# Presentation of Full Year 2018 Earnings
# Press Conference
# February 21, 2019

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# Introduction

Thomas BUBERL
*CEO, AXA Group*

Hello everyone, and welcome to the presentation of the AXA Group's 2018 results. 2017 was the year of structuring choices and 2018 the year of action, a decisive year. We have undergone numerous transformations – from the creation of AXA XL and the IPO involving our US life, savings, retirement and asset management business to the acquisition of the residual stake in AXA Tianping we didn't already own and the launch of several new innovative products and services during the year. 2018 can also be described as a year of acceleration in the implementation of our strategy, demonstrating our determination to transform AXA and make it a company that is much more focused on insurance risks and stronger contact with our customers.

We have been transforming the Group while also achieving very good underlying earnings and maintaining a healthy balance between growth and profitability. Gross revenues grew by 4%, with our target segments showing particular strength: health, protection, and commercial lines. Underlying earnings rose to their highest level in AXA's history, reaching 6.2 billion euros. That's an increase of 6% despite the unusually high level of natural disasters in the fourth quarter. These earnings are supported by an extremely solid balance sheet. Our solvency ratio is 193%, within our target range of between 170 and 220%. The Board of Directors decided to recommend that shareholders approve a 6% increase in our dividend, to 1.34 euro.

Our long-standing strategy of making AXA less sensitive to financial risks and of bringing the Group closer to its customers is being fully deployed, and we can see the early fruits of this transformation today. The growth dynamic is back on track. I take great pride in announcing that the Group's gross revenues grew by 4% in 2018, bringing sales for the year to 103 billion euros. Moreover, this growth was driven by our target segments – health, protection, and commercial property and casualty insurance. Commercial lines revenues were up by 5% in 2018, as businesses are seeking more extensive coverage. With AXA XL, we are now the world leader in this particular segment. In health and protection, we also posted healthy growth and today, AXA is among the world leaders in these segments. We are very active in six global markets and this positioning has allowed us to grow by 7% in Health and 3% in Protection.

Most of our growth derived from our target segments, which cover a large portion of our total business. We still have some way to go in our transformation, with the sale of our stake in AXA Equitable. If this movement takes place, 80% of our business will be concentrated in our target segments.

Our underlying earnings growth was driven by all geographies. Today, AXA is one of the world's most diversified insurers: 80% of our earnings come from ten markets. France and Europe, which together represent two-thirds of AXA's revenues, are experiencing strong growth, posting a 10% increase in underlying earnings. The United States, Asia, and international markets also contributed to our underlying earnings growth of 6%. The new AXA XL division faced an unusually high level of natural disasters in the fourth quarter. In fact, AXA XL's fourth quarter was equal in this respect to what is normally the annual loss ratio.

One of our priorities is to integrate AXA XL. This integration is progressing quickly and things are moving in the right direction. First of all, we had to integrate AXA XL into our joint reinsurance. The risk teams have created and implemented a new reinsurance program based on the Group's risk appetite. In addition, we made sure we were ready for the renewal campaign on January 1st. In numerous geographies from France and Europe to international markets, we have already combined forces to create more opportunities than we would have had if each of us were acting alone. As for the integration, we are on the right track for achieving synergies. Last week, we announced our plans for integrating our organizations in Europe to the Unions.

The process of asset allocation for XL's assets has already begun. As the early signs in 2019 show, the commercial dynamic of both organizations continues to build, with 10% revenue growth in the fourth quarter and a positive renewal experience on January 1st. This dynamic should persist and we will certainly be able to build on the excellent reputation of XL with its customers. We reiterate and confirm our earnings ambition for the AXA XL combination of €1.4 billion in 2020, assuming a normal occurrence of natural catastrophes, which is about 4%.

The transformation of AXA goes well beyond just the acquisition of XL. By combining AXA and XL, we have created the world's number one insurer of commercial property risks. This combination gives us very strong positioning that we are now ready to capitalize on. At the same time, we announced our intention of increasing our stake in the joint venture AXA Tianping, which brings it to 100%. As a reminder, we are China's number one foreign property casualty insurer. There are some great opportunities in property casualty insurance, as well as in health insurance, that we hope to capture thanks to this investment.

We have also made progress in terms of innovation in various forms and in many countries. In France, Jacques de Peretti and his teams have invested heavily in telemedicine. Today, this offering is extremely important and differentiating in the field of group insurance. With AXA Assistance and Qare, we have become the leader in telemedicine in France. Last year, we also announced two major strategic partnerships. Our partnership with Uber is progressing smoothly. We have already insured a billion rides. And our European partnership with ING puts us in contact with ING's 13 million customers.

We continued the process of desensitizing the Group to financial risks as well. This strategy, which we started to implement after the financial crisis of 2008, picked up speed last year with three main pillars. The first pillar was the listing of our US life and annuities businesses. We launched the IPO on May 20th and followed with secondary offers. Today, we still own 50% of this company, which is well positioned in terms of growth in the US market, as well as in terms of underlying earnings. The second pillar is the transformation of our group life insurance business in Switzerland, where we have modified our life insurance portfolio. We're the leader in this business. The third and last pillar is the announced sale of AXA Life Europe, our European variable annuities vehicle. Together, these three transactions give us the means to increase our cash generation, especially to finance the purchase of XL, and reduce our debt to reach the target range of between 25 and 28%.

This process led to the creation of a new AXA Group, transformed in terms of its business mix. After the financial crisis, AXA was 80% concentrated in financial risks, i.e., in life and savings activities. Thanks to this transformation and the exit from the US life business, we have totally changed our profile. Our exposure is now centered 80% on property casualty, health, and protection. We are the world's leading property casualty insurance company and a major international player in both health and protection. At the same time, we have substantially reduced our sensitivity to financial risks. Financial shocks have a much greater impact on our solvency than the risks associated with natural disasters. In 2008-2009, for example, the shock of the financial crisis represented 61 credit points whereas the same shock, with this new profile, would correspond to 46 points.

AXA is also at the heart of the community. By its very nature, insurance contributes to social cohesion. It seems to me that it is even more important to talk about it this year, given the situation in France. The Group is very active in many areas, particularly climate change. On this subject, we were the first to significantly reduce our investments in the coal industry.

The climate has a connection with another topic that is very important for us, and that is health. We have launched many initiatives designed to improve the health of various populations. We have also worked a lot on inclusion. Following the yellow vest protests in

France, we have engaged with 18 companies to provide support in the field of healthcare, especially in areas with limited access to healthcare: ‘medical deserts’. We launched a very innovative pilot in the Hauts-de-France region to deploy telemedicine for the benefit of the local population. Artificial intelligence and data processing are very important for our industry. Insurance is a data-driven business, but we also know that responsible conduct is essential to our reputation and the trust our customers place in us. For the third consecutive year, we are ranked in the Top 5% of the Dow Jones Sustainability Index and we intend to continue in this direction.

The results for 2018 demonstrate that we are on track to meet our Ambition 2020 targets. Our underlying earnings per share is up by 3%, within our target range of 3% to 7%. In terms of free cash flow from operations, our objective is to position ourselves between €28 billion and €32 billion by 2020. In 2018, we came in at €6.6 billion, which is a contribution to achieving this objective. Similarly, the return on shareholders’ equity of 14.4% falls within the range of 14 to 16%, which we increased on our most recent Investor Day in November of 2018. Lastly, the solvency ratio is 193%%, which is also within our range of 170 to 220%. I can therefore confirm the objectives of our Ambition 2020 strategic plan.

# AXA France Earnings

Jacques de PERETTI
*Chairman & CEO, AXA France*

It is my privilege to present the good results of AXA France. In France, we are taking advantage of our exceptionally broad presence throughout the country and across business lines to transform our model, increase the expertise of our employees, increase customer satisfaction, and grow both our revenues and our profitability. And the results for 2018 show we are on the right track. This track is being laid thanks to the unwavering commitment of our employees and our tied agents.

Our revenues grew by 3% in 2018, exceeding the 25 billion euro mark. Our business is growing in the Group's preferred segments. Health is up by 12%, Protection is up by 5%, and P&C Commercial Lines is up by 3%. This is targeted growth and, in parallel, our profitability rose. Indeed, the combined ratios for the three main lines have all improved. The combined P&C ratio improved significantly, by 2.3 percentage points, to 92.3%. Our combined ratio also improved in health, demonstrating that despite higher acquisition costs – linked to phenomenal growth of 12% - we were able to improve our combined ratio thanks to new technical margins. The same can be said for protection.

Our diversification rate was 39% in 2018. Thus, 39% of our sales in individual savings were in unit-linked products. This outcome positions us 10 points above the market average thanks to the quality and performance of our products and the expertise and know-how of our advisors, who have access to increasingly powerful tools to help them meet their fiduciary duty, but also to our selectivity in new business and customer targets.

The growth in revenues and the improvement in technical ratios led to a 10% improvement in our underlying earnings for the year, which exceed 1.5 billion euros. Despite the natural disasters that hit France in 2018, which cost an additional combined ratio point, and despite higher taxes and lower investment returns, we were able to increase our underlying earnings by more than 140 million euros thanks to the improvement in technical margins and the increase in the volume of commissions on unit-linked product sales.

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Our strategy, largely inspired by that of the Group, is built on five pillars:

- Improve the satisfaction of our customers
- Pursue our payer to partner policy that seeks to make us partners to our customers and share our success with them, in telemedicine, for example
- Make our model and our interaction with customers simpler, to ensure that getting insured by AXA does not mean completing an obstacle course
- Support the integration of XL to leverage its expertise and use our local presence to share this expertise more widely
- Be an important actor in society.

This last point is of particular importance to us. Our Group has a tradition of being present in the community where we do business. In 1991, we launched the "union check" to promote social debate within the company. In 2005, we developed the anonymous résumé to ensure that young jobseekers gain better access to careers in our companies. We want to continue in this direction. Today, our volunteer-based organization AXA Atout Coeur has 8,000 volunteers who together support 150 organizations every day.

This year, we wanted to strengthen this commitment to the community by working with 18 companies to help make the economy more inclusive. We decided to offer all single-parent families with modest means an education stipend for each of their children until they reach the age of 26. And we have always been a strong source of support for women who are the victims of violence. Every three days, a woman dies as a result of an act of domestic violence in France. We now have a team of lawyers who are available daily to take calls from these women, help them take the administrative and legal steps needed to assert their rights, and support them financially. This year, we will also support the *Maison de la Femme*, a place that is medically equipped to assist women who are the victims of violence.

We also want to strengthen the bond between young people and the company. With this in mind, this year we will welcome 200 high school students as interns and we will significantly increase the number of work-study students, to 1,800. In the fight against medical deserts, after completing an initial program in the North of France, we will launch a second one in the coming weeks in the Ile-de-France region. Lastly, we continue our efforts in an area that is very important to us – that of prevention. We have worked on road safety and health, but also on newer areas of concern, such as cybercrime, which affects young people and is a real threat. Four years ago, we established a partnership with the National Gendarmerie and the National Police to create an internet licensing program in schools aimed at protecting pre-middle school age children. This year, the number of protected children in this age group surpassed two million.

Being a leading force in the community is a very important priority for my colleagues and me. We want to increase our presence even more today because we see on a daily basis how much our country needs a greater commitment from everyone and from companies to strengthen its social cohesion.

# Group Business

Gérald HARLIN
*Deputy CEO and Group CFO, AXA Group*

Now I will present the results for our other markets, starting with Europe.

## I) Europe

In Europe, underlying earnings rose by 10%, thanks in particular to higher technical margins in Switzerland, the United Kingdom, Germany, and Spain, but also to a lower tax rate in Switzerland and Belgium. These positive technical elements were offset by the decline in the investment margin, which in turn was linked to very low interest rates. Nevertheless, underlying earnings point to a historical level of growth. Ratios are improving, with the combined ratio for health improving by 1.3 points. In total, revenues grew by 3%.

## II) Asia

In Asia, underlying earnings increased by 5% in 2018, with higher technical margins in Japan, higher management fees on unit-linked products in Hong Kong due to improved markets and higher volumes, and lastly to an improved contribution by China to earnings for this geographic segment. Revenues rose by 4% overall, and we also saw 12% growth in Protection APE. As we indicated in November during our Investor Day, 87% of our business in Asia derives from our preferred segments (property & casualty, health, and protection).

## III) AXA XL

For AXA XL, two major natural disasters occurred in the fourth quarter. I would like to remind you that we are consolidating only the fourth quarter of AXA XL, since we took possession of the company at the start of that quarter, whereas AXA Corporate Solutions is consolidated for the entire year.

With a normal level of natural disasters, XL's contribution would have reached 0.2 billion euros in the fourth quarter. Hurricane Michael and California's wildfires each cost the equivalent of 0.3 billion euros. So the impact of extraordinary natural disasters was therefore -0.5 billion euros. As a result, AXA XL's share of earnings was -374 million euros. Adding the contribution of AXA Corporate Solutions (EUR 0.1 billion), the total contribution of AXA XL to our financial statements and our underlying earnings amounted to EUR -0.2 billion.

XL posted healthy activity in the last quarter thanks to two major deals. Even excluding these deals, revenues would be up by 5%. Market conditions are promising. In this environment, which is marked by many natural disasters, policy rates increased. These increases averaged 4% in 2018 and the January renewal was satisfactory, with 4% growth in insurance and 1.5% in reinsurance.

## IV) United States

In the United States, underlying earnings increased by 4%, again thanks to an increase in unit-linked management fees, a higher investment margin, and model changes net of positive tax effects. Each of these items represents a contribution of 0.1 billion euros. However, they were overshadowed by the IPO and the sale of US securities. Instead of fully consolidating US operations, as in 2017, we consolidated 81% in 2018, resulting in a decrease of 0.3 billion euros.

New business was up by 6% for 2018. We had a very good second half, with new business growing by 9% over the period. Our asset manager AB saw its revenues increase by 5%. Average management fees, in a context of falling fees, increased by 0.9 basis points because our product mix improved, with more products for retail clients and fewer for institutional investors.

## V) International

The international segment is showing strong growth across all countries. Underlying earnings rose by 28% and every single country – from Mexico and Turkey to Russia – and AXA Bank Belgium played a role. In health, our ratio improved substantially (2.1 points). Revenues grew by 5% overall and by 11% in the health segment, which represents a significant portion of international business activity. Today, 88% of our international business is in our preferred segments: property casualty, health, and protection.

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## VI) AXA IM

Lastly, AXA IM's underlying earnings grew by 6%. This performance is the result of lower financial charges and taxes, as well as an increase in the underlying earnings contribution of our Asian joint ventures. These effects were, however, offset by lower management fee income.

Net inflows from third-party clients rose by 3 billion euros in 2018. We are also seeing growth in alternative management, and the acquisition of a new line – Quadrant Real Estate Advisors – to the real estate business of AXA IM has brought us an additional 8 billion euros. We were already the number one property management company in Europe and now, with 80 billion euros worth of assets, we are far ahead of our competitors.

AXA IM is a core business that enables us to manage our assets and maintain preferred access to alternative management, and is also very profitable in terms of third-party asset management.

# Earnings and financial strength overview

Gérald HARLIN
*Deputy CEO and Group CFO, AXA Group*

Underlying earnings grew by 6%, with underlying earnings per share up by 3%. Underlying earnings are calculated at constant exchange rates, while growth in underlying earnings per share is measured at current exchange rates. The dollar fell in 2018, which explains the difference in performance between the two numbers. Adjusted earnings increased by 3% and the dividend rose sharply, by 6%, to 1.34 euros. Previously, our payout rate was between 45 and 55%. Last November, we raised our range to between 50 and 60%. We see the results of this decision today, as our dividend payout rate is up from 49% last year to 52% this year.

Net income for 2018 amounted to 2.14 billion euros. The decrease versus the previous year is mainly due to other accounting items, starting with goodwill and other intangibles. We amortized goodwill from the US business for 3.1 billion euros. In addition, we pulled out of the Group pension business in Switzerland and were obliged to write off this goodwill, which explains most of the EUR -451 million in the second line. As for the -463 million euros in the first line, it's important to remember that certain assets on the balance sheet are mark to market. However, during the last quarter of 2018, spreads on corporate bonds increased sharply, creating a negative impact. The real cash outflow comes from integration and restructuring costs, amounting to -332 million euros. This amount is largely the result of the US IPO and the integration of XL.

Regarding the financial strength indicators, our shareholders' equity decreased from 69.6 to 62.4 billion euros. Much of this decrease is related to mark-to-market items. Stock markets fell in the last quarter and that trend is reflected in this amount. Our Solvency II ratio remains very solid at 193% and remains perfectly within our range of 170 to 220%. This strength is also reflected in our financial ratings. We are rated AA- with three agencies. S&P and Fitch, which had put us on negative watch, gave us back the ratings we had before the acquisition of XL, thanks to the effects of the deleveraging plan we presented to the market in the last quarter of 2018.

General account assets amount to 615 billion euros. In our insurance business, the asset-liability match is very important. We have to invest mainly in bond products to achieve the right asset liability match. Thus, interest rate or bond products represent 86% of our assets. Alternatives are also becoming more important. They allow us to invest in assets with higher returns while maintaining excellent quality. We also hold 6% of our investments in real estate assets and 3% in listed shares. These latter two asset types account for a relatively small percentage today because they are very expensive in a Solvency II world.

70 billion euros were invested in 2018. We made very high quality investments, with 28% sovereign issuers rated AA on average, 57% corporate bonds rated A, 7% ABS of investment grade AA or A, and 7% below investment grade. Thanks to this high quality management, we were able to reinvest at a rate of 2.5%.

# Conclusion

Thomas BUBERL
*CEO, AXA Group*

The year 2018 was a decisive year. It was marked by a profound transformation of AXA and by a 6% increase in underlying earnings. Revenue growth of 4% in our target segments also helped us achieve this record result.

In 2019, we will continue with this transformation. Our priorities are extremely clear. First, we need to pursue the integration of XL. Second, we plan to continue our transformation in terms of investments in innovation. Third, we will continue our withdrawal from our US life business with the aim of reducing our debt. These priorities are perfectly in line with our Ambition 2020 plan and we are well on our way to achieving our goals.

I would like to thank all of our customers, our partners and, especially, our employees and AXA agents, all of whom have contributed to this very good result in terms of underlying earnings.

# Q&A Session

**Florian DELAMBILY, *News Assurances Pro***

You indicated that the policy renewal rate on January 1st is positive for AXA XL. What is this rate? Is it possible to compare it to the rate on January 1, 2018, prior to XL? With respect to commercial lines insurance, you mentioned an increase of 3%, whereas the presentation shows a decrease of 2% when CLP is included. Could you clarify that point? What is the impact of the increased renewal rates in individual and commercial lines in terms of volume and portfolio size for AXA France? And lastly, the Group is clearly shifting its focus to the insurance business, with 81% of revenues attributable to property casualty, protection, and health insurance. In France, more than 50% of revenues still come from retirement savings. Do you intend to work on reducing France's sensitivity to the retirement savings business? If so, how do you plan to do this?

**Thomas BUBERL**

The renewal rate for XL remains pretty much in line with the beginning of 2018. The year 2017 had already been impacted by unusual natural disasters. By January 1, 2018, XL had begun to raise its rates and we continued to follow this policy. In early January 2019, we increased rates by 4% on average in primary insurance, with a renewal rate of 90%. After such events, it is never easy to raise rates and preserve the size of the portfolio. This result appears satisfactory. For reinsurance, the increase in rates is less significant, somewhere in the neighborhood of 1 - 1.5%, but the renewal rate is close to 90%. We are confident about the continuation of this trend in geographies where renewals are spread over the year.

The 80% rate is from the Group perspective. We want to make our activities less sensitive to financial risks in order to reduce the sensitivity of our balance sheet and improve our contact with the end customer. In the United States, we offer a lot of financial guarantees but we are not close to the customer at all because these products are generally sold through banking channels. In France, the situation is totally different. Our mix includes a lot of unit-linked products, which means our business is much less sensitive to financial risks. In addition, our business is very focused on the affluent segment and the tied agent channel, where direct contact with the end customer is very intense.

**Jacques de PERETTI**

Last year, our rate increase was 2.1% for commercial lines and 1.8% for personal lines. Our property and casualty business in France posted 20% growth in new business and a 3% rise in revenues. Regarding CLP (Credit & Lifestyle Protection), we had to terminate two large contracts whose profitability did not meet our standards. This decision resulted in a revenue decline of 18 to 20%. Overall, revenues fell but, in spite of this, our current combined ratio improved by 0.6 percentage points to 96.1%. Our all-year combined ratio improved by 2.5 points to 91.4%.

As for personal lines, we have lost a little bit of market share. The number of vehicles insured by us fell by 30,000 last year. In the French market, we are witnessing a titanic struggle between the *bancassureurs* who, in order to make the fixed costs associated with their retail branches profitable in the face of the declining profitability of their banking business, have committed themselves to making money in the insurance business, and the mutual, for whom retail is their core business. We did not want to embark on a price war. Instead, we worked on a new home insurance product that was released late last year and on a new motor insurance product that will be released this year. Our combined ratio stands at 93% and we intend to return to this market. In France, AXA favors multi-ownership. Our life business is profitable and shows a ROE greater than 15%. Above all, it offers us a way to be more present in our customers' lives and achieve greater frequency of contact with them.

**Jacques de BAUDUS, *Le Pavé de l'assurance***

You have stated that you want to be a major force in society and help make the economy more inclusive. Is this ambition compatible with a dividend increase of 6% while net income is down threefold, in a context marked by the yellow vest protests?

**Thomas BUBERL**

The dividend increased by 6%. It is based on adjusted earnings, which also increased by 6%. As for net income, it was impacted by non-structural items. The depreciation of book value in the United States, for example, has no impact on cash. In the context of France, it seems very important to us to be a societal force but we also strive to serve all of our stakeholders – whether this means our customers, with innovative products, our shareholders, with a competitive dividend, or society as a whole. Jacques de Peretti presented a summary of our recent actions, including the initiative we launched with 18 other companies; the commitment of our employees; the services offered to lower income segments; telemedicine; and our commitment to promoting women. From the beginning, our Group has been very active in the community, through our actions or through the commitment of our employees. In France, 8,000 employees are now involved in AXA Atout Cœur, out of a total of 20,000. The same is true in other countries. Social responsibility and commitment to society is part of our DNA.

**Thomas HANKE, *Handelsblatt***

You have said a lot about the transformation of your company. Last year, you seemed to be pretty aggressive and you paid a pretty steep price – as attested to by the 66% decrease in your net income. Do you still have high ambitions in terms of acquisition? Do you intend to buy back shares to spend your cash?

**Thomas BUBERL**

We are committed to transforming AXA to desensitize our balance sheet with respect to financial risks and to get closer to our customers. 2018 proved to be a year of structuring choices from this point of view, with the acquisition of XL and the increase of our investments in innovation. We will continue in this direction and plan to dedicate 2019 to the execution of these transformations – be it the integration of XL, the continuation of the transformation, or paying down the debt. That's the sum total of our plan and focus.

**Jennifer LAIDLAW, *S&P Global Market Intelligence***

In the context of Brexit, AXA has already tried to transfer staff in/to Ireland. Are other transfers planned? What is your strategy in relation to Brexit? Regarding the integration of XL, could you confirm the layoff of up to 700 people? Finally, what actions are you putting in place to fight against climate change? How do you perceive the risks associated with this change in the years to come?

**Thomas BUBERL**

We are affected by Brexit in two ways. Today, our operations in the United Kingdom and in Ireland are significant, accounting for 5% of the Group's total revenues. We lead the UK market in health and are number two in the commercial lines insurance market. With respect to these local operations, we have prepared ourselves on the basis of a hard Brexit. We would like to pursue these businesses because this market remains important for us. On the international level, we have also prepared ourselves for a hard Brexit scenario. In the course of the last two years, we have been bringing people on international assignment back to France. Our very strong European footprint makes this much easier than for groups that don't have this presence on the continent. In any case, the process is under control.

We do indeed want to integrate the two structures AXA and XL. In some European countries such as France, Germany, and Italy, we must ensure that these structures are coordinated and able to work together. This led to the workforce reduction that we announced last week. We are now in discussions. As you know, AXA has a history of very responsible partnership and social dialogue. We want to preserve this history of strong and active dialogue and we are eager to work with our partners to find the best solution for integrating these two companies.

Lastly, with regard to climate change, these changes are taking place over a long period of time. Over the last ten years, we have experienced two years of unusual activity in terms of natural disasters – in 2017 and 2018. The eight years before the last two had seen fewer and less intense events of this kind. We cannot yet say with certainty that these events are related to climate change. In 2019, we will see if the years 2017 and 2018 are repeated. If this turns out to be the case, we would adjust our exposure to this risk, which does not mean that we would reduce our business. Today, there is a lot of alternative capital in the market. Pension funds and reinsurers are very interested in this risk. We will do more in this segment. XL was one of the top companies in the alternative capital segment. We want to capitalize on its experience to benefit the entire Group.

**Christian SCHUBERT, *Frankfurter Allgemeine Zeitung***

Have you defined an absolute debt figure? What was the level of debt? What's your cash position? Do you currently think you paid too much for XL? Lastly, you still own 50% of AXA Equitable. Do you have a timeframe for reducing your stake?

**Gérald HARLIN**

Our debt level stood at 25% last year. In November, we announced that our debt would increase to 32% at the end of 2018 and that our goal is to get it back down to between 25 and 28% by the end of 2020 – its previous level. As for cash, we continue to maintain a precautionary cash position of more than € 1 billion.

**Thomas BUBERL**

With respect to the price we paid to acquire AXA XL, the best way to analyze it is by comparison with similar transactions. We paid $15 billion on a standardized basis of $1 billion, i.e., a multiple of 15. Other transactions that followed, like AIG-Validus or Hartford-Navigators, were done at much higher multiples. In addition, the synergies must be taken into account. At the time of the deal, we announced significant synergies in several areas. The first is diversification: before XL, AXA was very focused on Europe (European storms). With XL, which has high exposure to the United States, we have increased our diversification. As of 2020, when we can integrate XL into our internal solvency model, we can reduce our capital requirement by €2 billion. Thus, the price multiple will be lowered to 13. We have also anticipated synergies in terms of cost reductions, including reinsurance and business development. The 500 million euros announced in this regard justify the price we paid.

As for AXA Equitable, today we own just over 50% and our goal is to divest completely from this company to bring our debt level to between 25 and 28%. We haven't set a precise timetable yet. We want to time it just right with respect to the market and the performance of Equitable. Equitable's operating performance has been very satisfactory. With this IPO, we were able to show investors higher profitability. We are waiting for the right time to sell the rest, by which I mean the best time for our shareholders.

**Muriel BREIMAN, *Investir***

Could you provide a more in-depth explanation of the €3.1 billion recorded in the fourth quarter for goodwill impairment?

**Gérald HARLIN**

We made the decision to float AXA Equitable Holdings. On this occasion, we recorded accounting depreciations on historical goodwill that were almost twenty years old, for a total amount of 3.1 billion euros. This is a pure accounting entry. These impairments have no implication for our solvency, which remains very strong, at 193%. In addition, the American company posted operating growth of 4%, despite the decrease in consolidation from 100% to 81%. Without this last item, growth would have been almost 20%. Our US subsidiary is very healthy. This was purely an accounting entry.

**Giuliana LICINI, *Il Sole 24 Ore***

Can you comment on developments in Italy? The Italian economic situation (technically a recession), the political uncertainty, and the tensions with France: are these a source of worry?

**Antimo PERRETTA, *CEO of AXA in Europe***

In Italy, revenues rose by 22%. The relationship with our banking partner is working very well and has allowed us to launch great products that have contributed to this growth. 2019 also seems to be off to a great start. Revenues continue to grow very satisfactorily and innovations we have made to the products we sell have been well received, both by the market and our customers.

**Thomas BUBERL**

It is true that the Italian political situation worries us. However, our business is focused on Italian demographics and the needs of Italians and our perspective is long term. Although the political situation is currently volatile, the demands of Italian consumers remain fairly constant. We see a strong growth opportunity in health and commercial insurance lines, and our teams are focused on these segments. Performances are satisfactory and we will ensure that this remains the case. Tensions between France and Italy are more about the European question. As a major player in Europe, we have an interest in ensuring that cohesion continues and that Europe finds its way. I am convinced that – between the United States and China – there is a European way, based on our shared values and a European model. It is our responsibility to find this way together. To this end, European elections and the dialogue between countries and within countries remain extremely important.

Thank you for your attention.