AXA Group 2018 Half Year Earnings Presentation Press Conference on August 2, 2018

Contents

Introduction

Thomas BUBERL

Hello everyone. Welcome. I am happy to welcome you to this presentation of AXA Group Earnings for the first half of 2018. Last year, 2017, was one of structuring choices. At the end of this first half, we can say that 2018 is the year of action. The acquisition of the XL Group, the IPO of our US business, the signing of innovative partnerships with Uber and ING – all of these examples illustrate that, over the course of the first six months of 2018, AXA has clearly demonstrated its ability to execute its strategy. For me, this is a huge source of satisfaction and I would like to thank the AXA teams for this achievement. When it comes to global competition, I am convinced that what will make the difference is the ability of companies to implement their strategic decisions.

This deep transformation is being built on very solid results. In the first half, we achieved organic growth of 3%, making it the most dynamic first half we’ve had in five years. We also obtained a very strong operating performance, with underlying earnings and adjusted earnings up by 9%. Lastly, we have a very solid balance sheet. In particular, our Solvency II ratio rose by 28 points to 233%. All of these achievements are the result of actions we have taken in our geographies and preferred segments. We’re pleased with the balance we have achieved between our earnings performance and the acceleration of our transformation. In fact, this is the rationale for our Focus & Transform strategic plan.

Our new organization has already begun to bear fruit. Gérald Harlin will provide further details on our earnings a bit later but looking at the bigger picture, what do we see?

AXA's regional base is comprised of our five geographies, all of which are contributing to the Group's profitability. I would also like to highlight the strength of our French and European businesses, which are demonstrating day in and day out that we have growth potential even in mature countries, provided we know where to focus our efforts.

The performance in our preferred segments illustrates the relevance of focusing on clearly-defined priorities. Among the target segments that we have chosen for our Ambition 2020 plan, we are showing very good sales momentum: revenues for our P&C Commercial lines are up +2%; Health revenues are up by +7%; Protection APE is up +10%. And this growth is profitable, as illustrated by the improvement in the combined ratio in each of these segments. These solid numbers show the acceleration in the transformation of our product mix towards products that are more profitable and where we can add value for our customers. Overall, we are generating profitable growth, we are accelerating the transformation of our product mix, and our balance sheet is very solid. We are perfectly in line with the Ambition 2020 plan.

You already know the four main financial objectives of our plan. We are currently positioned at the high end of our objective ranges, notably with respect to underlying earnings per share, which is up by 6%; as well as with respect to adjusted return on equity, 15.6%; and with respect to the Solvency II ratio, which has risen by 28 points to reach 233%. This level is, of course, temporary, and Gérald Harlin will elaborate on that later. During the first half of 2018, we turned in a good performance. But we have to deliver solid results, and profoundly transform the Group. As for this last point, I believe that the first half of 2018 will go down as a very significant moment in the history of AXA.

We have completed several major transactions aimed at transforming the Group's risk profile. To reduce our exposure to financial risks, we floated a minority stake in our US operations. This major transaction was a success on three levels: first, we completed the deal in a very short time. Second, we managed to sell all the securities we wanted to sell between 20 and 35% of the total, and third, we raised the funds we needed to help finance the acquisition of the XL Group.

To reduce our exposure to financial risks, we also reorganized our Swiss Group Life business in April. This move allowed us to recover additional cash of 2.1 billion euros. Yesterday, we announced the potential divestment of our European Variable Annuities vehicle for 1.2 billion euros. What both of these transactions illustrate is AXA's financial flexibility.

In the first half of 2018, the change in the Group's risk profile was all the more significant in that it was accompanied by a major strategic investment with the acquisition of the XL Group. With this acquisition, we have become the world leader in Commercial Property & Casualty insurance. Our two groups are very complementary. Our combination will offer businesses expertise and strong value-added offerings. It will fuel AXA's earnings and growth in the years to come. For several months, we have been focusing on the integration process. We're moving fast in this area. We have secured the financing of the acquisition. The impacts of XL Group's potential CAT risks have been reduced by 40% compared to 2017. A new leadership team and the brand identity of the future AXA XL entity has been announced. - The synergies objectives have been confirmed. The deal will close in the second half of this year.

All of these operations are key steps in our transformation process. However, they alone do not comprise all of the transformation work going on at AXA. This transformation is also illustrated by a genuine digital revolution that is bringing us great opportunities, as attested to by the number of innovative partnerships we have forged. Digital platforms are revolutionizing the way we can reach customers and meet their new needs. They also allow us to maintain more frequent contact with them instead of being limited to the narrow role of the bill payer. This is why AXA intends to become the preferred partner of the platform economy. Our ambition is reflected this year in the way we strengthened our partnerships with Uber and BlaBlaCar for protecting independent workers in the digital sector and supporting new modes of mobility. We have also signed an important partnership with ING to build the future of digital insurance solutions. These initiatives reflect our ability to bring innovative products to millions of new customers that align with their lifestyle.

This is AXA today: a very solid group that is fully engaged in the process of transforming itself into a major insurance group of the 21st century.

So now I'll hand the microphone over the Gérald Harlin, who will give you a more detailed presentation of our earnings.

Group Business Performance

Gérald HARLIN

AXA Group Deputy CEO and CFO

Hello everyone. As you know, since this year AXA is organized into five geographic areas: France, Europe, Asia, the United States, and International. I refer you to page 27 of the presentation document, which provides a detailed list of the countries that fall within each of these geographic areas. I will present earnings information today in accordance with our new organization.

Let's start with France. AXA France had an excellent first half. Underlying earnings rose sharply, by 9%, to 816 million euros, mainly reflecting an improvement in the technical margin, particularly in Property & Casualty, despite the increase in expenses related to natural events and higher management fees for Unit-Linked products driven by a higher average asset base. The combined ratio for Property & Casualty improved, to reach a very good level of 93.7%, an improvement of 0.6 points. In Life, the NBV margin was 30.7%, down 4.1 points, reflecting a business mix that was more focused on Group Health insurance products. New Business Value is up by 5%. Revenue growth was a very strong 8%, with revenues reaching 13 billion euros, mainly driven by dynamic sales in capital light G/A Savings products up +25%; Health insurance products up +12%; and Protection up +5%. APE rose by 19%, driven by Health and capital light G/A Savings.

Moving on to Europe, underlying earnings rose by a strong 10%. For the first six months of 2018, underlying earnings reached 1.27 billion euros, thanks to the improvement in technical margins across the board, in particular for the Life business in Switzerland, Health insurance in the UK and Ireland, and Property & Casualty insurance in Spain. As in France, note the excellent level of the Property & Casualty all-year combined ratio in Europe, 93.9%, an improvement of 0.6 points. For Health, the ratio improved by 1.2 percentage points, to 96.2%. From a profitability perspective, the NBV margin remains high at 54.2%. Revenues increased by 3%, to 21.7 billion euros, reflecting the strong recovery in Italy +21%, with the higher sales in capital light G/A savings and Unit-Linked and the dynamism of preferred segments, notably in Commercial Property & Casualty insurance, +3% in Ireland, the United Kingdom, Switzerland, and Germany; as well as in Health, +4%. Lastly, APE was up by 6%, thanks to strong growth in Protection sales +11%, mainly in Switzerland, and in Unit-Linked products 19%, mainly thanks to the recovery at BMPS in Italy.

Let's move on to Asia now, where we are the first multi-line insurer in the region. Underlying earnings increased by 4%, to 544 million euros, mainly driven by higher Unit-Linked management fees in Hong Kong, a higher technical margin in Japan, and higher earnings in China. The all-year combined ratio in Property & Casualty increased by 1.1 points, to 96.5%. The lower frequency of automobile claims for Asia Direct was partially offset by the higher costs associated with the repositioning to more profitable products. In Health, the combined ratio improved by 0.7 points, to 77.7%, mainly driven by the improved claims experience in Japan and the portfolio shift in Indonesia towards more profitable products. The product mix improvement strategy in China and Thailand maintained the new business value margin in Asia at 66%. NBV rose by 4%. In Asia, revenues increased by 3%, to 4.3 billion euros, with Japan +3% and Hong Kong +8%, as the main drivers of this growth. These two countries also pushed up APE +4%.

Let's move on to the United States, where we have major news: we completed an IPO last May at the New York Stock Exchange, floating a minority share of our US Life & Savings and asset management business. This major step in our transformation, and naturally had an impact on the level of underlying earnings I am about to present to you, which decreased by 8% to 465 million euros. It is stable excluding the reduction in the holding rate following the IPO involving AXA Equitable Holdings, Inc. And if we exclude the non-recurrence of exceptional tax effects in the first half of 2017, it is up by 30%. These are solid underlying earnings in the United States for the period, driven by higher United-Linked management fees, a higher GMxB hedge margin in Life & Savings, and from higher fees and an improved cost income ratio at AB, our asset manager. For AB, net flows amounted to -8 billion euros. Revenues increased by 11%, to 1.3 billion euros, and the cost income ratio improved by 4.9 points, to 71.6%. US APE was up by 4% and the NBV margin was 21.7%, down 1.6 points, mainly reflecting a less favorable business mix.

The International region recorded an increase in underlying earnings of 2%, to 210 million euros. This increase is attributable to higher earnings in Russia, Turkey, Mexico, and the Gulf region. The combined ratio in Health improved by 3.1 points, to 99.3%. The NBV margin increased by 7.7 points to 33.5%, while the New Business Value rose by 31% to 41 million euros. As for the Property & Casualty all-year combined ratio, it was maintained at 100.1%. Revenues for the International region rose by 3%, to 3.4 billion euros, an increase that reflects growth in Mexico +12%, particularly in Health and Property & Casualty Commercial lines, and good commercial dynamics in Turkey and Poland.

In addition to these five geographic entities, AXA has transversal entities. For AXA IM, whose results are mentioned on slide 18, underlying earnings rose by 10% in the first half of 2018, to 139 million euros, driven by higher revenues and higher underlying earnings for our Asian joint ventures. This entity recorded net inflows of 13 billion euros, reflecting temporary cash inflows related to the financing of the XL Group acquisition. As for net inflows in third-party client business, it came to 4 billion euros. Revenues rose by 5% and average assets under management were up 4%, to 641 billion euros. As you recall, AXA IM announced a reorganization project last June, in order to simplify its structure and bring it closer to customers. We believe that this operating model is the most relevant and will allow AXA IM to maintain its growth as well as its level of competitiveness.

I'll turn now to the Group earnings overview. Group underlying earnings rose by 9%, to 3.3 billion euros. This figure, significantly above the consensus, reflects the good performances of all our geographic regions, with higher technical margins and Unit-Linked management fees partly offset by lower non-recurring tax items. Underlying earnings per share, which is one of the key financial objectives in our Ambition 2020 strategic plan, rose by 6%, i.e., toward the top of our target range of 3% to 7%. Adjusted earnings, the indicator on which our dividend distribution policy is based, rose by 9%, to 3.6 billion euros, reflecting higher underlying earnings and higher net realized capital gains. Net income for the period fell by 11%, to 2.8 billion euros. I would like to point out that if we exclude the one-off impact of the change in our Group Life business in Switzerland that was announced in April and the one-off expenses arising from our IPO transaction involving a minority stake of our US operations, the Group's net income is up by 5%.

Our balance sheet indicators once again attest to the strength of the Group. Shareholders' equity stands at 66 billion euros, down by 3.6 billion euros compared to December 31, 2017, reflecting the impact of dividends paid to shareholders, a decrease in unrealized gains on financial assets, and the IPO involving AXA Equitable Holdings Inc., which was only partially offset by contributions from net income and favorable currency effects. Our Solvency II ratio stands at 233%, compared to 205% at the end of 2017. The increase is due to the good net operating performance, the positive impact of the listing of AXA Equitable Holdings, and the subordinated debt issued in anticipation of the acquisition of XL Group. By the end of the year, after the acquisition of XL Group is completed, we should return to between 190 and 200%, which is squarely in the middle of the target range set by the Ambition 2020 plan. As for ratings, recall that S&P Global Rating confirmed its long-term financial strength rating of AA- for the Group's main operating entities last July 10th with a stable outlook, removing the negative credit watch it had placed on the Group. Fitch did the same on May 24.

Slide 22 illustrates the asset allocation backing our balance sheet, at market value as of June 30, 2018. There is little significant change in 2018, and our assets amount to 597 billion euros. As for the breakdown in our investments, it remained broadly stable, mainly geared towards government bonds and high-quality corporate bonds. Our allocation policy is guided by our desire to match our assets with the commitments we have made to our policyholders. In total, the average reinvestment yield on our bonds in 2017 is 2.4%.

Thank you for your attention. Now, I'll hand the microphone back over to Thomas Buberl, who will wrap up this presentation of our half-year earnings.

Conclusion

Thomas BUBERL
AXA Group CEO

During the first half of 2018, AXA delivered a very strong operating performance, with strong growth in underlying earnings per share – at the top of the Ambition 2020 target range – and dynamic organic growth in the geographies and preferred segments. The Group has also significantly accelerated the pace of its transformation. As I said in the introduction, these announcements are a great source of satisfaction for us: we are convinced that the difference between companies will be based on their ability to implement their strategic decisions. After having made the strategic choices in 2017, we have made 2018 the year of action.

I'd like to thank you for your time and attention today. We're now ready to answer any questions you might have.

Q&A Session

Giuliana LUCINI, AP Italy

Could you give us additional information on Italy in terms of both operating performance and the relationship with BMPS? Are you concerned about the political situation in Italy and Europe? Have you recently decreased your positions in the financial sector in this country, especially with regard to Italian government bonds?

Thomas BUBERL

Thank you, madam, for your question. With respect to the political situation in Italy, elections always generate instability in a country and this generally causes some volatility in the markets. Naturally, we are paying close attention to how the political situation in Italy is evolving. I'd note that the situation has stabilized. It remains to be seen what Europe's response will be to American and Chinese initiatives. An insurer maintains a long-term perspective on its actions. In this area, we see some strong growth opportunities in Italy, particularly in the corporate risk sector, and the acquisition of the XL Group will allow us to expand our skills as well as in the healthcare sector, which is still very nascent in Italy.

Antimo PERRETTA, AXA Europe CEO

Italy is a very important country within the AXA Group's Europe region. I am satisfied with the good level of growth we have posted there. The growth we achieved with BMPS was +36% in the first six months of 2018. In the agency segment, growth was +15%. This suggests that we have good products on the market. They are seeing real success and they meet the needs of our customers. Our partner, meanwhile, managed to solve the initial problems it was facing. Italy is playing an important role in the Group's digital transformation. In sum, I am very satisfied with the good performance of our business activities in Italy and the excellent relationship we have with our partner MPS.

Gérald HARLIN

As of June 30, 2018, we had Italian government bonds in our portfolio amounting to 20 billion euros. This amount is unchanged compared to last year. Our diversification strategy allows us to hold onto these securities without having to sell them. As a reminder, these are unrealized capital gains acquired when rates were higher than current levels.

.

Laurent THEVENIN, *Les Echos*

What is the amount of the charge related to natural events in France? Do you anticipate, with the current heat wave, a possible risk of drought?

Jacques de PERETTI, AXA France CEO

As far as natural events are concerned, we have not had a good year so far, recording 160 million euros worth of cat nat claims in the first half of the year, compared with 110 million euros in the first half of 2017. This 50 million euro difference impacted our combined ratio by 1.4%, which we offset thanks to a significantly improved current loss experience. And although a period of drought is on the horizon, there is no reason to assume it will last and therefore no reason to talk about a heat wave. At present, I have no evidence to confirm that this will have the same impact as the heat wave of 2006 or 2007. So given the lack of evidence, I can't confirm that this period of drought will have an impact on claims in 2018.

Lionel GARNIER, *Le Revenu*

I would like some clarification on your reinvestment policy: you say you are reinvesting on average 2.4%. Does this correspond to your expectations? Are you not tempted to invest in riskier assets? I would also like to ask you about unrealized gains. You say the level is down for the first half of 2018. What kinds of unrealized capital gains have decreased?

Gérald HARLIN

Our reinvestment rate is 2.4%. We had invested on the basis of a rate of 2.1% in 2017. So I think I can say that the level of these reinvestments is stable. As for whether we can adopt a more aggressive management strategy in the coming years, it doesn't seem to me that we should be asking the question in this way: we are subject to Solvency II regulation, which means that we have to place a certain amount of capital behind every asset. So we always look at the asset with the best return on capital. We believe that the current level is optimal. On average, our bond portfolio is single A. We don't intend to increase the level of risk on our overall asset portfolio.

As for unrealized capital gains, the decrease is due to the increase in spreads we have seen since the beginning of this year, which has led to a decrease in capital losses on bonds.

Lionel GARNIER, *Le Revenu*

What's the current level of your unrealized capital gains?

Gérald HARLIN

It was 16 billion euros at the end of 2017 and currently stands at 13.8 billion euros, including nearly 11 billion euros worth of government bonds. Conversely, in the case of corporate bonds we went from 2 to 0.8 billion euros in six months. As for equities, we are unchanged at 2.5 billion euros. In addition, there are 4.7 billion euros worth of unrealized capital gains that are not included in our balance sheet. Overall, this represents more than 18 billion euros in unrealized gains.

Mathieu PROTARD, Reuters

I would like to ask you about the situation in the markets. The ECB has confirmed that it will not raise rates before the summer of 2019. How do you anticipate this situation in the management of your investments and your balance sheet?

Gérald HARLIN

The ECB's decision to gradually increase rates is good news. Indeed, we are more than 80% invested in bonds. So, the new bonds we will reinvest will be higher. This decision is also very good news for our solvency ratio. As we indicate in the presentation, our solvency ratio gains five points when interest rates rise by fifty basis points. We will always have a duration gap between assets and liabilities. This gap is 1%. We believe this is an element of good management. So, we will fully benefit from the ECB’s decision.

Thomas BUBERL

Thanks for your attention. Have a great summer.