attractive dividend story.

The second one is that we have moved very early. We have moved early on the question around Life & Savings away from the traditional G/A business, and we have also moved early when it comes to efficiency gains because the program of €2.1 billion is the second one after we have already reached €1.9 billion in the last phase of Ambition AXA.

The third big element for me is the clear vision, how to move from a payer to a partner, how to transform our business towards a different relationship with the customer. There it's extremely important that we have the right people who can do this, and I'm very happy to have assembled a renewed and dynamic management team to go together with me on this journey of Ambition 2020.

Thank you very much, and we are moving now to the Q&A session.

Thomas Buberl: Difficult to choose. Let's start with Jon.

Jon M. Hocking, Morgan Stanley: This is Jon Hocking from Morgan Stanley. I've got three questions, please. First, on the investment margin, you're at the top end of the range. Just wondered how we should think about the buffer you've still got above the crediting rate there? And how we should think about the speed of decline in the investment margin versus the speed of decline on the running yield on the Life portfolio? That's the first question.

Second question, on the reconciliation of the opening and closing Solvency II ratio, I wonder if you could just break out a little bit some of the key movements and the 16 points of market movements, how much was rates? How much of it was spreads, et cetera? And then just finally, could you just update us on the ratio sensitivity to 100 bps decline in the UFR rate? Thank you.

Thomas Buberl: Gérald, I think these are all questions for you.

Gérald Harlin: I'll start with the last one, Jon, on UFR. We said that we already mentioned that it would be a decline of 19 points. It's still true. Nevertheless, what we have noticed is that in the meantime since we presented this, we got the test of the EIOPA and the EIOPA is much more thinking about limiting the drop to 20 points per year, that's the first point, which is quite positive. But at the same time, maybe you are aware that the commission doesn't so much agree about the revision of the UFR. So that means that I cannot say that we are on the safe side, because there could be some changes, but I don't expect that UFR will move very soon.

So, second, the first point is investment margin. So the investment margin, remember, we said that at the time we presented our plan at the end of June, we said that we would be at 65% to 75% in 2016 and 2017. I'm still doing exactly the same assumption. Why? Because we are at 74% for the first half, and we can expect to have a decline roughly of 10 points. So, where? Why? Because we are managing a relatively long duration. I said also that for the next year, it will be between 55% and 65%. So it's still true, and I confirm this element even with the new environment it's something that should be in line.

So, the 16 points of market movement. I remind you that at the end of 2015, we presented a sensitivity analysis that said that with an interest rates - 50 bps, we would have a drop of the Solvency of -8 points. You know that in the meantime, and especially in Europe and in different countries, we had a drop of more than 70 bps. So that means that most of it, let's say 10 points at least, correspond to interest rates. And

equity markets in Europe were down -6 points. I should be more precise, -6 points for - 25%. So we had - 12 points on the Eurostoxx. We were roughly flat in the U.S.
So let's say that it's maybe two to three points coming from the equities. So that's mostly it. And then we have residual elements like correlation and so on. That's more or less what this - 16 points correspond to.

Thomas Buberl: Let's move next to Jon there.

Andy Hughes, Macquarie: Thanks so much. It's Andy Hughes from Macquarie. Three questions, if I could. The first one, just want to double check, the UFR change is not affected by the 100 bps drop in yield in the first half of the year. That's basically I think what you said.

The second thing is one the reinvestment rates, so obviously we've got 2% for Eurozone. You've got 2% for Life. Where we don't have 2% is on slide B60, which is the Life reinvestment rates. So we can see that all the Life reinvestment rates are much lower than 2% across the Eurozone. So, it is what's happening. You've got a higher reinvestment rates on the P&C in the first half of the year and can you explain, please, why the Life reinvestment rates are much lower than the Eurozone reinvestment rate? Are you taking less risk in Life and more in P&C?

And, sorry, the third question is on the U.S. Obviously, interest rates impact the value of the GMIB benefits. And you can see the AXA Arizona GMIB reinsurance asset sort of jumping up from the year end to Q1 in the statutory filings from $10 billion up to $12 billion. So I'm just wondering, first of all, how do you think about AXA Arizona in the context of the underlining of captives? And secondly, I guess, does this mean there's more pressure if the policyholder assumptions go against you, the losses could be much more material given where interest rates are. Thank you.

Gérald Harlin: Okay. So, let me start with your last point about Arizona. So, you are absolutely right. That means that in the U.S., the whole Solvency regime will be revised. We don't know exactly when, so that means that there are some quantitative impact studies to this that will take place. We should know in the fall what could be these rules and then all the entities will, all the industry will have, I believe, 90 days in order to answer these quantitative impact studies. To be clear, we don't expect any new regime to be in force before maybe 2017, 2018. Normally it was 2017, but we don't see how it could be possible. So most probably it will be 2018.

As you know, for the time being, as far as we are concerned, we are using a captive which correspond to a bit more than 50% of our reserves in the U.S. The level of reserves corresponds to the IFRS reserves, which means it's quite strong. And when you compare us with all our peers, it's much, much stronger in terms of reserves level. Nevertheless, we could imagine that this regime will lead us to positive. Nevertheless, if we were using these IFRS reserves, it was in order to allow us to have the hedging, because if we were using U.S. GAAP, we would have a mismatch. And as you know, we are hedging especially all the equity risk is hedged which is a positive.

And the objective of this new regime is really to move towards something which is much closer to the European regime, and the European Solvency regime. So we don't know what will be the rule. We are one of the best reserved companies, and we will see. It might end up for us with slightly higher capital needs, but I cannot tell you, and nobody knows exactly what will be the rule. And there will be, I anticipate, a lot of debate, because again, the local companies are not so well capitalized and reserved.

As far as UFR, if I well understood your question, your question was does it mean that the - 19 points would change a lot? I don't anticipate that it would change a lot. Yes, there are some differentials. I refer to the previous calculation, but I don't anticipate, no. What is the most important element as far as UFR is concerned is really the fact that apparently it will be delayed. And anyway, that it would be spread over a relatively long period of time. That's it.

Your second question was about?

Thomas Buberl: Reinvestment rate.

Gérald Harlin: P&C, Life. There is no big – I would say that the biggest difference between P&C and Life is the duration, meaning that the duration is the mix of business in P&C, we are mostly in European countries, whereas in Life, keep in mind that we have reinvestments denominated in Yen, denominated in Swiss francs, which means that we have an average lower rate in Life than in P&C. So that's purely for currency reasons that you have this difference.

Nevertheless, I could say that presently we are – what is important is the spreads over the risk-free rate in each currencies, and the spreads, if we were to compare it, it's more or less consistent, so that means that we apply the same type of asset allocation more or less in most countries. In countries like Switzerland, where you don't have so much Swiss denominated assets, what we are doing is that we are investing in foreign assets, like denominated in dollars for example, which are swapped into Swiss francs but swapped on a long-term basis.

Peter Eliot, Kepler Cheuvreux: Thank you very much. Peter Eliot from Kepler Cheuvreux. First of all, just to follow up on Jon’s question on the investment spreads but specifically with regards to German Life, you showed that that's now at naught basis points effectively. Just wondering if you could sort of comment on your thoughts whether you're concerned about that at all.

Secondly, on the prior year developments, you're tracking I'd say quite clearly a trend that the half year releases are always much more than the full year. I was wondering if you could comment on sort of the seasonality or the drivers of that.

And perhaps thirdly on the Solvency, the sensitivities as well as reducing the downside, you seem to have removed the sort of skew that was there to the downside before. The interest rates falling was much more sensitive than interest rates rising, so just wondering if you could comment what you've done there around that.

Gérald Harlin: Okay. Let's start with the investments. So, roughly speaking, you remember that I just told you that we have been reinvesting €45 billion at an average of 2% in the first half. The question was that we invested that 2.1%. In U.S. dollar, we have been investing at 2.6% and in other currencies; Japanese Yen, Swiss francs, on average, 1%. We can expect to have the same type of differential for the second part of the year.

As I told you, we have been quite successful in achieving on average 2% because for sure the corporate debt is lower. Everything equal, we have been investing on average at 2% and the corporate debt average rate has been 1.6% only. But we have been investing in ABS, in mortgage, in infrastructure and so on, which are each time relatively small elements but adding together, it's quite, in the end it's increasing the average rate.

Last but not least, we have been investing in high yields, but you notice that I said that we didn't deteriorate the average portfolio. The only high yield investments that we made were in short-term duration yield. May I remind you that this type of asset is short-term asset, less than two years, which means that we have a good visibility in it. And just look at the spreads. Those spreads compressed a lot over the last – at least in the first part of the year, which confirms that there was a strong appetite for this type of asset.

Last, third part of your question was about the sensitivities, but I'm not sure I understood the question.

Peter Eliot, Kepler Cheuvreux: The full year sensitivities, your sensitivity to interest rates declining 50 basis points was I think -8 points and + 50 basis points was +2 points.

Gérald Harlin: Yes.

Peter Eliot, Kepler Cheuvreux: Or even now.

Gérald Harlin: Yes. But it's a matter of convexity. So that means that it's after – when rates are going lower, you can imagine that in our projection, we don't assume that rates could go as low as - 10%, so that's more or less this. That means that in the model, generally speaking, you take the lowest level, - 50 basis points roughly. So you understand that at one level you are not very far from the lowest point. That's something quite easy to understand. I tried to summarize it, but that's the way it works. That's why we moved down from -8 points to -5 points on the decrease of 50 basis points.

Thomas Buberl: Another question was on prior year developments, half year, full year.

Gérald Harlin: Yes. Prior year development, half year, full year, it's interesting to go to the slide, which is on page B36. You can see here the development and you have the historic trends. There is no fundamental difference between half year and full year. You can notice that last year, we had +1%, but keep in mind that we have the negative mainly coming from Turkey. We are at 2.1% I would say more or less. We told you that we were between 1% and 2%, so we are still within. You can notice as well that on the lower part of this slide, that we still have a high level of reserving ratio and confirming that our prior year reserve development are not at the expense of a sound level of reserving.

Peter Eliot, Kepler Cheuvreux: Following up quickly on the sensitivity question, if and when you were to move to modeling negative rates, would that have an impact on that?

Gérald Harlin: It would. Okay. First of all, let me precise two things. In Solvency II, there is on the numerator side: the available financial resources and the short-term economic capital on the denominator side, corresponding to the requirement. As far as the numerator is concerned, we model the negative rates. That means that if rates are at -70 basis points, like in Switzerland, we take -70 basis points. So as far as the denominator is concerned, yes, we don't take yet the negative rates because it was a discussion, a complicated discussion at the beginning when we put this in place with the regulators, and look I believe that it is the same for Allianz.

But at the same time, if we would model such type of negative rates, it would widen the duration gap. In such a case, we would shorten the duration gap, which would offset some part of the negative impact. So I don't have any calculation, but I could say that it's few points, but I don't anticipate that it would be something major. We don't plan to do it this year, that's what I can tell you.

Thomas Buberl: Let’s move to the other side.

Nick Holmes, Société Générale: Nick Holmes of SocGen. Two questions, please. The first on P&C, wondered your expense ratio has gone up to 27%. Wondered if you could give us a bit of color on that, the reasons for that? And whether you think that you can move it back down to 26%?

Second question on Life, and wanted to ask about Unit-Linked and your outlook. Clearly, I mean to be specific, do you think if markets move sideways, this is going to be a constraint on your shift to capital light? And how are you going to deal with that? Thank you.

Thomas Buberl: So, I'll give Gérald a quick pause, and I'll take those two questions. The first one on the, in large, on the expense ratio, if we look into the detail, it comes from a few geographies. It comes from emerging geographies in the old MedLA region, particularly on Mexico, the Gulf, and some in Italy. It is mainly related to acquisition costs, and it follows the old logic if you want to grow, you have to invest, and if you want to invest, you need to invest in distribution.

So your second question was around will the expense ratio come down? If you remember what I said earlier, we want to save €2.1 billion till 2020, and we want to grow selectively, by that definition, yes, the expense ratio will come down.

The second part is on Unit-Linked. When you look at the market, today it's a very difficult market obviously. But the underlying trend of people wanting and needing to save for the retirement has not changed. And this is often a very long-term view. Given those two components that people want to and have to save, that people do not like volatility, and that people still want to have a yield for their retirement savings, the extremes of the markets are not in fashion anymore. So pure guarantee with no upside is not what the customer wants, but pure risk for the customer is also difficult often in these difficult markets.

So we expect a shift to the middle, where you have Unit-Linked with guarantee, partial or full guarantee on the premium, so that the customer has both a certain guarantee but also an upside on market changes and you've clearly seen that in the numbers that the biggest increase in the new business production was on the capital light general account and it is also where we put all our effort in terms of innovation of Life products and where we steer the market because that's what the customers want.

Nick Holmes, **Société Générale**: Thomas, can I just have a very quick follow-up, which is the expense ratio you say that should reduce. Can you give us any feel of a timescale and what your sort of target would be? I mean, 26% you achieved over a period of something like five years. Do you think you can get it down to 24%, that sort of thing, over the next five years?

Thomas Buberl: Look, I mean, the €2.1 billion is a gross figure. So in this you have an avoidance of increase of expenses, so with normal salary inflation and extra reduction in expenses. We are not doing this in a way that we were till 2019 and then deliver all of it. It's a program that is year-by-year. Gérald, I don't know if we have figures where we show exactly how the expense ratios move.

Gérald Harlin: No. But, anyway, keep in mind that we have roughly – the €2.1 billion is roughly a bit more than €400 million per year. In the first half, you remember that we started the program in mid of the first half. We are already at €160 million out of, let's say, a bit more than €200 million. So we will comply with it. I remind you that we announced that our combined ratio should be between 94% and 95% as a target in 2020. And Thomas told you that we confirm absolutely these figures.

Thomas Buberl: Let's stay on this side and move one to the left or right from your side.

James A. Shuck, UBS: Hi. So, James Shuck from UBS. I had three questions, if I could. The first one was on the organic capital generation, the Solvency II capital generation. You show 8 points at the first half, which is obviously annualizing at the bottom end of your recently lowered target, which is the 15 points to 20 points you've indicated. But my question on that number is that has that been updated for current economic assumptions? Or is that based on 2015 year end assumptions? That's my first question.

Secondly, I'd also like to return to the German Life margin spread issue, please. You've got 3.5% guarantee, so the current yield is at 3.5%, so the spread is zero. So obviously, the reinvestment rate is going to come down. So could you just comment on whether you see the spread turning negative, what the size of the RFB reserve is, and where you are in terms of the duration matching on the German Life book, please?

And then thirdly, just a more conceptual one; one thing about the Solvency II ratio is, and the sensitivities up here that strikes people is clearly the credit spread sensitivity, which is de minimus. There are reasons for that. Obviously, U.S. equivalence is one, and the application of the volatility adjuster is the other. At the end of this year, you'll have to disclose the legal entity Solvency II ratios without any kind of dampeners at all. So my question is kind of how do you think about credit risk in the context of your Solvency II ratio? And can you tell us what that number is excluding volatility adjuster, please?

Gérald Harlin: Okay. So the first one is on Solvency, and your question was about the organic generation of capital. And remember what we said when we presented it, it was in December. We said it would be between 15 points and 20 points. Here it's 2 time 8, it is 16 points, without any doubt in the low end of the range. And taking into account the low interest rate environment, you can take this as an update. That means that we said that it would be between 15 points and 20 points depending on the outlook of the interest rates, while the low end of the interest rates, so presently we are roughly in the low end. And you can consider that 7 points and 8 points correspond to the level for the first half, and that for the full year it could be around 15 points.

James A. Shuck, UBS: Just to be crystal clear, so 8 points is based on interest rates prevailing at H1.

Gérald Harlin: Yes.

James A. Shuck, UBS: Thank you.

Gérald Harlin: So, second question is about Germany. Yes, about Germany, we said that yes, without any doubt, we are 3.5%. You noticed in the past presentations that Germany was the tightest margin, I could say. But we are well matched. Like all entities in the Group, I can tell you that in Germany we have a duration gap, which is lower than one year, and we don't make a lot of margin on it. Why? Because the margin is coming from elsewhere. The margin is coming also from the protection product. So that's the way it works. So I have absolutely no fear on Germany, on that side, on the ALM side. The last question is about the VA.

James A. Shuck, UBS: Are you able to tell me the size of the RFB reserve, please?

Gérald Harlin: Which one, sorry?

Thomas Buberl: RFB, RFB reserve of Germany.

Gérald Harlin: The RFB reserve, we don't communicate on the individual reserves, but we have global reserves, and at the Group level we should be at €10 billion. But we don't give this individual number.

And the question is on the Solvency II ratio and the credit spread. Anyway, the VA, the VA is something which exists. So I remember that we had the question, at the time it will be mandatory, we will communicate on the Solvency II result without the VA. But the VA is not something which will disappear tomorrow. And I believe it's quite interesting. We have a lot of companies who didn't apply, on day one, the Solvency II. That's what we call the transitional.

So imagine that the VA will disappear. One second. Immediately, what would happen with all the entities? That means that you would have two regimes; the one who applied, who asked for a transitional and the other one, which could be considered as virtuous or relatively virtuous, applying from day one Solvency II, they'll be penalized. So that's something that is worthwhile being analyzed. That's why personally I don't have so much fear that VA will disappear so quickly. That's my view.

So your question, as you said, it's a bit philosophical. My answer is extremely practical, because I believe that it wouldn't make sense. And remember, it was in the spirit of Solvency II when two years ago, three years ago, we were discussing about Solvency II, maybe you remember that at that time we said look at the matching adjustment, the matching adjustment in the UK which is not limited to the UK, it mostly applies in the UK but also in Spain, and the objective was really to match and to have the same spread on assets and liabilities. And I don't believe that it's in today's intention of the regulator to change this.

Thomas Buberl: Maybe just looking in addition to the German Life business, if you remember at the Investor Day, we have also put one big effort around inforce management in the chapter focus on capital management. Germany was one of the first markets where we have implemented this in a very strict manner. So this is where we will continue as well to move ahead. And the RFB, we do not publish, but the RFB quotes have significantly increased in the time when we have been working on inforce management.

Michael Huttner, JP Morgan: Thank you. Michael Huttner from JP Morgan. I had four questions, please.

One is on Turkey, whether you can give us some figures today so we can judge how much improvement could come still there?

The second is on cash flow. I still feel I'm very new to AXA. There's no figure here, and you clearly published it at the year end and it's a main target and I just wonder if you can give a bit of feel for how it's developing? The same for embedded value and now you might say, well, it's not relevant, and I'll accept that. But if there's any indication, that's quite nice. And the reason I ask that is just to tease you a little bit. Your peer at Allianz has written a nice big book where he says MCV, that's the figure.

And the final point is on non-Life, and this is a bit philosophical. So your competitor on Friday reported much better numbers in non-Life combined ratio. They have a shrinking business. Yours is expanding. And conceptually, one always thinks, well, if you grow non-Life, you tend to initially capture the more volatile drivers or cycles, isn’t it?. And so your business gets a little bit worse. How do you think about that, combining growth which may not be great with a targeted combined ratio which at the moment is going a little bit the wrong way? Thank you.

Gérald Harlin: As far as Turkey is concerned, I would say that we didn't increase past reserves over the first half. You remember that we had a drag in our earnings which were more than €200 million last year. I mentioned to you that we increased our prices by 160%, which is quite strong. We can consider that now pricings are at the right level. We have a market share which is 15%, which dropped, and it was a move that was absolutely voluntary. I could say that, in the first half, we had a combined ratio of

110%. Why? Because we could not increase prices on the 1st of Jan, unfortunately, so it's been spread over time. And we can expect that the second part of the year will be better.

Last but not least, maybe you noticed that there has been some relaxation of the rules, because as far as all these price increases are linked to MTPL and the MTPL business we had a significant part, majority of policyholders with bodily injury, or their family went to court. And there have been some relaxation of the rules that should be applied to what we see in the future, what will happen. So that's what I can tell you.

About cash flows, no, as you know, we don't publish cash flows in the first half. What I can tell you is that nothing for the time being in terms of dividend, in terms of remittance ratio and so on and so forth makes me feel any problem. We don't publish embedded value as well and unfortunately publishing on the 3rd of August it would be difficult with embedded value on top. But who knows, in the future. So that's it, but no, without any joke, I encourage you to go to the embedded value report of last year. We can go through it offline and you will see the sensitivities, and with the sensitivities I believe that you will have a good approximation of where we are today.

On Life, I would say, yes, that's quite obvious, but that's why I mentioned, look, in Direct we are at + 6%. And nevertheless in Direct at + 6% we have a current year combined ratio which is quite stable, so it's quite good. But for sure I believe it's quite obvious, many times we mention this Group is not managed like a run-off and tomorrow, it won't be a runoff.

Thomas Buberl: Run-off is the most profitable activity. Andrew?

Andrew Crean, Autonomous: Hi. It's Andrew Crean with Autonomous. Two questions.

Firstly, as you get into Solvency II, can we expect any capital optimization plans to improve the coverage ratio in the second half? And also could you discuss a little bit about any dividend blockers in any of your subsidiaries, any areas where you find it difficult to get capital out?

And then secondly, the tax rate was 21% in the first half of this year versus 25% first half last year. What is the long-term tax rate which we should plug in for you? Because that's what delivered the flat performance this year.

Gérald Harlin: Okay. So capital optimization, yes, we are always working on capital optimization, Andrew. Remember, I believe I got this question in December when we presented our Solvency II ratio and I said, as far as Europe is concerned, at least Europe, what we want is to limit, as much as possible, the level of solo capital between 130% and 150% at the local level. We are not there yet, but you can imagine that in an environment where rates are low, that supervisors are not extremely quick at answering positively to such items. Nevertheless, we have different ways to deal with it. It will take time through reinsurance and so on and so forth. So it's a never-ending move. And we will do everything that is possible in order to optimize it.

About your question on capital, yes, there are some countries where the capital consumption is quite strong, starting first with Japan. Japan is a very nice business, extremely profitable because it's mostly on Protection & Health. Nevertheless, capital requirements are quite strong. Why? Because we have a regime which is not at all linked to Solvency II. As you know in Japan, when rates are going up, the level of capital is going up as well, which is a bit counterintuitive. So, in Switzerland as well, as you know, the Swiss Solvency Test is quite strong, the requirements are more strong than in Solvency II.

So, yes, and we are working on it and working on different solutions in order to optimize it. And when time will go, we'll share with you and exchange with you on all the initiatives, but there is no big bank. There is no initiative that will be taken in the fall. No, it's something that will be progressive but you can be sure that it's on top of my mind.

Thomas Buberl: Tax rate.

Gérald Harlin: The tax rates are decreasing, at the same time. Some time ago, very often, we said it should be between 24%, 25%, but keep in mind that tax rates are declining in different countries. I believe that it's not finished yet and that we will have other countries where rates will go down. So, 21% is not a one-off. So, taking into account what we discussed before on the tax one-off excluding this, no, it's the normal rate. But we can go into more granularity with you if you want.

Andy Hughes, Macquarie: Hi. Sorry, it's Andy from Macquarie. Couple of follow-up questions on reinvestment, still trying to get my head around the 2%, I am afraid. I think you said that the bond reinvestment rate was 1.6% in the half year. And if I look at the chart and obviously see the government bonds probably yielded less than that, given they're AA, so the 16% that's ABS and below investment-grade to get you to 2% from the 1.6% and a bit less on the other bit, it's got to be around 5%. Is that kind of around right, those sort of maths?

And on the CDS increase in the half year, so obviously, at the end of the year, you're at €4.4 billion of net CDS position. At the end of the half year, it's gone up to over €8 billion. And I'm just wondering, is that already reflected in this chart? So, obviously, you use that as synthetic, a bond investment, say? Or is that a kind of additional overlay? Because that's almost 10% of the reinvestment.

Gérald Harlin: No. It's not an additional overlay. You understand that when you have a – it's a way – effectively, you are right to invest in a synthetic bond. So the way it works is that when you have an existing sovereign, for example, instead of selling the sovereign, realizing a huge capital gain, and then which would not represent, because when we don't have any mismatch, it won't mean anything. So it's better to sell a CDS, so that's what we do. But it's small at the scale of our Group. When you compare it with the €600 billion investments, it's relatively small.

Andy Hughes, Macquarie: I think the increase is surprising because....

Gérald Harlin: Yes, it increases why, because we are optimistic. When you have sharp moves in the interest rates, people first invest in futures, next in cash, and CDS like this one. They are not so much arbitrated. So from time to time, when it's an opportunity for us to gain 10 or 15 basis points, we take this opportunity. That's what it means.

And let's be clear, it's not leveraged at all because it's just a way to optimize it, taking into account and keep in mind that we have a significant part of our, 83% invested in fixed income, which are still in sovereign bonds and high-quality sovereign bonds, including Bunds and so on and so forth. So don't expect this figure to move at a very high level because it wouldn’t make any sense. At the same time, there are some shortcomings. You have to pay the collateral, you have to pay the margins and so on and so forth. But from time to time, when there are sharp moves in the market, it's an opportunistic move.

Andy Hughes, Macquarie: And on the 5% reinvestment math?

Gérald Harlin: Yes. On the reinvestment rate, so you were surprised by the investment in the first half. On average, in corporate bonds which are rated A. So it's not AA. It's an investment in corporate bonds which are more in A and BBB+. What we try to avoid is investing in BBB- because there would be a risk of downgrades. And in such a case, the cost of capital would be huge.

And I believe that I shared with some of you already on this, in the investment team, we have a Group Credit Team, which is separated. And it's not at all part of the two Group Asset Managers. And this team of roughly 20 people, they are working on analyzing the risk. So that means that we have 75% of our corporate bond risk which are analyzed on a periodic basis, re-assessing with internal ratings. Why internal ratings? It's also part of our governance, part of the Solvency II approach. And as much as possible we try to optimize it, so consider that the investment in corporate debt in the first half was more in the A, for some of them in BBB+.

Paul De'Ath, RBC: Hi, there. Paul De'Ath from RBC. A couple of questions, please. Firstly on M&A, obviously forms part of your Ambition 2020 strategy. Would you be able to give any kind of update on how things are going on the M&A front? What kind of things you're looking at? And also whether you're seeing much competition from some of your peers who are also potentially out there looking at some of these targets?

And then the second question is semi-related, just your recent deal with Alibaba, it was announced a couple of days ago, are you able to give any more color on that in terms of how it works? Have you had to pay in order to get that distribution? Or essentially how the financials of that might work going forward? And how much of a big deal it might be for you in the future? Thanks.

Thomas Buberl: I'll give you a break again, Gérald. So on M&A first, we have clearly said we want to invest in M&A. Our budget is €1 billion per year. And we want to focus our M&A activities on the areas where we want to grow. We expect this to be smaller to medium-size deals, not large deals anymore like it used to be in the past because our global scale is there. We don't need the big deals anymore. This market is however very difficult because it's very competitive and you see premiums being paid where, yes, one can ask oneself if that's reasonable or not. We are actively looking all the time. We are actively screening files. But we will be very selective on what we are engaging and what not.

The second question on Alibaba, Alibaba has obviously looked out for a global insurance partner and has addressed us. Why us? Because we are, as I said earlier, one of the most diversified insurers with a very, very global presence. The issue Alibaba has at the moment is that there are many of their customers that are traveling outside of China, they desire protection for their travel which we can provide.

The second issue with Alibaba obviously has a lot of trade relationships with SMEs, both inside and outside of China. And they are also looking for protection. This is the initial stage of this agreement. You were asking this question, how does it work? What is the business model and what's the financial outcome of it? A little bit too early because as you might have seen in the press release, it's a memorandum of understanding which for us is a very big step because as you can imagine it was not easy to get to that deal. The next phase now is about the implementation. How does it work? Who is doing what? And how does the business model work? As soon as we are a little bit further, I'm very happy to answer your question when we are at this stage.

Blair?

Blair Stewart, Bank of America Merrill Lynch: Thank you. Its Blair Stewart from BofA Merrill. I've got three questions too. The first is Hong Kong, can you give an update as to when the new product is up and running and the impact that that might have.

Secondly, you talked I think in the past, Gérald, about some debt restructuring around possibly buying in some hybrid and issuing senior. Has the environment put that on the backburner for now or is that still a plan? And I guess, thirdly, we've not had a question on Brexit. So that's the one thing that has changed since you announced your plan.

How does that impact your thinking of those aspects that are not under your control that you talked about earlier?

Thank you.

Thomas Buberl: Good. So let's do a shared response. So, I will take Hong Kong. Gérald, you take debt restructuring. And luckily we've got the CEO of UK and Ireland here, Amanda Blanc, who will comment on the immediate effects of Brexit, given that she represents the UK and Irish business.

So on number one, Hong Kong, maybe to give you a little bit of context, Hong Kong is a very big market for us in Asia. We used to be very successful in Unit-Linked business. As you know, the regulation has changed at the beginning of last year, which led us to a fact that we need to reposition ourselves into a world of a more capital light business.

You also know that the competition is very high in Hong Kong. And we have already introduced the new product, if you meant by the new product was the new Life product, which is in direct competition against the other market runner, provided by Prudential. We see success in the sales of this product but as you can imagine, it takes some time to readjust our agency sales force from a very focused on Unit-Linked sales force to a sales force focused on general account in a capital light way. But we are on the way, and we are very pleased with the initial results that we have seen, which means also that we are going to continue product innovation in the Hong Kong market. Debt restructuring.

Gérald Harlin: On debt restructuring, maybe you can go to page B61, which is the appendix on the maturities. So we have, in 2016 and 2017 altogether, €3.3 billion roughly of debt maturing. Most of them are sub-debts. In the first half, we have been starting this refinancing, as I explained. We did it €1.5 billion in Tier 2 at quite an attractive rate, we were at 3.5%. And the point, we did €0.5 billion in senior recently in June. For the rest, I cannot tell you. Really it will be opportunistic, it will depend on the market, and it will depend on the opportunities these days. You know, there is such an appetite for high quality bonds, including subordinated bonds that there might be opportunities that won't be missed. So really it will be opportunistic. I cannot tell you exactly what we will do, but going back to your question, Blair, yes, we put in place what we said since 20-25% of the refinancing of the first half were done in senior and not in sub.

Thomas Buberl: Amanda, on Brexit?

Amanda Blanc: Okay. So I guess there are three points. They're points that we've already discussed around market volatility and interest rates which I think have been well covered by Gérald and Thomas already. The second point is around the industry issues around passporting and freedom of services and all of that sort of stuff and we obviously actively involved with the Association of British Insurers on how we interact on those points and get our points across to government. And the third point, I guess is the most important point which is the potential impact on the business of a revived economic assumption.

What does it do to our customers? The businesses, you know: the businesses that import, export. And I guess we're working through the various assumptions in terms of that from a more positive economic growth assumption to a slightly more negative economic assumption around the confidence that businesses have to invest in their businesses, in people. And individuals, how in terms of buying things and we're actively working through that at the moment. But I guess the biggest worry is on the things that we can try and control which is what are the economic impacts for us as a business.

Thomas Buberl: Thank you, Amanda.

Blair Stewart, Bank of America Merrill Lynch: Okay. I guess the question was also directed at the kind of wider knock-on effects. Interest rate is lower for longer. Does that lead you to be at the higher end of the drag on interest rates or even worse than that? And in an environment where your earnings are growing at a lower pace than perhaps expected or hoped, does that make managing the dividend payout more important for you?

Thomas Buberl: I mean, as I said in my introduction, when we did the plan and when we looked at the financial scenarios we did include a possibility of Brexit even though we didn't want to think about it. Now it is reality and therefore we are still in the range of the plan, which means we still feel very comfortable and do everything to deliver the 3% to 7% growth in underlying earnings per share.

Blair Stewart, Bank of America Merrill Lynch: I sneaked a question of dividend in there. I don't know if you heard it but you didn't answer, anyway.

Thomas Buberl: The dividend question is related to that where we also made a very clear guidance. Not clear enough? No, I mean to be very clear, we have said that the dividend payout range will be between 45% and 55% if we are in the range of the plan.

Last year we were at 47% so at the lower end of this range. There's still upside potential. And we will clearly make sure that we have an attractive dividend story, particularly given that we have a very good cash flow pattern between €28 billion and €32 billion over the plan period.

Any more questions in the room before we maybe go to the webcast questions that there might be? No questions. Ah, there's one.

Andy Hughes, Macquarie: So, this is Andy at Macquarie again. Sorry about this. So when I look at the AXA Equitable filings for Q1 and the year end, in the 10-K, they basically showed a utilization of withdrawal benefit assumption in the start reserves, which was a range of 0% to 16%, and it dropped to 0% to 8% at Q1. So what kind of utilization rate are you assuming in your reserves for the GMIB fixed product that hasn't gone through the buyout process, that remains on the balance sheet? Is it that kind of range? Or is it significantly higher than that? Thank you.

Gérald Harlin: It's the same. So that means that it's in line. Your point is on GMIB, and if I well understood, it's on the annuitization rate. So the annuitization rate has been low, it's still very low. There has been indeed a slight adjustment at the end of last year because we were assuming an annuitization rate that was higher than the reality. What I can tell you is that for the time being we are still extremely conservative on the way we assumed our annuitization rate. But you know, very often we spoke from the policy behavior because -but it is long run. And as far as GMIB, we are doing well. And we consider that we are extremely well reserved. But let's wait in order to see whether we'll draw more consequences in terms of reserving or not.

Thomas Buberl: And this is also related to customer behavior. If you look into the customer studies, they are very stable over time because the typical pattern of somebody who is retiring is let's get the cash, let's divide the cash, and then let's plan what is the annuity I want or what is the freedom on cash, be it for my holiday, be it for the children. So this pattern has not – has been very stable over time. And since the customer behavior and customer patterns move very slowly over time, we feel confident to stay at where we are today.

Michael Huttner, JP Morgan: So still trying to find a little bit more about the dividend. So, Gérald, I think its, I can't remember if it was the Solvency or full year, you kind of said one of your ideas would be to reduce the intergroup debt and so to use part of the cash flow for that, which would lead possibly to lower progression of the payout ratio. I just wondered if you can give a bit of an update on that. Thank you.

Gérald Harlin: Look, yes. I remember that we said that maybe we could reduce the internal debt but it wouldn’t lead to a payout ratio that would be lower. I will repeat what was said just before by Thomas. We committed on €28 billion to €32 billion. So that is a certain level. If we published it and we said that we confirm our plan, it's because we're comfortable with this. That means that, you remember what we presented a few months ago. We said, okay, the remittance ratio will still be within the 75% to 85%. I even said that we could imagine to have also a bit more capital reduction in line with the previous question that was raised by Andrew. So it's still true.

But there is no direct link between this and the payout ratio. If your question is do you believe that there is a risk that by repaying some internal debt you would impair the capacity to improve the payout ratio? No, because it's something completely different. It's managed on the long run and so on and so forth. There is no threat on that side.

Thomas Buberl: Any further questions?

Thomas Buberl, Incoming Group CEO, AXA

Doesn't seem to be the case. In this case, I would really like to thank you for coming here today, for participating actively with your questions. And I wish you a great summer and hope to see you soon. Thank you.