AXA 1Q19 conference call

Transcript

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1Q19 ACTIVITY INDICATORS – CONFERENCE CALL TRANSCRIPT

Andrew Wallace-Barnett, Head of Investor Relations, AXA

Good morning everybody, and welcome to AXA's conference call on our activity indicators in the first three months of 2019.

I am pleased to welcome Gerald Harlin, our Deputy CEO and Group CFO, who will be taking you through the highlights of the release and will be very happy to take your questions afterwards. Gérald, I hand over to you.

Gérald Harlin, Deputy CEO and Group CFO, AXA

Thank you Andrew. Hello and good morning to all. Thank you for joining this call.

As you can see from yesterday's release, AXA has delivered another strong performance for the first 3 months of 2019. Our total gross revenues grew by 3% at Group level. Importantly, we grew strongly again in each of our three preferred segments. P&C Commercial lines revenues were up 6%, Health revenues +6% and Protection APE +5%.

Our balance sheet remains very strong with a Solvency II ratio at 190%, well within our target range of 170-220%. You would have noticed couple of weeks ago that Moody's changed its outlook from negative to stable. All three rating agencies now have us on AA- equivalent with a stable outlook.

Let me now take you through the details of the activity for each of our geographies.

In France, total gross revenues reduced by 2%, impacted notably by lower sales in Life & Savings business. It was a challenging quarter for Unit-Linked sales in France following adverse financial market conditions in 4Q 2018. Our Unit-Linked APE was down 24%, in line with the overall French savings market. However, with improved market conditions we would expect to see this recover. Our Eurocroissance product in France continues to sell well, contributing to a 12% growth in G/A Savings capital light APE for the quarter. Overall in France, we grew in our preferred segments with P&C Commercial lines revenues up 1%, Health revenues up 7%, and Protection APE up 9%.

In Europe now, total revenues grew by 2%, notably driven by a 4% growth in both P&C Commercial lines and in Health. All countries contributed positively to the growth in these lines.

Life & Savings operations in Europe were impacted by our strategic decision undertaken in Swiss Group Life to shift from full-value insurance to semi-autonomous contracts, leading to a decrease of 5% in APE. Excluding Switzerland, APE in Europe increased by 7% following strong sales in Germany, Italy and Spain.

Moving to Asia now. Growth in the region was strong for the quarter, with APE up 23%. Two major trends. First, our Asian current engines are performing well with new business strongly up in both Japan (+22% APE) and in Hong Kong (+14% APE) due to successful Protection product launched last year. We would expect some slowdown in Japan APE in the next quarters due to changing regulations which would impact one of our key products. Second, our Asia High Potential entities delivered a strong growth mostly in China. As you know, we record some seasonality in terms of new business growth due to the Chinese New Year sales. Even though the NBV margin for these single premium products is low, we also sold regular premium and protection products which is very profitable, and the overall NBV margin for China was 17% for the first quarter of 2019. So promising results in Asia, with an overall increase of 7% in New Business Value.

Let's move now to AXA XL. AXA XL recorded a strong quarter of selective growth, with revenues increasing by 7%. Let's go through the details. Revenues in P&C Insurance grew by 16%, with higher volumes particularly in North America and International Professional lines. This includes a large contract in North America Professional. Absent this contract, P&C Insurance revenues would have increased by 10%. We also grew by 4% in Specialty, with higher volumes and positive price effects in Political Risk and Energy, while we remained selective in Marine and London Wholesale. Reinsurance revenues decreased by 2%, with lower volumes in Property lines, reflecting reduced Cat exposed business, partly offset by increased volumes in Reinsurance Specialty lines. Price increases for the quarter at AXA XL were 3.3% in Insurance (of which 4% at XL and 2.5% at ACS) and 1.5% in Reinsurance. Pricing momentum is building across most lines, the signs are very encouraging on that front.

Moving briefly to the US now. AXA Equitable Holdings recorded good growth in the first three months of 2019 with an overall revenue growth of 5%. Life & Savings APE was up 3% mostly from higher sales of SCS, our non-GMxB Variable Annuity product.

We also continue to be very successful in our International businesses, total revenues were up 6% with once again a strong focus on our preferred segments. P&C Commercial lines increased by 7%, mainly in Mexico, Brazil and Turkey. Health grew by 10% from positive volume and price effects in Mexico and increased sales in the Gulf.

Lastly AXA IM. Revenues were impacted by the adverse financial market conditions in 4Q18, which combined with a less favorable business mix, led to a decrease of 7% in revenues.

Now moving on to our Solvency II ratio, which as I mentioned earlier was at 190%. This is well within our target range of 170-220%. The change vs. December 31 was driven by a number of different factors which impacted this quarter. I start with the negative impacts: -3 points from unfavorable market conditions, mostly lower interest rates, -3 points from EIOPA changes on both UFR and reference portfolio weights, -3 points from the effect of transitioning XL entities from the Bermudian equivalence to the Solvency II standard formula. Then the positives: +2 points of strong operating return net of accrued dividend for the quarter; +2 points from our latest sell-down of AEH shares in March; +1 point linked to the forex as Euro depreciated vs. main currencies over the period.

So, to conclude, AXA delivered a strong performance in the first three months of the year, very much in line with our stated priorities. First, we grew our topline overall, with particularly strong growth in all our preferred segments. Second, we are progressing well on the integration of XL. AXA XL grew revenues by 7% in the quarter, notably with discipline and selectivity in Reinsurance, and with a positive outlook in terms of pricing across the board. Third, the successful sell-down in March and the subsequent deconsolidation of AEH was key, and this means that we are very much on track for our deleveraging targets.

I am now ready to take your questions.

Q&A SESSION

Operator We have a first question from Peter Eliot from Kepler Cheuvreux. Sir, please go ahead.

Peter Eliot | **Analyst** Thanks very much. The first thing I wanted to ask was on Switzerland actually. I guess your Swiss L&S revenues were down 9% on a comparative basis. But I was wondering if you could give us the reported basis. But I don't think we have the number from last year. I would be useful to see the move. And I guess on that, now that you've got the benefits of seeing what the initial impacts have been, I'm just wonder whether if you could give us any further insights into your thoughts on the earnings impact and the outlook for the remaining business there?

Secondly, there were a couple of areas where there were quite big swing. I was wondering if you could give a bit more commentary. France Health was down 30%. You said on the non-repeat of exceptionals. I wasn't aware of what those were so I was just wondering if you could confirm. Japan, Hong Kong Protection, very, very strong. I was just wondering if you just could elaborate a little bit on what had caused that. And Germany Motor down 5% seems quite a lot. Again if you had any comment, that would be very helpful. Thank you very much.

Gérald Harlin | **Deputy CEO and Group CFO, AXA** Okay. So let's start with Switzerland. In Switzerland, what I can tell you, Peter, is that remember last time, we said at the time we we announced GL 2020 (Swiss Group Life transformation) that the impact would be Euro -20 million in term of earnings. So nothing tells me today that we are not in line with what was said at that time. Second, on Switzerland, you can see that on a reported basis, we are at -29% in term of revenues. And you can see it on page 13 of the press release. So I could say that as far as Switzerland is concerned, it's absolutely in line with what we expected. So that means that we transformed, as you know, our business model in Switzerland in Group Life from full value to semi-autonomous. And the retention was achieved with a retention rate of 90% of corporate customers which was more or less what we expected, and we still expect to upstream CHF2.5 billion in 2019, 2020 and 2021[1]. So that's mostly it.

On the big swings that you mentioned, Peter, and starting with France Health at -30%. So as you know, the revenues growth in France is driven by Group business in both domestic and international markets but as well as Individual business. Health APE growth was very strong last year in the first quarter of 2018, it was +39%, and it was mostly coming from Group International business and most notably from the initiation of a partnership that we had with Oscar in the US in first quarter 2018. But as well the initiation of the coverage of couple of states in India, leading to a high comparison, high watermark, I would say for the first quarter of 2019. As you know, new business from last year continues, and it will continue to contribute towards revenues this year and APE, by definition, reflects new business written during the period. But anyway, we still expect to have good growth in terms of Health in France and across the board throughout the Group.

And your second question was about Japan and Hong Kong and on Protection. It's mostly, as explained in our press release, it's mostly coming from the Savings products in China but as well as Hong Kong and Japan. In

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[1] During the call, the cash upstream was mentioned to take place in 2020 and 2021. This has been corrected here in the transcript.

Hong Kong and Japan, you remember that we have - in Japan a tax savings product, which was a Protection product, combining Protection with Savings. It has been extremely successful last year but there has been at change in the tax legislation, which means that we cannot expect going forward such a strong growth. And as far as Hong Kong is concerned, I would say that we have a very good start of the year in Hong Kong, and that it's explained and shows the recovery of our Protection business in Hong Kong.

As far as the Germany Motor is concerned, as you know, there is a global environment, which is a quite competitive environment in terms of pricing, and we decided not to go along with this price competition, I could say and we priveledge our profitability, that explains why we were at -5% in Germany Motor. I'm not worried by this -5%, this is the price to pay to get a strong profitability.

Peter Eliot | Analyst Okay. That's great. Thanks very much. If I could just come back very quickly on Switzerland. The Euro 20 million that you gave last year, I think my understanding was that it was in respect of the investment spread, which you would no longer get. I don't - I understood it was sort of based on the same volume of business. So I'm just wondering if the loss of impact of businesses had any impact on that. And on the 29%, the 29% was on the total. It was the L&S in particular I asked you, but I could follow-up with IR.

Gérald Harlin | Deputy CEO and Group CFO, AXA Yeah. No. - but what I can tell you is that the Euro 20 million that we announced, I remind you that the profitability of the group pension business in Switzerland, it was more than 75% coming from Protection margin and the remaining part being investment and the investment was more and more declining for quite obvious reasons. So I confirmed this figure.

Peter Eliot | Analyst Okay. Thanks a lot.

Gérald Harlin | Deputy CEO and Group CFO, AXA Thanks

Operator Next question comes from Andy Sinclair from Bank of Americal Merrill Lynch. Sir, please, go ahead.

Andy Sinclair | Bank of Americal Merrill Lynch Thanks. Andy Sinclair from BoAML. Three for me as usual, if that's okay. Firstly, just wanted to give us a tiny update on timing for getting XL on to your internal model. Secondly, to stay on XL, I just wondered there's no news on loss experience and the release for Q1. In Q3, you gave an update so maybe a slightly tougher period. And should we see no news as good news and this was just a fairly normal quarter? And thirdly, just continuing on Japan actually again. Just what proportion of business in Japan is affected by the regulatory changes that you mentioned? Thanks.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. So as far as the timing of XL internal model, we still are expecting to move to the internal model by the end of 2020. You know that it takes some time because we will build our internal model in 2019, and we will then present it and we should get it validated by the ACPR, by our own supervisor, and it will take a while. That's why it will be by the end of 2020.

The loss experience of XL, I would say that, as you know, we don't comment on the claims' activity for any of our entities. But I could say that, overall, we believe that the first quarter was broadly normal, at least in terms of Cat for AXA XL.

Then on Japan, it's roughly 30% of the activity. So that gives you an idea. It's 30% of APE. So meaning that it was 30% of APE, and it's much lower in terms of topline. And hence, I don't anticipate any negative impact you know on the bottom line.

Andy Sinclair | Bank of Americal Merrill Lynch That's great, much appreciated.

Operator Next question comes James Shuck from Citi. Sir, please, go ahead.

James Shuck | Citi Hi good morning James Shuck from Citi. So three from my side. First question, just returning to XL. Gérald, I think you just said you don't tend to update on kind of profit experience in the quarter. I mean, it would be helpful to get some kind of update on XL on a more regular basis I think just going forward certainly in terms of Nat Cats and man-made losses. If I hear what you said around Nat Cats I think you said that they were broadly neutral in the period. Do I assume that's also the same for man-made as well because a number of peers have seen adverse results in Q1 largely due to man-made rather than Nat Cats. So just keen to understand that experience at XL please. Secondly, on Hong Kong. Hong Kong, you saw very strong growth in Protection. However, the overall margins stayed the same. Now I would have expected Protection margins to be much stronger so just surprising not to see that coming through as an improved margin. Thank you.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. As far as XL is concerned, I would say that there have been, as you can see, some man-made disasters in the first quarter of 2019, notably in Marine and Aviation. By definition, these man-made disasters can be lumpy by nature. And we see no evidence of the trend for the time being. And as a whole, I would say nothing material at the scale of our Group. That's what I can tell you.

On Hong Kong, you mentioned the Protection margin. The NBV margin in Hong Kong was quite stable because last year we were at 43%, now we are at 44%. I am referring to the NBV margin. So it's quite stable. So that means that just in order to get such a high level of NBV margin, it confirms that the proportion of Protection is pretty strong. So let's be clear most of our growth in Hong Kong is not from Savings. It's quite obvious that the Protection, the APE in Protection was +56%, the Savings is much lower, and it was -45%. And globally speaking, it means that the Protection content, which brings most of the value, is quite strong. And as I told you at beginning just focus on the NBV margin, 44% before versus 43% is satisfactory.

James Shuck | Citi I think. I guess so the margins in Protection would be higher than they would be on the General Account Savings product, and therefore, to see such a strong improvement in the Protection sales in the period, I would have expected the margin to actually improved. So it hasn't, and that I don't really understand why.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. Let's be clear , the Protection, what we report under the Protection for Hong Kong? It's mostly Protection with Savings. So on a constant basis, we did our best to limit the pure G/A Savings products because you know that if there is a strong competition in Hong Kong and with very high illustrations presented to the clients and we focused on Protection but Protection is a combination. When you have a pure Savings product, you have an NBV margin, which is maybe 20% and you can get this 44% only combining with a strong content as a strong percentage of Protection.

James Shuck | **Citi** Okay, thank you very much, Gérald.

Operator Next question comes from Michael Huttner from J.P. Morgan. Sir, please, go ahead.

Michael Huttner | **J.P. Morgan** Perfect thank you very much and well done. This is amazing stuff. The first question is on leverage. I wonder if you could give us a bit of an update on the the progress, I know you reiterated that you're on track. But maybe you could say where you are at now. What you're thinking about. I'm particularly thinking about these debt tranches in XL which could be redeemed at any time of course with the useful notice periods.

The second is on the Azerbaijan theme. So you stopped selling - you have your reasons that's absolutely fine. But I just wondered if there's any - you can give us an update on how you see that portfolio of smaller countries. Are they performing so well that you want to keep them all? Or are you having another think, where we are at in this process?

And finally on the XL. You said reinsurance premiums in Nat Cat were down. And I just wondered if you could give us an update on what this means for the Nat Cat exposure. I have in mind that figures Euro 1.5 billion plus or minus Euro 500 million. Thank you.

Gérald Harlin | **Deputy CEO and Group CFO, AXA** Okay, Michael. So let's start with the leverage. So you remember that last year, we ended 2018 with a gearing ratio of 32%. We mentioned, and we confirmed in November and then in February when we presented the last year accounts that we were expecting to be between 28% and 25% at the end of 2020. Since then, I would say, by the end of March, we sold the equivalent of Euro 1.3 billion of AXA Equitable Holdings stock which means that we will deconsolidate as soon as the end of the present quarter, at half year. That means at the end of June. And it means this deconsolidation will lead us from 32% to 31%. This doesn't take into account the proceeds of Euro 1.3 billion and the equivalent would lead to 30%. And what I could say is that I'm quite happy to say that we are well positioned in order to achieve this. I cannot tell you. I said last year that we would be at 28% in case we wouldn't sales any further AXA Equitable shares. If I woud say the same, we would be between 27% and 25%. That's what you should keep in mind. So really, it's a very quick deleveraging, and I'm quite happy, and look what I said in my introduction from the rating agencies. The fact that we are now at AA- confirms the strength of our balance sheet, and I am extremely happy from this situation.

The smaller countries, so as you can see the smaller countries are behaving extremely well, and it means that when you take the performance of these countries - as a whole International geography it’s at +6% in terms of revenues and I would say this is mostly coming from countries like Mexico, and Mexico is doing extremely well in Health as well. And as well from, I would say Columbia, the Gulf and Turkey. Turkey is behaving extremely well, and it's a good recovery. So about your question – it didn't change. Of course, there are some very - some strongly performing countries and it's our intention to - I said, 2 years ago, that these countries should be managed for profits. And so long these countries are managed for profits, I have no problem, and we'll keep it. So nothing changed on that side. I'm quite happy to report strong performance on key countries of International.

Then you had a question on XL and I would say the reinsurance part. And so I could say that on the reinsurance side, voluntarily I would say we decided to slightly decrease our exposure. What we said and what I explained just back in February about our exposure is still the same. That means that we still have a 4% normalized Cat load, it's still valid. But I believe that on an opportunistic basis, we decided to reduce sales in Cat exposed property lines in Reinsurance and it's what our shareholders are expecting from us and you can expect us to remain disciplined in terms of underwriting going forward. It's an illustration of our discipline. But at the same time, I'm quite happy to report that nevertheless we are +7%, which means that as far as XL is concerned, it's really a focus on the most profitable lines. On top of this, as I said, we still are expecting price increases, which is a good sign because we see pricing momentum building across many lines, which is a good news. And we are not the only one to report this. Just refer to our main comeptitors, it is the same message.

Michael Huttner | J.P. Morgan Brilliant. Thank you very much. That's lovely.

Operator Next question comes from Jon Hocking from Morgan Stanley. Sir, please go ahead.

Jon Hocking | Morgan Stanley Hi, there morning Gérald. It’s Jon Hocking from Morgan Stanley. I've got three questions please. Firstly, on France. The fall in Unit-Linked we saw in the sort of first quarter as you say, a reaction to the volatility in the fourth quarter. Given your experience how quickly does that take to reverse given very strong market conditions in Q1?

And then on XL, a couple of questions. The comment that you just made in terms of reducing the property Cat exposure in Reinsurance and to what extent do you also have Cat in the Property book outside of Reinsurance. Are you trying to reduce that as well? And then just finally on XL. I just wondered what the logic was for writing a multiyear contract, given that we seem to be going through a period of positive rate momentum? Thanks.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. Jon, as far as France is concerned, I would say that I expect that there will be a recovery. Look, the European equity indices are back to the top and If I extrapolate to what happened in the past there is always a lag effect, and that's why I'm not worried, and we are still expecting a significant growth going forward. So I'm really expecting a recovery on that side. I just wanted to highlight one point, which is the strong performance of Eurocroissance. I remind you that Eurocroissance is not exactly a General Account, because you cannot surrender before 8 years. So if you surrender, you surrender at the market value, meaning that you have more leeway for investing in risky assets. And really, what we have been achieving is that, you know, that the government wants to develop it quite strongly because today it’s Euro 2 billion of AUM in France and the ambition is to multiply it by 10. That's the ambition of the government going forward. And for us we have growth in Eurocroissance by more than 100% in the first quarter. So it highlights just the fact that we are pragmatic. That we means that when we are not only dependent from Unit-Linked. When we have, due to market declines, some slowdown in the Unit-Linked, then we have some alternative products and that’s a good illustration. So on that side, I believe that we will recover.

On XL, I would say that this multi-year contract, it is just because we wanted to mention it, because the multi-year contract is not - I'm not expecting this Professional contract in itself to have a lot of potential risk. It's not a

4-year Cat contract do not misinterpret it. I just flag it because so long that we take the whole premium upfront, I said that instead of 7%, we would have been at 5%. And the objective was to be fair on the real level of growth, and so that's it. But this, I don't have any worry at all from this contract and I'm not expecting volatility coming from this contract at all.

Jon Hocking | Morgan Stanley Thank you. And then on the Cat exposure in the non-Reinsurance part of XL?

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes. But nothing specific. I believe that the global trend is the same. Meaning, that we try to marginally reduce this Cat exposure in line with our own risk apetite. That's what you can expect from us going forward. And I repeat what I said. I think that the Cat environment up to now has been quite in line with what we could expect.

Gérald Harlin | Deputy CEO and Group CFO, AXA Right thank you very much.

Operator Next question comes from Farooq Hanif from Credit Suisse. Sir please go ahead

Farooq Hanif | Credit Suisse Hello good morning everybody, it's Farooq Hanif from Credit Suisse. Just returning to XL for two questions and one question on China. Can you just talk about some of the logic of your business mix change in XL? So I get that your shareholders want to reduce volatility. But pricing conditions in part for Property Cat are very, very good. And if you start to see the middle of the year in US Reassurance renewals also good pricing, would you not take the opportunity there? So are you just on a general reduction of the Reinsurance business? Or would you be opportunistic? Secondly, do you comment on the further news on staff departures and kind of chief underwriting roles at AXA XL and your concern, if any around that?

And lastly, could you comment on growth in China Direct P&C now that you have 100% ownership? Just what the trends are there? Thank you.

Gérald Harlin | Deputy CEO and Group CFO, AXA So I would say that on Property, if you take the example of North America Property, roughly speaking, we were flat so it's not a real decline. And I agree with you that the profitability is good but more generally we have been growing on lines which are profitable, take the example of North Americal Construction +8%, and you know that it's a very profitable line. And I could give you many examples like this on North America Professional, it is the same and so on. So globally speaking, we cannot say that today - I said that the price environment is improving but I would not say that it's a strong and hard market. It's not the case yet. Which means that taking into account our own criteria in terms of profitability, I would not say that the Property and the Property Cat business, taking together Reinsurance and Insurance is at a level where we would like to increase. So I believe that we walk the talk, that we had some tailwinds, I would say because the price environment is better than before. But there is nothing new, and it's not a shift in what - compared with what we said a few months ago, not at all. We have a risk appetite, we stick to this risk appetite, we have some guidelines that we shared with you in terms of expected losses in 1 in 10, 1 in 20 years, and we stick to it. And that's it and besides this, we are honestly a bit opportunistic also, and we are trying to push on lines where we benefit from strong rates increase and from what we can consider a good profitability.

As far as the departures are concerned, you are referring of course to Convex and to the fact that following the set-up of Convex, some people left. But it's an handful of people. We have 9,000 colleagues at AXA XL and so a handful of people leaving is not impactful for us and we have every day good people who have approached us recently. We are the number one in the Commercial Lines, so we are attractive, and people are interested, and we are attracting top talents. And last, I would say that, for the time being, Convex is a lower rated business, and of course, they will be a competitor, but we are not playing in the same - they will have to compete with us, they will be down on the slip. So we cannot compare such a company with us. But to stick to your questions, Farooq, no. We are not at all worried by this handful of people leaving.

On China, let's be clear, we didn't close the business yet. The closing will take place, you know that is it always long in China. So it will take place a bit later in the year and so we cannot, I would say, draw the lessons from our recent acquisition because it's too early. So let's wait a bit. I remind you that our objective is still the same in China for P&C, which is to combine a strong and quite good profitable Direct Motor business with inbound calls. In order to do these inbound calls, it's necessary to invest in adverts. And for the time being, not being the majority shareholder it didn't start yet. And the second ambition is to develop strongly our Health business. So these are the two strategic domains that we want to develop, and please wait a bit before drawing conclusions, and of course, we will update you on a regular basis on our achievements.

Farooq Hanif | Credit Suisse Great, very helpful as always, thank you very much.

Operator Next question comes from Nick Holmes from Société Générale. Sir, please go ahead.

Nick Holmes | Société Générale Just a couple of questions. First is on XL. I wondered how the cross-sell of XL products to AXA's corporate customers is going?

And then second question on China. With ICBC, just wondered have you got the right balance between profitability and sales? I know this has been an issue in the past. And obviously, you've made a lot of progress in the first quarter. Wondered is there more progress that you can make to improve profitability? Thank you.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay Nick, thank you for your questions. So cross-sell to customers. So you remember that it's part of our synergies, it is out of the USD 0.5 billion pre-tax of synergies. These cross-sells that you are referring to should represent USD 0.1 billion. As I said in our previous calls or presentations, it's the idea that will take a bit more time - whereas I'm comfortable that the expense synergies will be spread over 2 years and within two years, we should be done. Here, it will take more, let's say three years. And the program for this year was relatively small compared with the global objective. I can tell you that taking into account the present ramping up, we are on line. So that means we are in line with our expectations. So quite confident. It will take time. I remind you that it will be spread over three years. So the most important part of this synergy will be in 2020 and in 2021. But as far as the 2019 program is concerned, we are on track.

On China. ICBC you remember Nick that we have 27.5% of ICBC AXA. We have always, we did our best in order to privilege profitability. Just last year, the NBV margin on ICBC was 32%, if I am right. And as mentioned in my introduction for the first quarter, we are at 17%. So does it mean that it is worrying? No, because I remind you that traditionally, the first quarter production, the first quarter new business is Savings business, pure Savings business. And then we stop the Savings business to switch to more Protection. It's exactly the same framework today. Could we do more? For sure, we can do more. And could we improve the profitability? It's still our ambition to improve the profitability of ICBC AXA, yes. But don't take this first quarter as the indication of the global profitability for the year.

Nick Holmes | Société Générale That's great, thank you very much. Just one very quick follow-up, just very briefly with the XL cross-sell plans into AXA. Can you very, very briefly just give us a flavor for the types of products that you think have potential?

Gérald Harlin | Deputy CEO and Group CFO, AXA It's a type of product that could be sold in some Specialty products without any doubt, some Professional. We have SMEs, you know that the need for D&O in Europe is always increasing. And there will be also Cyber. So that's the example of the type of product that we will sell. So in other words, of course we will privilege products which are quite profitable. And so that's mostly it.

Nick Holmes | Société Générale That's great, thank you very much.

Operator Next question comes from Niccolo Dalla Palma from Exane BNP Paribas. Sir, please go ahead.

Nicolo Dalla Palma | Exane BNP Paribas Good morning everyone. Three questions from me. First one would be last one on XL. Could you help us with a pro forma gross earned revenues of last year just to help us with the base to start from, which we will see the like-for-like this year as we are learning the seasonality of the gross premiums?

And secondly, if I may, question back on cash, actually based on the reporting of Full Year but taking the opportunity now. So we see in the Annual Report that internal loans at the Holding increased by Euro 6 billion year-on-year compared to Euro 3.5 billion of cash on hand that you use for the transaction. Could you just confirm that the intention is still to rebuild Euro 3.5 billion ? And that you don't need to rebuild Euro 6 billion of cash? Because we clearly can’t see what's happening at the intermediary Holding levels. So would just confirm that's the case. And secondly, on the cash from Switzerland. Again, in the Annual Report, you mentioned that it will come over the next three years. Does it mean that some of the Euro 2 billion slips into 2021? Or is it just, let's say, the original statement reported back into the report? So you still expect the Euro 2.2 billion coming by 2020?

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. So Niccolo, as far as XL is concerned, what I could tell you is that roughly speaking, unless I misunderstood your question, but your question was much more what percentage did you achieve roughly? And what the seasonality? So roughly speaking, I could say that in a quarter, we did one third. That's what you should keep in mind, roughly speaking. So one third of roughly the annual production has been done in the quarter.

Internal loans. I remind you what I said. In other words, one other way to explain it is that, when I said that if we sell the totality of AXA Equitable Holdings, if we sell the totality of the remaining shares, then roughly speaking, I could say that the 25% assumes that roughly speaking internal loans will be back at the same level as before.

And that's the buffer that I explained before. So nothing changed on that side. So the 25% is 25% assuming that roughly speaking, we would back to a pre-XL acquisition's financial situation.

Switzerland cash. No, I don't expect that it will switch to 2021[2]. I'm still expecting roughly 50% this year, 50% next year.

Nicolo Dalla Palma | Exane BNP Paribas Thank you very much, it is very clear.

Operator Next question comes from Ralph Hebgen. Sir please go ahead.

Ralph Hebgen | KBW Hi guys good morning. Ralph Hebgen from KBW. Just one question left for me. It's a bit of a technical thing. I was just surprised to see the premiums in one quarter for AXA XL up at Euro 6.1 billion. But if I exclude that one contact you wrote in North America and if you exclude the contribution from Corporate Solutions in AXA and AXA Art as an estimate, maybe I get to something like in the region of Euro 5 billion in gross premiums earned for what is basically the XL stand-alone business. And this is basically my question. If you look at the historical accounts of XL when it was a standalone business, that number, the run rate was more like an equivalent of Euro 4 billion in the first quarter. So my question was down to seeing it looks as if there was Euro 5 billion for XL standalone in the first quarter 2019 versus what I believe is a run rate of Euro 4 billion. So is there anything which you can add or explain why that dynamic occurred? Are there any perhaps translation? Is it just going on the premiums represented under IFRS? Or was there anything else which might have inflated that production in the first quarter?

Gérald Harlin | Deputy CEO and Group CFO, AXA No, I believe you have this exceptional premium and we would be back from 7% to 5%[3].

I would say that this represents roughly 33%. I don't believe that it was fundamentally different the previous years. But keep in mind as well that the Reinsurance part, roughly speaking you have 50% of the Reinsurance which is written at the beginning of the year. So that explains the seasonality effect. I could say that, except this, we are more or less pro-rata. I would say that January represents maybe 25%, roughly 25% of the year. And then you have the contribution mostly of the traditional lines. But I hope it answered your question. We could go into more detail. There is no mystery. And we can follow-up with you, Ralph, on the detail of 2018. But honestly, there is nothing specific there, but there is the seasonality linked to the combination of the business, which is more or less linear but with a quite significant share of the premiums in January and with the Reinsurance business where clearly it's 40% of the business, which is written roughly in January. That's more or less the way I would explain it.

Ralph Hebgen | KBW Okay that's lovely. Thank you very much indeed.

Operator Next question is from Johnny Vo from Goldman Sachs. Sir, please go ahead.

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[2] Most of the cash will be upstreamed in 2019 and 2020. A small portion should be upstreamed in 2021.

[3] During the call, the revenues growth in 1Q19 at AXA XL excluding the significant multiyear contract was mentioned to be "4%", instead of "around 5%". This has been corrected here in the transcript.

Johnny Vo | Goldman Sachs Thanks very much. Just a couple of questions. Just in terms of, you know obviously, you're seeing some reasonable growth in the XL business. But I guess that's from a topline perspective, how should we think about the evolution of the topline translating into the bottom line? So the growth is there. How will that translate into bottom line for this year and going forward?

In terms of the Reinsurance business. Clearly, you're obviously changing the scope of that business somewhat. Is the Reinsurance part of XL still core to the Group? Or is this potentially surplus to supply?

And the third question is we see further liberalization in the Chinese market. I know that you've recently bought out your joint venture partner. But does this potentially change your attitude to the Chinese market in terms of opportunities?

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay, Johnny. So XL reasonable growth and your question is how it translates into the bottom line. I just wanted first to remind you that we have an objective which was shared with you in November last year, which is to achieve 95% combined ratio for AXA XL, meaning XL plus ACS plus AXA Art and a contribution to underlying earnings of Euro 1.4 billion. So we didn't change it, and I believe that we are doing everything in order to achieve it and this plan and this topline and this evolution, and so on, aim at achieving this goal. We consider it as a firm commitment. So that's mostly it. Keep in mind that roughly speaking, and you can make your own math, but roughly speaking, if we would more or less normalize, because we got, some of you asked the question in February, roughly speaking, with a normalized Cat loss, we had a combined ratio which was close to 99%, between 99% and 100%. And the improvement is all the synergies, the synergies starting first with the cost synergies. It's USD 0.3 billion pre-tax, and then we have also reinsurance synergies, USD 0.1 billion. Then we have the revenue synergies, USD 0.1 billion that we discussed before, that would be spread, that will go beyond 2020. But the impact shouldn't be very high. And then we have also the asset side. And as I said answering the question in February, we can expect to have synergies - yes, improvement, I could say, improvement of USD 0.1 billion. And on top of this, we can expect, roughly speaking, to improve, to achieve the 95%, roughly 2 points of combined ratio improvement and all these business mix and the evolution that you can hear and that we are commenting today are part of this improvement.

Is the Reinsurance part core? Yes, it's core. And we have been clear on this. It's not because we want to adjust to improve our profitability mix. We want to be selective and that's the reason why in Cat we went down but it is core. I remind you as well that the attractiveness of this Reinsurance business is also in Insurance Linked Securities and Cat bonds, meaning that when the profitability on the Cat side is not sufficient in order to remunerate the volatility, then we can transform part of this business into a fee business, which is just the model originate to distribute, just like in asset management. So that's the reason why I repeat that for us it is core.

Liberalization in China. Johnny, I could say that for the time being I repeat what I said before answering previous questions. So we are just in the process of closing our move from 50% to 100% in AXA Tianping, the P&C business. We have 27.5% of a JV with the number one bank in China. So for the time being, we consider that it's good. And moreover, I could say that we have to improve the profitability of this business, as I explained before. So that's what I can tell you. And we will see in the future. But for the time being, our roadmap is clear.

Johnny Vo | Goldman Sachs Okay, that's brilliant, thank you.

Operator Next question comes from Oliver Steel from Deutsche Bank. Sir, please go ahead.

Oliver Steel | Deutsche Bank Good morning Gérald. Just one question from me, which is looking through the Property Casualty price increases. Both at XL and in the rest of the Group, to what extent are these price increases beating claims inflation?

Gérald Harlin | Deputy CEO and Group CFO, AXA I could say that, Oliver, if your question is globally, is your question on the Commercial lines? Or on the Personal lines?

Oliver Steel | Deutsche Bank Well, let's start with the XL first of all.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. for XL, yes, that means when you have the present price increase and we were at 3.5% in Insurance, 1.5% in Reinsurance. Clearly from this price increase, and this corresponds to the price increase for the first quarter but the global outlook is very positive. It's positive now, more positive now which means that yes, look at what I said before. This will help increase our profitability and if all of this I would say would participate to the improvement in terms of combined ratio for AXA XL that I just described before. But as far as the other, the Individual lines are concerned - yes, the price increase is - again, the frequency is still globally improving. We have a frequency and severity, if I take the price effect globally speaking, say for Personal Motor and for Personal non-Motor, the price effect more than offset the combined effect of frequency and severity. The net is positive. It is still true and it is still true for the first quarter. And I'm expecting to be still true for the whole year. Keep in mind, that as far as Motor is concerned, we can expect going forward to have a frequency still going down and the severity is mostly due to bodily injuries, due to the spare parts but - globally speaking, we can expect to have, some people would say, could be a run-off but it will be an ultra long run-off maybe 20 years or 50 years, but we can expect that it will be positive in terms of profitability.

Oliver Steel | Deutsche Bank Okay. Sorry just to sort of summarize all of that. So excluding XL for a second, elsewhere, what you're saying is that both across Personal lines and Commercial lines, these price increases are or should lead to an improvement to the attritional loss ratio?

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes, yes

Oliver Steel | Deutsche Bank Thank you.

Operator Next question comes from Andrew Crean from Autonomous. Sir please, go ahead.

Andrew Crean | Autonomous Hi, good morning. Just one question. Can you say anything about potential loss creep from events in 2018 on XL?

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes, Andrew. We could say that, of course, some of our peers have been reporting on Jebi. And I would say that last year you remember that for us Jebi cost Euro 162 million, it was the impact gross of tax and net of reinsurance. Globally speaking, I would say that this typhoon increases for the whole market from Euro 9 billion to Euro 12 billion. So for sure, as a consequence, there will be some impact for us. But it's too early to share any precise number. But, I would say that there will be some other favorable developments. My view today is that we can anticipate other positive developments, favorable developments in other areas could offset this potential impact from Jebi. That's what I can share with you.

Andrew Crean | Autonomous Thank you.

Operator Sir, we don't have any questions

Gérald Harlin | Deputy CEO and Group CFO, AXA Thanks to all and thanks for your time.

Andrew Wallace-Barnett | Head of Investor Relations, AXA Have a great day.

Gérald Harlin | Deputy CEO and Group CFO, AXA Have a good day. Have a nice week-end as well. Bye.

*** END OF THE TRANSCRIPT ***